NOTICE OF SPECIAL MEETING

to be held August 31, 2010

and

NOTICE OF PETITION TO
THE COURT OF QUEEN'S BENCH OF ALBERTA

and

INFORMATION CIRCULAR AND PROXY STATEMENT

with respect to a

PLAN OF ARRANGEMENT

involving

VERMILION ENERGY INC., VERMILION ENERGY TRUST, VERMILION RESOURCES LTD., VERMILION SECURITYHOLDERS AND TAP AWARD HOLDERS

July 30, 2010

If you are in doubt as to how to deal with these materials or the matters they describe, please consult your professional advisor. If you require more information with respect to voting your securities of Vermilion Energy Trust or Vermilion Resources Ltd., please contact Kingsdale Shareholder Services Inc. at 1-800-775-4067 (toll-free in North America) or 416-867-2272 (outside North America) or by e-mail at contactus@kingsdaleshareholder.com.

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VERMILION
ENERGY

Invitation to Unitholders, Exchangeable Shareholders and TAP Award Holders	10:00 a.m. Cardium Room Calgary Petroleum Club Calgary, Alberta

Dear Unitholders, Exchangeable Shareholders and TAP Award Holders,

You are invited to attend a special meeting of the holders of trust units (**"Unitholders"**) of Vermilion Energy Trust (the "**Trust**"), the holders of Series A exchangeable shares (**"Exchangeable Shareholders"**) of Vermilion Resources Ltd. and holders of trust unit incentive plan awards (**"TAP Award Holders"**) of the Trust to be held, pursuant to an Interim Order of the Court of Queen's Bench of Alberta, on August 31, 2010 at 10:00 a.m. (Calgary time) in the Cardium Room, Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta. The purpose of the special meeting is to consider and vote upon the proposed conversion of the Trust from a trust structure to a corporate structure pursuant to a plan of arrangement and certain related transactions (the **"Conversion"**) and to approve a new Vermilion incentive plan and a shareholder rights plan of Vermilion Energy Inc.

The Conversion involves a proposed internal reorganization of the Trust and certain of its subsidiaries through which the Trust's current trust structure will be replaced with a corporate structure. The Conversion is being recommended in light of the fact that the transition period for the application of the changes in the tax treatment of income trusts (originally announced by the Canadian Federal government on October 31, 2006) ends on December 31, 2010. If the Conversion is approved, the Trust will be replaced by a publicly-traded, dividend-paying corporation known as Vermilion Energy Inc. The Conversion will not involve the acquisition of any additional interests in any operating assets or the disposition of any of the Trust's existing interests in operating assets. Vermilion Energy Inc. will own, directly or indirectly, the same assets that the Trust owned immediately prior to the effective time of the Conversion and Vermilion Energy Inc. will assume all of the obligations of the Trust. The Conversion is designed to provide consistent and equitable treatment of all securityholders and to maintain the business and goodwill of the Trust.

If the Conversion is approved, we also intend to seek approval of a new Vermilion incentive plan for Vermilion Energy Inc. to replace the current trust unit award plan of the Trust and approval of a new shareholder rights plan for Vermilion Energy Inc. to replace the current unitholder rights plan of the Trust, both of which will become effective at the same time the Conversion is implemented. The proposed shareholder rights plan contains rights, terms and conditions that are substantially the same as the Trust's existing unitholder rights plan and we believe that it will be in the best interests of Vermilion Energy Inc. and its shareholders to continue to have a rights plan in place following the Conversion.

The board of directors of Vermilion Resources Ltd., as administrator of the Trust, based upon its own investigations, including its consideration of the fairness opinion of TD Securities Inc., has unanimously determined that the conversion to a corporate structure is fair to Unitholders, Exchangeable Shareholders

and TAP Award Holders, is in the best interest of the Trust, Unitholders, Exchangeable Shareholders and TAP Award Holders and recommends that Unitholders, Exchangeable Shareholders and TAP Award Holders vote in favour of the Conversion.

Please review the enclosed materials carefully. The materials contain important information about the meeting, voting and the proposed Conversion. If you have any questions, please contact our proxy solicitation and information agent Kingsdale Shareholder Services Inc. at 1-800-775-4067 (toll-free in North America) or at 416-867-2272 (outside North America) or email them at contactus@kingsdaleshareholder.com. You may vote on the matters of special business by telephone, fax or internet in accordance with the instructions on the form of proxy or voting direction provided at the meeting.

On behalf of the board of directors of Vermilion Resources Ltd., I would like to express our gratitude for the support our securityholders and employees have demonstrated in respect of our decision to present the proposed Conversion. We believe the Conversion will allow us to continue to expand and enhance our business for the benefit of our securityholders, our employees and the communities that we serve. We appreciate your support and look forward to seeing you at the special meeting.

Yours very truly,

By order of the Board of Directors of Vermilion Resources Ltd., the administrator of VERMILION ENERGY TRUST

(Signed) "*Lorenzo Donadeo*"

Lorenzo Donadeo
President and Chief Executive Officer

VERMILION ENERGY TRUST
NOTICE OF SPECIAL MEETING
to be on held August 31, 2010

NOTICE IS HEREBY GIVEN that, pursuant to an order (the **"Interim Order"**) of the Court of Queen's Bench of Alberta dated July 30, 2010, a special meeting (the **"Meeting"**) of holders (**"Unitholders"**) of trust units (**"Trust Units"**) of Vermilion Energy Trust (the **"Trust"**), holders (**"Exchangeable Shareholders"**, and collectively with the Unitholders, **"Vermilion Securityholders"**) of Series A exchangeable shares (**"Exchangeable Shares"**) of Vermilion Resources Ltd. (**"VRL"**) and holders (**"TAP Award Holders"**) of trust unit incentive plan awards of the Trust will be held in the Cardium Room, Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta on Tuesday, August 31, 2010 at 10:00 a.m. (Calgary time) for the following purposes, which are described in more detail in the information circular and proxy statement of the Trust dated July 30, 2010 (the **"Information Circular"**) accompanying this Notice of Special Meeting:

1. to consider, pursuant to the Interim Order and, if thought advisable, to pass, with or without variation, a special resolution (the **"Conversion Resolution"**), the full text of which is set forth in Appendix "A" to the Information Circular, to approve the conversion of the Trust from its current trust structure to a corporate structure by way of a plan of arrangement under section 193 of the *Business Corporations Act* (Alberta) and certain related transactions;

2. if the Conversion Resolution is passed, to consider and, if thought advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set forth in the Information Circular, approving the new share award incentive plan of Vermilion Energy Inc. (**"VEI"**) to come into effect immediately upon the Conversion being effected;

3. if the Conversion Resolution is passed, to consider and, if thought advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set out in the Information Circular, approving the adoption of the shareholder rights plan of VEI to come into effect immediately upon the Conversion being effected; and

4. to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Specific details of the matters to be put before the Meeting are set forth in the Information Circular. The matters set forth above in items 2 and 3 will only be considered and voted on by Vermilion Securityholders if the Conversion Resolution has been approved. A copy of the Plan of Arrangement in respect of the Conversion is attached as Schedule "A" to the Arrangement Agreement, which is attached as Appendix "C" to the Information Circular.

The board of directors of VRL have fixed July 23, 2010 as the record date (the **"Record Date"**) for the determination of Vermilion Securityholders and TAP Award Holders entitled to notice of and to vote at the Meeting and at any adjournment thereof.

Vermilion Securityholders and TAP Award Holders who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy or voting direction, as applicable, and return it to Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 at least 48 hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournments thereof. If a Unitholder or an Exchangeable Shareholder receives more than one proxy form because such Unitholder owns Trust Units or Exchangeable Shares, as the case may be, registered in different names or addresses, each proxy form should be completed and returned.

Exchangeable Shareholders are required to vote through a special voting unit that has been issued to Computershare Trust Company of Canada (the **"Voting and Exchange Trustee"**) as trustee under a voting and exchange trust agreement dated January 16, 2003 among the Trust, Vermilion Acquisition Ltd. and the Voting and Exchange Trustee. The Exchangeable Shareholders are entitled to one vote for each Trust Unit into which each

Exchangeable Share may be exchanged as at the Record Date. The Voting and Exchange Trustee is required to vote the special voting unit in the manner that Exchangeable Shareholders instruct and to abstain from voting the Exchangeable Shares for which the Voting and Exchange Trustee does not receive instructions.

A proxyholder has discretion under the accompanying form of proxy or voting direction to consider such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Please refer to "Questions and Answers on Voting and Proxies" in the Information Circular for more information on how to vote at the Meeting.

DATED at the City of Calgary, in the Province of Alberta, this 30th day of July, 2010.

BY ORDER OF THE BOARD OF DIRECTORS OF VERMILION RESOURCES LTD., in its capacity as administrator of Vermilion Energy Trust

(Signed) "*Lorenzo Donadeo*"

Lorenzo Donadeo
President and Chief Executive Officer

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF SECTION 193 OF THE
BUSINESS CORPORATIONS ACT, R.S.A. 2000, c. B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
VERMILION ENERGY INC., VERMILION ENERGY TRUST, VERMILION RESOURCES LTD.,
THE UNITHOLDERS AND THE TAP AWARD HOLDERS OF VERMILION ENERGY TRUST
AND THE EXCHANGEABLE SHAREHOLDERS OF VERMILION RESOURCES LTD.

NOTICE OF PETITION

NOTICE IS HEREBY GIVEN that a petition (the "**Petition**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "**Court**") by Vermilion Resources Ltd. ("**VRL**"), on its own behalf and in its capacity as administrator of Vermilion Energy Trust (the "**Trust**"), and by Vermilion Energy Inc. ("**VEI**") (collectively, the "**Petitioners**") with respect to a proposed arrangement (the "**Arrangement"**) under section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the **"ABCA"**), involving VEI, the Trust, VRL and the holders of trust units (the "**Unitholders**") and trust unit incentive plan awards (the "**TAP Award Holders**") of the Trust and the holders of Series A exchangeable shares (the "**Exchangeable Shareholders**") of VRL (collectively, the Unitholders and the Exchangeable Shareholders are referred to as the **"Vermilion Securityholders**"), and which Arrangement is described in greater detail in the Information Circular and Proxy Statement of the Trust dated July 30, 2010, accompanying this Notice of Petition.

At the hearing of the Petition, the Petitioners intend to seek:

(a) a declaration that the terms and conditions of the Arrangement and the procedures relating thereto are fair to the Vermilion Securityholders, the TAP Award Holders and other affected persons both from a substantive and procedural point of view;

(b) an order approving the Arrangement under section 193 of the ABCA;

(c) an order declaring that the registered Vermilion Securityholders shall have the right to dissent in respect of the Arrangement in accordance with the provisions of section 191 of the ABCA, as modified by the interim order (the "**Interim Order**") of the Court dated July 30, 2010;

(d) a declaration that the Arrangement will, upon the filing of Articles of Arrangement pursuant to the provisions of section 193 of the ABCA, become effective in accordance with its terms and will be binding on and after the Effective Date (as defined in the Arrangement Agreement); and

(e) such other and further orders, declarations or directions as the Court may deem just.

AND NOTICE IS FURTHER GIVEN that the Court has been advised that its order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof, with respect to the issuance of the common shares of VEI issuable to Vermilion Securityholders pursuant to the Arrangement

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before a Justice of the Court, Calgary Courts Centre, 601 - 5th Street S.W., Calgary, Alberta, Canada, on the 31st day of August, 2010 at 1:45 p.m. (Calgary time) or as soon thereafter as counsel for the Petitioners may be heard. Any Vermilion Securityholder, TAP Award Holder or other interested party desiring to support or oppose the Petition may appear at the time of the hearing in person or by counsel for that purpose provided such Vermilion Securityholder, TAP Award Holder or other interested party files with the Court and serves upon the Petitioners on or before 5:00 p.m. (Calgary time) on August 24, 2010, a notice of intention to appear setting out such Vermilion Securityholder's, TAP Award Holder's or interested party's address for service in the Province of Alberta and indicating whether such

Vermilion Securityholder, TAP Award Holder or interested party intends to support or oppose the Petition or make submissions, together with a summary of the position that such Vermilion Securityholder, TAP Award Holder or other interested party intends to advocate before the Court and any evidence or materials which are to be presented to the Court. Service on the Petitioners is to be effected by delivery to their solicitors at the address set forth below. If any Vermilion Securityholder, TAP Award Holder or any other interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Petition will be given by VEI, the Trust or VRL and that in the event the hearing of the Petition is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by the Interim Order, has given directions as to the calling and holding of a special meeting of Vermilion Securityholders and TAP Award Holders for the purpose of such Vermilion Securityholders and TAP Award Holders voting upon a special resolution to approve the Arrangement and certain related matters and has directed that registered Vermilion Securityholders shall have the right to dissent with respect to the Arrangement in a manner consistent with the provisions of section 191 of the ABCA, as modified by the Interim Order.

AND NOTICE IS FURTHER GIVEN that a copy of the said Petition and other documents in the proceedings will be furnished to any Vermilion Securityholder, TAP Award Holder or other interested party requesting the same by the under-mentioned solicitors for the Petitioners upon written request delivered to such solicitors as follows:

Solicitors for the Petitioners:

Macleod Dixon LLP
3700, 400 - 3rd Avenue SW
Calgary, Alberta T2P 4H2
Facsimile Number: (403) 264-5973
Attention: Roger F. Smith

DATED at the City of Calgary, in the Province of Alberta, this 30th day of July, 2010.

BY ORDER OF THE BOARD OF DIRECTORS OF VERMILION RESOURCES LTD., in its capacity as administrator of Vermilion Energy Trust

(signed) "*Lorenzo Donadeo*"

Lorenzo Donadeo
President and Chief Executive Officer

INFORMATION CIRCULAR

Introduction

This Information Circular is furnished in connection with the solicitation of proxies by the management of VRL, on its own behalf and on behalf of the Trust, for use at the Meeting and any adjournment thereof. No person has been authorized to give any information or make any representation in connection with the Conversion, any aspect thereof or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Conversion in this Information Circular are qualified in their entirety by reference to the complete text of the Arrangement Agreement, a copy of which is attached as Appendix "C" to this Information Circular, and the Plan of Arrangement, a copy of which is attached as Schedule "A" to the Arrangement Agreement. Similarly, all references to the Vermilion Incentive Plan and the Shareholder Rights Plan are qualified in their entirety by reference to the complete text of the Vermilion Incentive Plan and Shareholder Rights Plan, attached as Appendix "F" and Appendix "G", respectively, to this Information Circular. **You are urged to carefully read the full text of the Arrangement Agreement, the Plan of Arrangement, Vermilion Incentive Plan and Shareholder Rights Plan. See "Questions and Answers on Voting and Proxies" for more information on how to vote at the Meeting.**

Vermilion Securityholders and TAP Award Holders are encouraged to obtain independent legal, tax, financial and investment advice in their jurisdiction of residence with respect to this Information Circular, the consequences of the Conversion and the holding and disposing of Trust Units, TAP Awards, Exchangeable Shares and VEI Common Shares.

The solicitation of proxies is intended to be made primarily by mail but may also be made by telephone, facsimile transmission or other electronic means of communication or in person by the directors, officers and employees of VRL. The cost of such solicitation will be borne by the Trust. The Trust has engaged Kingsdale as its proxy solicitation agent, to encourage the return of completed proxies and voting directions by Vermilion Securityholders and the TAP Award Holders and to solicit proxies and voting directions in favour of the matters to be considered at the Meeting. The fees for the information agent and proxy solicitation services provided by Kingsdale are based on a flat program management fee and a communication fee (per contact). The Trust does not expect that the costs in respect of such services will exceed $40,000. Fees payable to Kingsdale will be paid by the Trust.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "Glossary" or elsewhere in this Information Circular. Information contained in this Information Circular is given as of July 23, 2010 unless otherwise specifically stated.

Forward-Looking Statements

Certain statements contained in this Information Circular, including the documents incorporated by reference herein, include statements that contain words such as "could", "should", "can", "anticipate", "estimate", "propose", "plan", "expect", "believe", "will", "may" and similar expressions and statements relating to matters that are not historical facts constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking information and statements"). In particular, forward-looking information and statements include, but are not limited to: statements regarding the Conversion and VEI's business plan; the anticipated benefits of the Conversion; the timing of the Final Order; the effective date of the Conversion; the making of applications and the satisfaction of conditions for listing on the TSX and the timing thereof; the composition of the VEI board and management team of VEI upon completion of the Conversion; the treatment of Vermilion Securityholders under tax laws; and the planned dividend policy of VEI.

The forward-looking information and statements contained in this Information Circular and in the documents incorporated by reference herein are based on certain assumptions and analysis made by the Trust in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. By their nature, forward-looking information and statements involve inherent risks and uncertainties and risk that forward-looking information and statements will not be achieved. Undue reliance should not be placed on forward-looking information and statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward-looking information and statements, including those set out below and those detailed elsewhere in this Information Circular and in the documents incorporated by reference herein. Such factors include but are not limited to: failure of the parties to the Arrangement Agreement to satisfy the conditions set out therein; inability to meet the TSX requirements respecting listing of the VEI Common Shares; inability to obtain required approvals, including Court approval of the Conversion and Vermilion Securityholders and TAP Award Holders approval of the Conversion Resolution; failure to realize anticipated benefits of the Conversion; and the other factors discussed in the AIF and management's discussion and analysis of the Trust for the year ended December 31, 2009 incorporated by reference herein and the risk factors set forth under "Risk Factors" in this Information Circular.

Readers are cautioned that the foregoing list is not exhaustive. The information contained in this Information Circular, including certain documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Trust and VEI. You are encouraged to carefully consider those factors. The forward-looking information and statements contained in this Information Circular are made as of the date hereof and the Trust undertakes no obligation to update publicly or revise any forward-looking information and statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

The reader is further cautioned that the preparation of financial statements in accordance with Canadian GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes.

Information for Vermilion Securityholders in the United States

None of the VEI Common Shares to be issued to Vermilion Securityholders in exchange for their securities under the Arrangement have been or will be registered under the U.S. Securities Act, and such securities are being issued to Vermilion Securityholders in reliance on the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act. The solicitation of proxies for the Meeting is not subject to the proxy requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and, unless otherwise indicated, this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Vermilion Securityholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act.

Information contained or incorporated by reference herein has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. The audited and unaudited financial statements and other financial information included in or incorporated by reference in this Information Circular have been presented in Canadian dollars, were prepared in accordance with Canadian GAAP and are subject to Canadian auditing standards, which differ from U.S. GAAP and auditing and auditor independence standards in certain material respects, and thus may not be comparable to financial statements of United States companies. Additionally, oil and gas reserves information contained or incorporated by reference in this Information Circular has been prepared in accordance with Canadian disclosure standards, which may not be comparable in all respects to United States disclosure standards.

Vermilion Securityholders should be aware that the acquisition of the VEI Common Shares as a result of the implementation of the Arrangement described herein may have tax consequences both in the

United States and in Canada. See "Certain Canadian Federal Income Tax Considerations" and "Certain United States Federal Income Tax Considerations". Vermilion Securityholders in the United States should consult their own tax advisors with respect to their own particular circumstances.

The enforcement by investors of civil liabilities under the United States securities laws may be affected adversely by the fact that the Trust is and VEI will be organized under the laws of the Province of Alberta, that their respective officers and directors and trustee are residents of countries other than the United States., that certain of the experts named in this Information Circular are residents of countries other than the United States, and that all or substantial portions of the assets of the Trust and VEI and such other persons are, or will be, located outside the United States. As a result, it may be difficult or impossible for Vermilion Securityholders in the United States to effect service of process within the United States upon the Trust and VEI and their directors and officers, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, Vermilion Securityholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

The U.S. Securities Act imposes restrictions on the resale of securities received pursuant to the Plan of Arrangement by persons who will be "affiliates" of VEI after the Conversion. See "The Arrangement - Securities Law Matters - United States" in this Information Circular.

THE VEI COMMON SHARES TO BE ISSUED PURSUANT TO THE CONVERSION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Currency Exchange Rates

All dollar amounts set forth in this Information Circular are in Canadian dollars, except where otherwise indicated. The following table sets forth; (i) the rates of exchange for United States dollars, expressed in Canadian dollars, in effect at the end of each of the periods indicated; (ii) the average of exchange rates in effect during each of the periods indicated; and (iii) the highest and lowest exchange rates during such periods, in each case based on Bank of Canada noon day rates.

	Year Ended December 31,		
	2009	**2008**	**2007**
Rate at End of Period	$1.0466	$1.2246	$0.9881
Average Rate During Period	$1.1420	$1.0660	$1.0748
High During Period	$1.3000	$1.2969	$1.1853
Low During Period	$1.0292	$0.9719	$0.9170

On July 29, 2010, the Bank of Canada noon day rate of exchange for United States dollars, expressed in Canadian dollars, was U.S.$1.00=$1.0370.

Non-GAAP Measures

In the documents incorporated by reference in this Information Circular, the Trust uses certain non-GAAP measures such as "fund flows from operations", "acquisitions, including acquired working capital deficiency", "net debt", "cash distributions per unit", "total net distributions, capital expenditures, reclamation fund contributions and asset retirement costs incurred", "netbacks", "adjusted basic trust units outstanding", "adjusted basic weighted average trust units outstanding" and "diluted trust units outstanding". These measures do not have standardized

meanings prescribed by Canadian GAAP and should not be considered in isolation or as an alternative to conventional Canadian GAAP measures. Certain of these measures are not necessarily comparable to a similarly titled measure of another company or trust and should be given careful consideration by the reader. For additional information on these measures, please refer to the Trust's "Non-GAAP Measures" section in the Trust's management's discussion and analysis of the financial condition and results of operations for the year ended December 31, 2009, which is incorporated by reference in this Information Circular.

Specifically, management of the Trust uses "fund flows from operations" to represent cash flows from operating activities before changes in non-cash operating working capital and asset retirement costs incurred. Management of the Trust considers fund flows from operations to be a key measure as it demonstrates the Trust's ability to generate the cash necessary to pay distributions, repay debt, fund asset retirement costs and make capital investments. "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 of the Trust considers acquired working capital deficiencies to be an important element of a property or corporate acquisition. "Net debt" is the sum of long-term debt and working capital and is used by management to analyze the financial position and leverage of the Trust. "Cash distributions per unit" represents actual cash distributions paid per unit by the Trust during the relevant periods. "Net distributions" is calculated as distributions declared for a given period less proceeds received by the Trust pursuant to the DRIP. Distributions both before and after DRIP are reviewed by management of the Trust 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. "Tota1 net distributions, capital expenditures, reclamation fund contributions and asset retirement costs incurred" is calculated as the addition of net cash distributions as determined above plus the following amounts for the relevant periods from the Trust's consolidated statements of cash flows: "Drilling and development of petroleum and natural gas properties", "Contributions to reclamation fund" and "Asset retirement costs incurred". This measure is reviewed by the management of the Trust 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. "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 different from the most directly comparable Canadian 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 Trust Units, management of the Trust 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 Rights Incentive Plan and the TAP, based on current performance factor estimates.

QUESTIONS AND ANSWERS ("Q & A") ON VOTING AND PROXIES

Your participation at the Meeting is very important. The following Q&A provide guidance on how to vote at the Meeting.

1. What is the purpose of the Meeting?

The purpose of the Meeting is to consider and vote upon the proposed conversion of the Trust from a trust structure to a corporate structure pursuant to a plan of arrangement and certain related transactions.

2. Who is entitled to vote?

All Unitholders, Exchangeable Shareholders and TAP Award Holders at the close of business on July 23, 2010, the Record Date, are entitled to vote on the approval of the Conversion Resolution at the Meeting. In addition, all Unitholders and Exchangeable Shareholders will be entitled to vote on the approval of the Vermilion Incentive Plan of VEI and the Shareholder Rights Plan of VEI.

If you acquired Trust Units or Exchangeable Shares after July 23, 2010, please refer to Q&A 11 to determine whether and how to vote your Vermilion Securities.

Voting in respect of the approval of the Vermilion Incentive Plan of VEI and the Shareholder Rights Plan of VEI will only proceed if the Conversion Resolution has been approved.

As indicated elsewhere in this Information Circular, the VRL Board and management of VRL are recommending that you vote FOR the above resolutions.

3. How will the votes be counted?

The Conversion Resolution must be passed by (i) two-thirds of the votes cast by Unitholders, Exchangeable Shareholders and TAP Award Holders voting together as a single class in person or represented by proxy at the Meeting, and (ii) two-thirds of the votes cast by Unitholders and Exchangeable Shareholders voting together as a single class in person or by proxy at the Meeting.

The resolutions to approve the Vermilion Incentive Plan and the Shareholder Rights Plan must be passed by a simple majority of the votes cast by Unitholders and Exchangeable Shareholders in person or by proxy at the Meeting.

4. How do I vote if I hold Trust Units?

REGISTERED UNITHOLDER VOTING

If your Trust Units are in your name and you have a physical certificate in your possession, you are a registered Unitholder and may vote as follows:

Voting In Person

If you plan to attend the Meeting and want to vote your Trust Units in person, do not complete or return the enclosed proxy. Your vote will be taken and counted at the Meeting. Please register with Computershare when you arrive at the Meeting.

Voting by Proxy

Whether or not you attend the Meeting, you can appoint someone else to attend and vote at the Meeting as your proxy holder. Use the enclosed proxy form to do this. The persons named in the enclosed proxy are management of VRL. ***You can also choose a person, other than the management nominees, to be your proxy holder by printing that person's name in the blank space provided.*** Then complete the rest of the proxy, sign it and return it to Computershare. Your votes can only be counted if the person you appointed attends the Meeting and votes on your behalf. ***If you have voted by proxy, you may not vote in person at the Meeting, unless you revoke your proxy.***

Return your completed proxy in the envelope provided so that it arrives by 10:00 a.m. (Calgary time) on Friday, August 27, 2010 or if the Meeting is adjourned, at least 48 hours (excluding weekends and holidays) before the time set for the Meeting to resume.

Voting by Telephone or Internet

You can also register your vote by telephone or the Internet and, using the Internet, you may appoint a person, other than the management nominees, as your proxy holder. To vote by Internet, visit www.investorvote.com and enter your 15 digit control number or to vote by telephone call 1-866-732-VOTE (8683) to cast your vote by quoting your 15 digit control number located at the bottom left hand corner of your proxy.

Please also refer to the instructions provided on the enclosed form of proxy if you wish to vote in this manner.

BENEFICIAL UNITHOLDER VOTING

If your Trust Units are in your brokerage account or other nominee, you are a beneficial Unitholder and may vote your Trust Units as follows:

Voting in Person

If you plan to attend the Meeting and wish to vote your Trust Units in person, insert your own name in the space provided on the voting instruction form. Then follow the signing and return instructions provided by your nominee. Your vote will be taken and counted at the Meeting, so do not indicate your votes on the form. Please register with Computershare when you arrive at the Meeting.

Voting by Proxy

Whether or not you attend the Meeting, you can appoint someone else to attend and vote at the Meeting as your proxy holder. Use the voting instruction proxy form to do this. The persons named in the enclosed form are management of VRL. ***You can also choose a person, other than the management nominees, to be your proxy holder by printing that person's name in the blank space provided.*** Then complete the rest of the voting instruction form, sign it and return it to Computershare. Your votes can only be counted if the person you appointed attends the Meeting and votes on your behalf. ***If you have voted by proxy, you may not vote in person at the Meeting, unless you revoke your proxy.***

Return your completed proxy in the envelope provided so that it arrives by 10:00 a.m. (Calgary time) on Thursday, August 26, 2010 or if the Meeting is adjourned, at least 72 hours (excluding weekends and holidays) before the time set for the Meeting to resume.

Voting by Telephone or Internet

You can also register your vote by telephone or the Internet and, using the Internet, you may appoint a person, other than the management nominees, as your proxy holder. Please also refer to the instructions provided on the enclosed form of voting instruction form if you wish to vote in this manner.

If you are a Canadian securityholder and you wish to vote by the Internet, visit www.proxyvote.com and enter your 12 digit control number or to vote by telephone call 1-800-474-7493 or fax your voting instruction form to 905-507-7793 or toll free at 1-866-623-5305 in order to ensure that it is received before the deadline.

If you are a U.S. securityholder and wish to vote by the Internet, visit www.proxyvote.com and enter your 12 digit control number or to vote by telephone call 1-800-454-8683.

5. How do I vote if I am an Exchangeable Shareholder?

Voting in Person

If you plan to attend the Meeting and wish to vote your shares in person, insert your own name in the space provided on the voting direction. Then follow the signing and return instructions provided by your nominee. Your vote will be taken and counted at the Meeting, so do not indicate your votes on the form. Please register with Computershare when you arrive at the Meeting.

Voting by Voting Direction

Whether or not you attend the Meeting, you can appoint someone else to attend and vote at the Meeting as your proxy holder. Use the voting direction to do this. Computershare is the trustee for the Exchangeable Shares and can only vote them in the way you direct. ***If you choose Computershare and do not tell them how to vote, your Exchangeable Shares will not be voted.***

The other people named in the enclosed voting direction are VRL management. ***You can also choose a person, other than the management nominees, to be your proxy holder by printing that person's name in the blank space provided.*** Then complete the rest of the voting direction, sign it and return it to Computershare. Your votes can only be counted if the person you appointed attends the Meeting and votes on your behalf. ***If you have voted by proxy, you may not vote in person at the Meeting, unless you revoke your proxy.***

Return your completed proxy in the envelope provided so that it arrive by 10:00 a.m. (Calgary time) on Thursday, August 26, 2010 or if the Meeting is adjourned, at least 72 hours (excluding weekends and holidays) before the time set for the Meeting to resume.

6. How do I vote if I am a TAP Award Holder?

Voting In Person

If you plan to attend the Meeting and want to vote your TAP Awards in person, do not complete or return the enclosed proxy. Your vote will be taken and counted at the Meeting. Please register with Computershare when you arrive at the Meeting.

Voting by Proxy

Whether or not you attend the Meeting, you can appoint someone else to attend and vote at the Meeting as your proxy holder. Use the enclosed proxy form to do this. The persons named in the enclosed proxy are management of VRL. ***You can also choose a person, other than the management nominees, to be your proxy holder by printing that person's name in the blank space provided.*** Then complete the rest of the proxy, sign it and return it to Computershare. Your votes can only be counted if the person you appointed attends the Meeting and votes on your behalf. ***If you have voted by proxy, you may not vote in person at the Meeting, unless you revoke your proxy.***

Return your completed proxy in the envelope provided so that it arrives by 10:00 a.m. (Calgary time) on Friday, August 27, 2010 or if the Meeting is adjourned, at least 48 hours (excluding weekends and holidays) before the time set for the Meeting to resume.

Voting by Telephone or Internet

You can also register your vote by telephone or the Internet and, using the Internet, you may appoint a person, other than the management nominees, as your proxy holder. To vote by Internet, visit www.investorvote.com and enter your 15 digit control number or to vote by telephone call 1-866-732-VOTE (8683) to cast your vote by quoting your 15 digit control number located at the bottom left hand corner of your proxy.

Please also refer to the instructions provided on the enclosed form of proxy if you wish to vote in this manner.

7. Why am I receiving more than one form of proxy or voting direction?

If you hold Trust Units and/or Exchangeable Shares and/or TAP Awards registered in different names or addresses, you will receive multiple proxies or voting instruction forms. Each form should be completed and returned to vote all Vermilion Securities and TAP Awards held.

8. Who is soliciting my proxy?

Management of VRL, on its own behalf and on behalf of the Trust, is soliciting proxies to be used at the Meeting and any adjournment or postponement thereof. The solicitation of proxies is intended to be made primarily by mail but may also be made by telephone, facsimile transmission or other electronic means of communication or in person by the directors, officers and employees of VRL. The cost of such solicitation will be borne by the Trust. The Trust has engaged Kingsdale as its proxy solicitation agent, to encourage the return of completed proxies and voting directions by Vermilion Securityholders and the TAP Award Holders and to solicit proxies and voting directions in favour of the matters to be considered at the Meeting. Fees payable to Kingsdale will be paid by the Trust.

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

Yes. If you have given a proxy or voting direction, as the case may be, you 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 you or your attorney authorized in writing either with Computershare or with the Corporate Secretary, c/o Vermilion Resources Ltd., Suite 2800, 400 - 4th 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. You may also revoke your proxy in any other manner permitted by law.

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

The person named in the proxy form or voting direction 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 July 23, 2010, management of VRL knows 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.

11. What if ownership of Trust Units or Exchangeable Shares is transferred after July 23, 2010?

If you are a Unitholder on July 23, 2010 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 July 23, 2010, you are not entitled to receive notice of or to vote at the Meeting.

If you are a holder of Exchangeable Shares on July 23, 2010 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 July 23, 2010, you are not entitled to receive notice of or to vote in accordance with the Voting and Exchange Trust Agreement.

12. Who counts the votes?

Computershare, the Trust's registrar and transfer agent, 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 Vermilion Securityholder or TAP Award Holder 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.

13. How will my Vermilion Securities and TAP Awards be voted if a ballot is called at the Meeting on any of the items of the business?

Your Trust Units, Exchangeable Shares and TAP Awards will be voted as you specified in your proxy or voting direction. If no such specification is made, then your Trust Units will be voted:

FOR the Conversion Resolution

FOR the Vermilion Incentive Plan Resolution

FOR the Shareholder Rights Plan Resolution

If you choose Computershare as your proxyholder and do not specify how to vote, your Exchangeable Shares will not be voted.

If no specification is made, then your TAP Awards will be voted:

FOR the Conversion Resolution

14. 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
9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
Phone: 1-800-564-6253
Facsimile: 1-888-453-0330
Web site: www.computershare.com
E-mail: service@computershare.com

15. How can I get additional information or assistance in voting?

You can contact our proxy solicitation and information agent at:

Kingsdale Shareholder Services Inc.
Exchange Tower
130 King Street West, Suite 2950
P.O. Box 156
Toronto, Ontario M5X 1C7

Toll Free Phone: 1-800-775-4067
Outside North America: 416-867-2272
Facsimile: 416-867-2271 or 1-866-545-5580
E-Mail: contactus@kingsdaleshareholder.com

GLOSSARY

"**2010 Information Circular**" means the information circular of the Trust dated April 6, 2010 relating to the Annual and Special Meeting of Unitholders and Exchangeable Shareholders held on May 7, 2010;

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended from time to time, and the regulations thereunder;

"**AIF**" means the annual information form of the Trust for the year ended December 31, 2009 dated March 19, 2010;

"**Amended DRIP**" means the Amended and Restated Dividend Reinvestment Plan to be entered into between VEI and Computershare Trust Company of Canada pursuant to which, among other things, the DRIP will be amended and restated;

"**Amended TAP**" means the TAP as amended pursuant to the Arrangement to replace references to the Trust and Trust Units with references to VEI and VEI Common Shares, respectively, and to make such other consequential amendments as may be necessary to reflect the Arrangement;

"**Arrangement Agreement**" means the arrangement agreement dated July 27, 2010 among the Trust, VRL and VEI, as amended or supplemented from time to time in accordance with the terms thereof;

"**Arrangement**" means the arrangement under section 193 of the ABCA involving VEI, the Trust, VRL, the Vermilion Securityholders and the TAP Award Holders on the terms and conditions set forth in the Plan of Arrangement;

"**Articles of Arrangement**" means one or more articles of Arrangement in respect of the Arrangement that are required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted to give effect to the Arrangement;

"**Business Day**" means a day which is not Saturday, Sunday, bank holiday or other holiday in Calgary, Alberta;

"**Canadian GAAP**" means generally accepted accounting principles in Canada as in effect from time to time;

"**Certificate**" means the certificate(s) or confirmation(s) of filing which may be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

"**Computershare**" means Computershare Trust Company of Canada;

"**Conversion Resolution**" means the special resolution in respect of the Conversion and related matters, in substantially the form attached as Schedule "A" to this Information Circular;

"**Conversion**" means the proposed conversion of the Trust from a trust structure to a corporate structure pursuant to the Arrangement and related transactions;

"**Court**" means the Court of Queen's Bench of Alberta;

"**CRA**" means the Canada Revenue Agency;

"**Depositary**" means Computershare Investor Services Inc., or such other company as may be designated by the Trust or VEI;

"**Dissenting Exchangeable Shareholders**" means registered holders of Exchangeable Shares who validly exercise the rights of dissent provided to them under the Interim Order and whose dissent rights remain valid immediately before the Effective Time;

"**Dissenting Exchangeable Shares**" means those Exchangeable Shares in respect of which a registered Exchangeable Shareholder has duly exercised the rights of dissent provided to such Exchangeable Shareholder under the Interim Order;

"**Dissenting Securities**" means, collectively, the Dissenting Units and the Dissenting Exchangeable Shares;

"**Dissenting Securityholders**" means, collectively, the Dissenting Unitholders and the Dissenting Exchangeable Shareholders;

"**Dissenting Unitholders**" means registered holders of Trust Units who validly exercise the rights of dissent provided to them under the Interim Order and whose dissent rights remain valid immediately before the Effective Time;

"**Dissenting Units**" means those Trust Units in respect of which a registered Unitholder has duly exercised the rights of dissent provided to such Unitholder under the Interim Order;

"**Distribution**" means a distribution payable by the Trust in respect of the Trust Units;

"**Distribution Payment Date**" means the date on which a Distribution is to be paid to Unitholders;

"**Distribution Record Date**" means the date on which Unitholders are identified for purposes of determining entitlement to a Distribution;

"**DRIP**" means the Distribution Reinvestment Plan of the Trust;

"**Effective Date**" means the date the Arrangement is effective under the ABCA, which is anticipated to be September 1, 2010;

"**Effective Time**" means the time on the Effective Date at which the Arrangement is effective;

"**Employee Bonus Plan**" means the Employee Bonus Plan for employees of VRL, the Trust and certain corporations, trusts or other entities owned or controlled by VRL or the Trust;

"**Exchangeable Share Ratio**" means the number of Trust Units issuable on exchange of each Exchangeable Share as at the Effective Time and, for greater certainty, in the event the Effective Time occurs following a Distribution Record Date but prior to a Distribution Payment Date, the number of Trust Units issuable on exchange of such Exchangeable Share shall be adjusted to give effect to the Distribution as if the Distribution Payment Date was the Business Day immediately preceding the Effective Date;

"**Exchangeable Shareholders**" means the registered and/or beneficial holders of Exchangeable Shares (as applicable in the context) and "**Exchangeable Shareholder**" means any one of them;

"**Exchangeable Shares**" means the Series A exchangeable shares in the capital of VRL;

"**Fairness Opinion**" means the opinion of TD Securities dated July 27, 2010, a copy of which is attached to this Information Circular as Appendix "D";

"**Final Order**" means the final order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Incentive Rights Plan**" means the Trust Unit Rights Incentive Plan of the Trust;

"**Information Circular**" means, collectively, this information circular and proxy statement, the Notice of Special Meeting and the Notice of Petition to the Court of Queen's Bench of Alberta of the Trust dated July 30, 2010;

"**Interim Order**" means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and direction with respect to the Arrangement and the Meeting, a copy of which is attached as Appendix "B" to this Information Circular, as such order may be affirmed, amended or modified by any Court of competent jurisdiction;

"**Kingsdale**" means Kingsdale Shareholder Services Inc.;

"**Letter of Transmittal**" means the letter of transmittal pursuant to which a Vermilion Securityholder is required to deliver the certificate or certificates representing the Vermilion Securityholder's Vermilion Securities in order to receive, upon completion of the Arrangement, a certificate or certificates representing VEI Common Shares issued to the Vermilion Securityholder under the Arrangement;

"**Meeting**" means the special meeting of Vermilion Securityholders and the TAP Award Holders to be held on August 31, 2010 to consider, among other things to be approved by the Vermilion Securityholders, the Conversion, and any adjournment(s) thereof;

"**MI 61-101**" means Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions*;

"**Minister**" means the Minister of Finance (Canada);

"**Plan of Arrangement**" means the plan of arrangement attached as Schedule "A" to the Arrangement Agreement and which is attached as Appendix "C" hereto, as amended or supplemented from time to time in accordance with the terms thereof;

"**Record Date**" means July 23, 2010;

"**Registrar**" means the Registrar of Corporations appointed under section 263 of the ABCA;

"**Royalty**" means that certain royalty granted by the Partnership to Computershare, in its capacity as trustee of the Trust, pursuant to a royalty agreement dated January 22, 2003, as amended;

"**Share Award**" means an award of the right to receive VEI Common Shares pursuant to the terms of the Amended TAP or, upon approval of the Vermilion Incentive Plan Resolution, the Vermilion Incentive Plan;

"**Shareholder Rights Plan Resolution**" means the resolution approving the Shareholder Rights Plan substantially in the form set out on page 68 of this Information Circular,

"**Shareholder Rights Plan**" means the shareholder rights plan of VEI;

"**Shareholders**" means the registered and beneficial holders of VEI Common Shares which, at the Effective Time, shall include all former Vermilion Securityholders other than Dissenting Securityholders and "**Shareholder**" means any one of them;

"**SIFT Rules**" means the changes to Canadian federal income tax legislation relating to SIFT trusts and specified investment flow-through partnerships (as defined in the Tax Act) announced by the Department of Finance (Canada) on October 31, 2006 and enacted into legislation by the Government of Canada in June 2007 (as amended);

"**SIFT trust**" means a specified investment flow-through trust as defined in the Tax Act;

"**Special Rights Holders**" means the holders of one or more Special Voting Rights;

"**Special Voting Rights**" means the special voting rights of the Trust, issued and certified under the Trust Indenture for the time being outstanding and entitled to the benefits and subject to the limitations set forth in the Trust Indenture;

"**TAP**" means the Trust Unit Award Incentive Plan of the Trust;

"**TAP Award Holders**" means the holders of one or more TAP Awards;

"**TAP Awards**" means awards issued from time to time to employees, senior officers, directors or consultants of VRL or any affiliate under the TAP;

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. (5th Supp.), c. 1 and the regulations thereunder, each as amended;

"**TD Securities**" means TD Securities Inc.;

"**Trust Indenture**" means the amended and restated trust indenture of the Trust dated as of January 15, 2003 between Computershare and VRL;

"**Trust Units**" means the units of the Trust, each representing an equal undivided beneficial interest in the Trust;

"**Trust**" means Vermilion Energy Trust, an unincorporated open-ended trust established under the laws of the Province of Alberta pursuant to the Trust Indenture;

"**TSX**" means the Toronto Stock Exchange;

"**U.S. Exchange Act**" means the United States *Securities Exchange Act of 1934*, as amended, and the regulations thereunder;

"**U.S. GAAP**" means generally accepted accounting principles in the United States as in effect from time to time;

"**U.S. Securities Act**" means the United States *Securities Act of 1933*, as amended, and the regulations thereunder;

"**Unitholder Rights Plan**" means the unitholder rights plan created pursuant to a unitholder rights plan agreement between the Trust and Computershare dated as of May 5, 2006 and amended on May 9, 2009;

"**Unitholder URP Rights**" means rights under the Unitholder Rights Plan;

"**Unitholders**" means the registered and/or beneficial holders of Trust Units (as applicable in the context) and "**Unitholder**" means any one of them;

"**VEI Board**" means the board of directors of VEI;

"**VEI Common Shares**" means common shares in the capital of VEI;

"**VEI**" means Vermilion Energy Inc., a corporation existing under the laws of the Province of Alberta;

"**Vermilion Incentive Plan Resolution**" means the resolution approving the Vermilion Incentive Plan substantially in the form set out on page 64 of this Information Circular;

"**Vermilion Incentive Plan**" means the Vermilion Incentive Plan of VEI;

"**Vermilion Securities**" means, collectively, the Trust Units and the Exchangeable Shares;

"**Vermilion Securityholders**" means, collectively, the Unitholders and the Exchangeable Shareholders;

"**Voting and Exchange Trust Agreement**" means the voting and exchange trust agreement entered into on January 16, 2003 between the Trust, Vermilion Acquisition Ltd. (a predecessor to VRL) and Computershare;

"**VRL Board**" means the board of directors of VRL.

"**VRL**" means Vermilion Resources Ltd., a corporation existing under the laws of the Province of Alberta; and

SUMMARY OF INFORMATION CIRCULAR

The following is a summary of certain information contained elsewhere in this Information Circular, including the appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Information Circular, in the documents incorporated by reference herein and in the appendices hereto. You are encouraged to read this Information Circular, including the information incorporated by reference herein, and the appendices hereto, in their entirety. For an explanation of certain capitalized terms used in this Summary and in this Information Circular, please refer to the "Glossary".

The Meeting

The Meeting will be held on August 31, 2010 in the Cardium Room, Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta at 10:00 a.m. (Calgary time).

Vermilion Securityholders and TAP Award Holders will be asked to consider and approve the Conversion. If the Conversion is approved, Vermilion Securityholders will be asked to approve the Vermilion Incentive Plan and the Shareholder Rights Plan, to take effect upon implementation of the Conversion. These matters are summarized below and discussed in greater detail in this Information Circular.

The Conversion

The Conversion involves a proposed internal reorganization of the Trust and certain of its subsidiaries through which the Trust's current trust structure will be replaced with a corporate structure. The Conversion is being recommended in light of the fact that the transition period for the application of the changes in the tax treatment of SIFT trusts (originally announced by the Canadian Federal government on October 31, 2006) ends on December 31, 2010. If the Conversion is approved, the Trust will be replaced by a publicly-traded, dividend-paying corporation known as "Vermilion Energy Inc." VEI will own, directly or indirectly, the same assets that the Trust owned immediately prior to the effective time of the Conversion and VEI will assume all of the obligations of the Trust.

VEI will retain the current management team of VRL and will continue to be led by Lorenzo Donadeo as President and Chief Executive Officer. The current members of the VRL Board will form the VEI Board. The Conversion will not trigger any change of control or other termination payments pursuant to any executive employment agreement with officers of VRL. See "Information Concerning Vermilion Energy Inc."

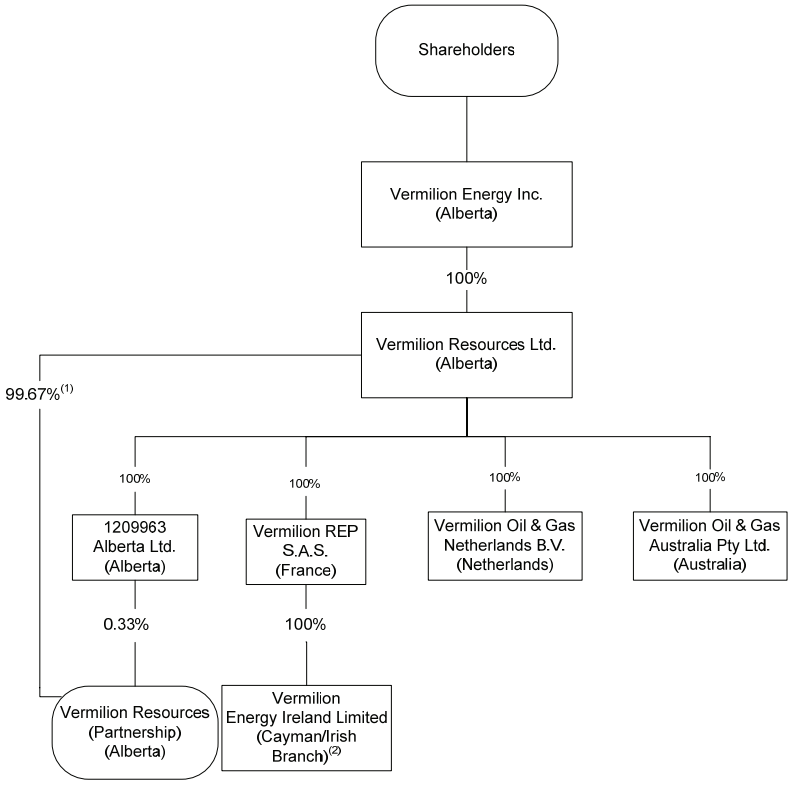
Under the Conversion, Unitholders will receive, through a series of steps, one VEI Common Share for each one Trust Unit held. Exchangeable Shareholders will participate in the Conversion and will receive VEI Common Shares on the same basis as the holders of Trust Units based on the number of Trust Units into which such are exchangeable on the Effective Date. No Exchangeable Shares will remain outstanding following the Effective Date. See "The Conversion - Effect of the Conversion on Unitholders and Exchangeable Shareholders".

In connection with the Conversion, VEI will assume all of the obligations of the Trust in respect of the TAP and all outstanding TAP Awards. Upon Conversion, TAP Awards granted pursuant to the TAP will continue to vest in accordance with the Amended TAP without any acceleration of the vesting period and, upon vesting, TAP Award Holders will be entitled to receive the same number of VEI Common Shares in place of Trust Units that the TAP Award Holder would have otherwise received pursuant to the provisions of the Amended TAP. If the Conversion is approved and the Vermilion Incentive Plan is also approved, then with the written consent of the TAP Award Holders, the Vermilion Incentive Plan shall apply to all previously outstanding TAP Awards. See "The Conversion - Effect of the Conversion on TAP Award Holders" and "Other Matters to be Considered at the Meeting - Approval of the Vermilion Incentive Plan".

Pursuant to the Conversion, the Unitholder Rights Plan shall terminate on the Effective Date. If the Conversion is approved, Vermilion Securityholders will be asked to approve the Shareholder Rights Plan to replace the Unitholder Rights Plan. See "Other Matters to be Considered at the Meeting - Approval of the Shareholder Rights Plan".

Post-Conversion Structure

Provided the necessary approval of the Conversion is obtained at the Meeting, and all other approvals are obtained and all conditions precedent are either satisfied or waived, the organizational structure of VEI following the completion of the Conversion will be as follows:



Notes:
(1) Based on current ownership percentages prior to elimination of the Royalty currently held by the Trust.
(2) Vermilion Energy Ireland Limited is the Irish Branch of a Cayman Islands incorporated company.

Dividend Policy

Following the Conversion, VEI expects to pay monthly dividends in a manner similar to the Trust's current approach to distributions. All decisions with respect to the declaration of dividends on the VEI Common Shares will be made by the VEI Board on the basis of VEI's earnings, financial requirements and other conditions existing at such future time, planned acquisitions, income tax payable by VEI and its subsidiaries, crude oil and natural gas prices and access to capital markets, as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends. It is anticipated that the dividends will be "eligible dividends" for income tax purposes and thus qualify for the enhanced gross-up and dividend tax credit regime for certain shareholders of VEI; however, no assurance can be given that all dividends will be designated as eligible dividends. See "The Conversion - Dividend Policy".

Background to the Conversion

The Trust was established in 2003 to acquire and hold, directly and indirectly, interests in petroleum and natural gas properties and to provide a vehicle for the distribution of a portion of cash flow to Vermilion Securityholders in a tax-efficient manner. As a result of the announcement of the SIFT Rules by the Minister on October 31, 2006, commencing in 2011 (provided the Trust experiences only "normal growth" before that time) the Trust would be required to pay income tax on distributions of certain income from the Trust at rates comparable to

the combined federal and provincial tax rate. On July 14, 2008, the Minister released specific proposals, which were enacted on March 12, 2009, to amend the Tax Act to facilitate tax-deferred reorganizations of SIFT trusts, such as the Trust, into corporations without any undue tax consequences.

Since these announcements and the implementation of the SIFT Rules, management of VRL has been carefully evaluating the implications of the SIFT Rules on the Trust. During 2009, management of VRL monitored and evaluated the various conversion strategies undertaken by its peers and evaluated the market reaction thereto. Advice from legal counsel was sought regarding these conversion structures and an assessment of the potential benefits and disadvantages was undertaken. In March 2010, the VRL Board authorized management of VRL to proceed with the Conversion, following a thorough analysis of material information and relevant considerations including, but not limited to, an assessment of the benefits and disadvantages of converting to a corporate structure versus the status quo, a consideration of growth opportunities, distribution policy, the evolving economic environment, access to capital and debt markets, the current and future tax treatment of the Trust compared to corporations and overall industry trends and recommendations by VRL's management.

On July 27, 2010, after consideration of memoranda from management of VRL, a review by external legal counsel of the salient terms of the Arrangement Agreement and Plan of Arrangement and a presentation from TD Securities, the financial advisor to the VRL Board, the VRL Board approved the entering into of the Arrangement Agreement, the implementation of the Conversion and the submission of the Plan of Arrangement to the Vermilion Securityholders and TAP Award Holders for a vote at the Meeting.

See "Background to and Reasons for the Conversion - Background to the Conversion."

Anticipated Benefits of the Conversion

Once the SIFT Rules apply to the Trust, the Trust will generally be treated in the same manner as a corporation for Canadian income tax purposes and distributions from the Trust to Unitholders will be treated as taxable dividends for Canadian income tax purposes. As a result, the tax advantages of maintaining a trust structure will no longer exist. In light of the impact of this change in tax treatment, the VRL Board and management of VRL believe that adopting the proposed corporate structure will enable the Trust to pursue a strategic plan focused on growth and capital appreciation for the benefit of Vermilion Securityholders and TAP Award Holders while continuing to pay dividends in a similar manner to the Trust's current approach to distributions. See "Background to and Reasons for the Conversion – Anticipated Benefits of the Conversion".

Approval and Recommendation of the Board of Directors

After due consideration of the financial and other impacts of the Conversion, including the terms of the Arrangement Agreement, the Fairness Opinion, the potential impact on the Trust, Vermilion Securityholders and TAP Award Holders, employees as well as other relevant matters, the VRL Board has unanimously determined that the Conversion, including the transactions and other matters related thereto, is in the best interests of the Trust, Vermilion Securityholders and TAP Award Holders and is fair to Vermilion Securityholders and TAP Award Holders. **Accordingly, the VRL Board unanimously recommends that Vermilion Securityholders and TAP Award Holders vote FOR the Conversion Resolution.**

Fairness Opinion

The VRL Board retained TD Securities as its financial advisor with respect to the Arrangement. In connection with this mandate, TD Securities has provided the VRL Board with the Fairness Opinion. The Fairness Opinion is addressed to the VRL Board and concludes that, on the basis of the particular assumptions, qualifications and limitations summarized therein, in the opinion of TD Securities, as at July 27, 2010, the consideration to be received by Vermilion Securityholders pursuant to the Arrangement is fair, from a financial point of view, to the Vermilion Securityholders. **The Fairness Opinion is subject to the assumptions, qualifications and limitations contained therein.**

The full text of the Fairness Opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the Fairness Opinion, is attached as Appendix "D" to this Information Circular. The Fairness Opinion is not a recommendation as to how Vermilion Securityholders and TAP Award Holders should vote with respect to the Arrangement. The Fairness Opinion was one of a number of factors taken into consideration by the VRL Board in making its unanimous determination to recommend the Conversion.

Approvals

Securityholder Approvals

In accordance with the Interim Order, the Conversion Resolution, which is attached as Appendix "A" to this Information Circular, is a special resolution which needs to be approved by (i) not less than two-thirds of the votes cast by Vermilion Securityholders and TAP Award Holders, in person or by proxy, voting as a single class at the Meeting, and (ii) not less than two-thirds of the votes cast by Vermilion Securityholders, in person or by proxy, voting as a single class at the Meeting.

Court Approvals

Implementation of the Conversion required the approval of the Court. An application for the Final Order approving the Arrangement is expected to be made on August 31, 2010 at 1:45 p.m. (Calgary time) at the Court House, Calgary Courts Centre, 601 - 5th Street S.W., Calgary, Alberta. On the application, the Court will consider the fairness of the Arrangement. See "The Conversion - Approvals - Court Approvals".

Stock Exchange Listing Approvals

The TSX has conditionally approved the substitutional listing of the VEI Common Shares issuable pursuant to the Conversion and the Amended TAP, the Vermilion Incentive Plan and the Shareholder Rights Plan, subject to VEI fulfilling the requirements of the TSX. See "The Conversion - Approvals - Stock Exchange Listing Approvals".

Third Party Approvals

All necessary third party consents under material contracts to the Conversion have been obtained as of the date hereof.

Right to Dissent

Pursuant to the Interim Order, Vermilion Securityholders have the right to dissent with respect to the Conversion Resolution by providing a written objection to the Conversion Resolution to the Trust c/o Macleod Dixon LLP, 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, Attention: Roger F. Smith by 5:00 p.m. (Calgary time) on the second last Business Day immediately preceding the Meeting or any adjournment thereof, provided such holders also comply with section 191 of the ABCA, as modified by the Interim Order. Provided the Arrangement becomes effective, each Dissenting Securityholder will be entitled to be paid the fair value of the Vermilion Securities in respect of which the holder dissents in accordance with section 191 of the ABCA, as modified by the Interim Order. See Appendix "B" and Appendix "H" for a copy of the Interim Order and the provisions of section 191 of the ABCA, respectively.

The statutory provisions covering the right to dissent are technical and complex. **Failure to strictly comply with the requirements set forth in section 191 of the ABCA, as modified by the Interim Order, may result in the loss of any right to dissent. Persons who are beneficial owners of Trust Units or Exchangeable Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent, should be aware that only registered holders are entitled to dissent.** Accordingly, a beneficial owner of Trust Units or Exchangeable Shares desiring to exercise the right to dissent must make arrangements for the securities beneficially owned by that holder to be registered in the name of the holder prior to the time the written objection to the Conversion Resolution is required to be received by the Trust or, alternatively, make arrangements for the registered

holder of such securities to dissent on such holder's behalf. Pursuant to the Interim Order, a Vermilion Securityholder may not exercise the right to dissent in respect of only a portion of such holder's Vermilion Securities. See "The Conversion – Right to Dissent".

Certain Canadian Federal Income Tax Considerations

This Information Circular contains a summary of the principal Canadian federal income tax considerations applicable to certain Vermilion Securityholders who receive VEI Common Shares in exchange for their Vermilion Securities under the Arrangement and the comments below are qualified in their entirety by reference to such summary. For a more detailed discussion of the principal Canadian federal income tax consequences of the Arrangement, please see the discussion under the heading "Certain Canadian Federal Income Tax Considerations".

A Unitholder who exchanges a Trust Unit for a VEI Common Share pursuant to the Arrangement will not realize a capital gain or a capital loss on the exchange. In such circumstances, the aggregate adjusted cost base of the VEI Common Shares received by the Unitholder upon the Arrangement will be equal to the aggregate cost amount of the Trust Units held by the Unitholder immediately prior to the Arrangement.

An Exchangeable Shareholder who exchanges Exchangeable Shares for VEI Common Shares pursuant to the Arrangement will not realize a capital gain (or a capital loss) in respect of the exchange unless the Exchangeable Shareholder chooses to recognize a capital gain (or a capital loss) on the exchange by taking the positive step of reporting the capital gain (or capital loss) in the Exchangeable Shareholder's tax return under the Tax Act for the Exchangeable Shareholder's taxation year in which the exchange occurs or the Exchangeable Shareholder makes a joint tax election with VEI pursuant to section 85 of the Tax Act in relation to the exchange.

Certain U.S. Federal Income Tax Considerations

Subject to the passive foreign investment company rules summarized below under "Certain United States Federal Income Tax Considerations – U.S. Federal Income Tax Consequences of the Arrangement – Plan of Arrangement", a U.S. Unitholder (as defined in "Certain United States Federal Income Tax Considerations – Scope of this Disclosure") generally should not recognize a gain or loss upon the exchange of its Trust Units for VEI Common Shares pursuant to the Arrangement, such U.S. Unitholder's tax basis in VEI Common Shares received will equal its adjusted tax basis in the Trust Units exchanged therefor and its holding period with respect to such VEI Common Shares will include the holding period for such Trust Units.

Unitholders should read carefully the section entitled "Certain United States Federal Income Tax Considerations" in this Circular and should consult their own tax advisors regarding the tax considerations applicable to them in their particular circumstances.

Other Tax Considerations

This Information Circular does not address any tax considerations of the Arrangement other than certain Canadian and United States federal income tax considerations applicable to certain Vermilion Securityholders. Vermilion Securityholders who are resident in jurisdictions other than Canada or the United States should consult their tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning VEI Common Shares after the completion of the Arrangement. Vermilion Securityholders should also consult their own tax advisors regarding provincial, state or territorial tax considerations of the Arrangement or of holding VEI Common Shares.

Timing of Completion of the Arrangement

If the Meeting is held as scheduled and if the Final Order is obtained on August 31, 2010 in form and substance satisfactory to VEI, the Trust and VRL and all other conditions contained in the Arrangement Agreement are satisfied or waived, the Trust expects that the Effective Date will occur on or about September 1, 2010. See "The Conversion - Timing of Completion of the Conversion".

Risk Factors

Other than risk factors in respect of the structure of the Trust, risk factors related to the business of the Trust and its affiliates will generally continue to apply to VEI after the Effective Date and will not be affected by the Conversion. The risks associated with the Trust's business are described in the AIF and the management's discussion and analysis for the year ended December 31, 2009, both of which are incorporated by reference in this Information Circular.

There are a number of additional risk factors relating to the Conversion, the activities of VEI and the ownership of VEI Common Shares following the Effective Date which prospective investors should carefully consider. These risk factors are set forth in "Risk Factors" section of this Information Circular.

Potential investors should carefully review and consider all risk factors, as well as the other information contained in the documents forming the Trust's public disclosure record, before making an investment decision.

BACKGROUND TO AND REASONS FOR THE CONVERSION

Background to the Conversion

The Trust was established in 2003 pursuant to a reorganization of a predecessor of VRL that was completed by way of a plan of arrangement. The Trust was established to acquire and hold, directly and indirectly, interests in petroleum and natural gas properties and to provide a vehicle for the distribution of a portion of cash flow to Unitholders in a tax-efficient manner.

On October 31, 2006, the Minister announced the SIFT Rules. The announcement of the SIFT Rules had an immediate impact on the Canadian capital markets resulting in a significant decline in trading prices for income trusts and royalty trusts, including the Trust. Now enacted, the SIFT Rules impose a tax at the trust level on distributions of certain income from the SIFT trust at rates of tax comparable to the combined federal and provincial corporate tax rates and treats such distributions as taxable dividends to unitholders of the SIFT trust. SIFT trusts that were publicly traded at the time of the announcement by the Minister, such as the Trust, are generally entitled to a four-year transition period and are not subject to the SIFT Rules until January 1, 2011, provided such SIFT trusts experience only "normal growth" and no "undue expansion" before that time. Accordingly, as a result of the SIFT Rules, commencing in 2011 (provided the Trust experiences only "normal growth" before that time), the Trust would be required to pay income tax on distributions of certain income from the Trust at rates comparable to the combined federal and provincial corporate tax rate.

Since these announcements and the implementation of the SIFT Rules, management of VRL has been carefully evaluating the implications of the SIFT Rules on the Trust, assessing the Trust's position relative to its peers and considering alternatives regarding the Trust's organizational structure. The VRL Board received regular updates from management of VRL regarding their evaluation and assessment of the SIFT Rules and timing for conversion to a corporate structure, particularly in light of the evolving rules and overall economic conditions and the Trust's long-term strategic goals and objectives.

On July 14, 2008, the Minister released specific proposals to amend the Tax Act that were intended to facilitate tax-deferred reorganizations of SIFT trusts, such as the Trust, into corporations without any undue tax consequences. These proposals were enacted on March 12, 2009.

During 2009, management of VRL monitored and evaluated the various conversion strategies undertaken by its peers and evaluated the market reaction thereto. Advice from legal counsel was sought regarding these conversion structures and an assessment of the potential benefits and disadvantages was undertaken.

In March 2010, the VRL Board authorized management to proceed with the Conversion, following a thorough analysis of material information and relevant considerations including, but not limited to, an assessment of the benefits and disadvantages of converting to a corporate structure versus the status quo, a consideration of growth opportunities, distribution policy, the evolving economic environment, access to capital and debt markets, the current and future tax treatment of the Trust compared to corporations and overall industry trends and recommendations by VRL's management.

On July 15, 2010, the VRL Board reviewed the terms of the Arrangement Agreement and Plan of Arrangement with external legal counsel and reviewed various ancillary matters relating to the proposed Conversion.

On July 27, 2010, after consideration of memoranda from management of VRL, a review by external legal counsel of the salient terms of the Arrangement Agreement and Plan of Arrangement and a presentation from TD Securities, the financial advisor to the VRL Board, the VRL Board approved the entering into of the Arrangement Agreement, the implementation of the Conversion and the submission of the Plan of Arrangement to the Vermilion Securityholders and TAP Award Holders for a vote at the Meeting. The VRL Board determined that the Conversion is in the best interests of the Trust, VRL, the Vermilion Securityholders and TAP Award Holders and is fair to Vermilion Securityholders and TAP Award Holders and determined to unanimously recommend that Vermilion Securityholders and TAP Award Holders vote for the approval of the Conversion.

Anticipated Benefits of the Conversion

Once the SIFT Rules apply to the Trust, the Trust will be treated in the same manner as a corporation for Canadian tax purposes and distributions from the Trust to Unitholders will be treated as taxable dividends for Canadian income tax purposes. As a result, the tax advantages of maintaining a trust structure will no longer exist. In light of the impact of this change in tax treatment, the VRL Board and management of VRL believe that adopting the proposed corporate structure will enable the Trust to pursue a strategic plan focused on growth and capital appreciation for the benefit of Vermilion Securityholders and TAP Award Holders while continuing to pay dividends in a similar manner to the Trust's current approach to distributions. The VRL Board also believes that the Arrangement provides a number of compelling strategic benefits, including, without limitation, the expectation that a conversion to a public corporation would:

- remove the non-resident ownership restrictions with which the Trust must currently comply;
- attract and retain worldwide investors and enhance liquidity for the VEI Common Shares;
- better position VEI to invest in attractive opportunities for growth;
- deliver attractive returns to shareholders of VEI by converting current distributions to eligible dividends which will be paid to shareholders on a monthly basis;
- permit VEI's financial and operational performance to be more easily valued relative to its corporate peers;
- remove the Trust from the uncertainty that exists in the income trust marketplace today; and
- avoid the application of the federal government's "normal growth" and "undue expansion" limitations.

In addition, based on tax pools currently available and planned exploration and development activities and subject to the level of crude oil and natural gas prices, it is currently anticipated that, based on current commodity prices, VEI and VRL will not pay taxes in Canada for at least the next five years. Commodity prices have a significant influence as to the timing of when VEI and VRL will be liable for cash taxes in Canada and this forecast period of five years could be accelerated or extended depending on the level of commodity prices over such period.

Approval and Recommendation of the VRL Board

Since the announcement of the SIFT Rules in 2006, management of VRL and the VRL Board, with advice from its legal advisors, has evaluated its options with respect to conversion methods and timing. Based on that analysis, management of VRL has developed a detailed conversion strategy that is reflected in the Arrangement Agreement and the Plan of Arrangement and determined that it is in the best interest of the Trust, Vermilion Securityholders and TAP Award Holders to proceed with the Conversion effective September 1, 2010. After duly considering the financial and other impacts of the Conversion, including the terms of the Arrangement Agreement, the Fairness Opinion, the potential impact on the Trust, Vermilion Securityholders and TAP Award Holders, employees as well as other relevant matters, the VRL Board has unanimously determined that the Conversion is in the best interests of the Trust, Vermilion Securityholders and TAP Award Holders and is fair to Vermilion Securityholders and TAP Award Holders. Therefore, the VRL Board has authorized the submission of the Conversion Resolution to the Vermilion Securityholders and TAP Award Holders for approval. **Accordingly, the VRL Board unanimously recommends that Vermilion Securityholders and TAP Award Holders vote FOR the Conversion Resolution.**

In reaching its conclusions and formulating its recommendation, the VRL Board considered a number of factors in addition to those described elsewhere in this Information Circular, including, but not limited to, the following:

- the purpose and anticipated benefits of the Conversion described herein;
- a review of the Trust's strategic objectives and business plan and the optimal structure to maximize Vermilion Securityholder value;
- the Trust's need for access to capital through bank borrowings as well as debt and equity capital markets in order to finance growth opportunities in the most efficient manner;
- the pressure on trading prices for securities of income trusts which has resulted from the decline in investor interest in the trust sector as a result of the SIFT Rules and the uncertainty surrounding income trust structures;
- the fact that the exchange of Trust Units and Exchangeable Shares for VEI Common Shares pursuant to the Plan of Arrangement will be a tax-deferred transaction for Canadian federal income tax purposes and for United States federal income tax purposes;
- the fact that Vermilion Securityholders and TAP Award Holders will have the opportunity to consider the Conversion and that the Conversion must receive the appropriate approval from Vermilion Securityholders, TAP Award Holders and the Court;
- the impact of the SIFT Rules which will remove the benefits of the trust structure for the Trust and Vermilion Securityholders at the end of 2010;
- the fact that Vermilion Securityholders are expected to receive distributions in the form of eligible dividends;
- the fact that, based on tax pools currently available, planned exploration and development activities and current commodity prices, VEI and VRL are not expected to pay cash taxes in Canada for at least the next five years, though this period may be accelerated or extended depending on the level of crude oil and natural gas prices over such period;
- the Fairness Opinion of TD Securities that, on the basis of the particular assumptions, limitations and qualifications summarized therein, as at July 27, 2010, the consideration to be received by the Vermilion Securityholders pursuant to the Arrangement is fair, from a financial point view, to the Vermilion Securityholders; and
- the advice of external legal and tax counsel.

The foregoing discussion of the information and factors considered and evaluated by the VRL Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Conversion Resolution, the VRL Board did not assign any relative or specific weight to the factors that were considered, and individual directors may have given different weight to each factor. There are risks associated with the Conversion, including that some of the potential benefits set forth in this Information Circular may not be realized or that there may be significant costs associated with realizing such benefits. See "Risk Factors".

As at July 23, 2010, the directors and officers of VRL and their associates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 1,128,583 Trust Units and 2,006,077 Exchangeable Shares, representing approximately 5.5 percent of the outstanding Trust Units (after giving effect to the exchange of all Exchangeable Shares for Trust Units at the exchange ratio in effect as of July 23, 2010). In addition, as at July 23, 2010, the directors and officers of VRL, as a group, beneficially owned 581,853 TAP Awards, representing 36.6 percent of the outstanding TAP Awards. On an aggregate basis, the directors and officers of VRL and their associates, as a group, beneficially owned, directly and indirectly, or exercised control or direction over, 4,884,882 Vermilion Securities (after giving effect to the exchange of the Exchangeable Shares at the exchange ratio in effect as of July 23, 2010) and 581,853 TAP Awards, representing approximately 5.5 percent of the Vermilion Securities and 36.6 percent of the TAP Awards entitled to vote at the Meeting. **Each of the directors**

and officers of VRL have indicated they intend to vote all of their Trust Units, Exchangeable Shares and TAP Awards in favour of the Conversion Resolution.

Fairness Opinion

The VRL Board retained TD Securities as its financial advisor with respect to the Arrangement. In connection with this mandate, TD Securities has provided the VRL Board with the Fairness Opinion. The Fairness Opinion is addressed to the VRL Board and concludes that, on the basis of the particular assumptions, qualifications and limitations summarized therein, in the opinion of TD Securities, as at July 27, 2010, the consideration to be received by Vermilion Securityholders pursuant to the Arrangement is fair, from a financial point of view, to the Vermilion Securityholders. **The Fairness Opinion is subject to the assumptions, qualifications and limitations contained therein.**

The full text of the Fairness Opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with the Fairness Opinion, is attached as Appendix "D" to this Information Circular. The Fairness Opinion is not a recommendation as to how Vermilion Securityholders and TAP Award Holders should vote with respect to the Arrangement. The Fairness Opinion was one of a number of factors taken into consideration by the VRL Board in making its unanimous determination that the Conversion is fair to the Vermilion Securityholders and TAP Award Holders and in the best interests of the Trust, the Vermilion Securityholders and TAP Award Holders and to recommend that Vermilion Securityholders and TAP Award Holders vote in favour of the Conversion.

THE CONVERSION

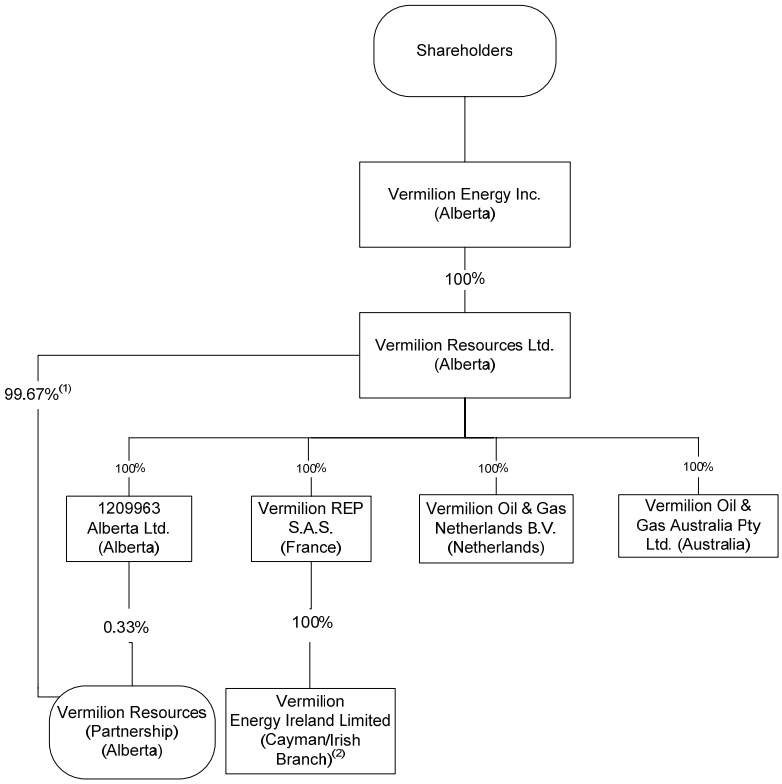
General

The Conversion will result in the reorganization of the Trust into a publicly traded, dividend-paying corporation under the name "Vermilion Energy Inc." The Conversion does not involve the acquisition of any additional interests in any operating assets or the disposition of any of the Trust's existing interests in operating assets. VEI will own, directly and indirectly, the assets and business held by the Trust immediately prior to the Effective Time and will assume all of the liabilities of the Trust.

VEI will continue to pursue a business strategy of delivering value through steady growth. VEI will retain the current management team and personnel of VRL and will continue to be led by Lorenzo Donadeo, as President and Chief Executive Officer. The current VRL Board will form the VEI Board. See "Information Concerning Vermilion Energy Inc."

Post-Conversion Structure

The following diagram describes the intercorporate relationships among VEI and each of its material subsidiaries post-Conversion:



Notes:

(1) Based on current ownership percentages prior to elimination of the Royalty currently held by the Trust.

(2) Vermilion Energy Ireland Limited is the Irish Branch of a Cayman Islands incorporated company.

Effect of the Conversion on Unitholders and Exchangeable Shareholders

Pursuant to the Conversion, Unitholders will ultimately receive one VEI Common Share for each Trust Unit held. Exchangeable Shareholders will participate in the Conversion and receive VEI Common Shares on the same basis as the holders of Trust Units based on the Exchangeable Share Ratio. As at July 23, 2010, each Exchangeable Share was exchangeable into 1.87246 Trust Units. Under the terms of the Plan of Arrangement, in the event the Effective Date occurs following a Distribution Record Date but prior to a Distribution Payment Date, the Exchangeable Share Ratio will be adjusted to give effect to the Distribution as if the Distribution Payment Date was the Business Day immediately preceding the Effective Date. Assuming a September 1, 2010 Effective Date, the Exchangeable Share Ratio will be adjusted on September 1, 2010 to give effect to the Distribution anticipated to be declared by the Trust on August 31, 2010 and anticipated to be paid on September 15, 2010, such adjustment to be determined based on the weighted average trading price of the Trust Units on the nine trading days preceding September 1, 2010. No Exchangeable Shares will remain outstanding following the Effective Date.

No certificates representing fractional VEI Common Shares will be issued pursuant to the Conversion. In lieu of any fractional VEI Common Shares, each holder of Vermilion Securities otherwise entitled to a fractional interest in a VEI Common Share will receive the nearest whole number of VEI Common Shares (with fractions equal to exactly 0.5 being rounded up). Vermilion Securities held by registered holders of Vermilion Securities on behalf of beneficial holders will be aggregated for such purposes.

If the Conversion is approved and implemented, VEI expects to pay monthly dividends and anticipates designating such dividends as eligible dividends for Canadian tax purposes; however, no assurance can be given that all dividends will be designated as eligible dividends.

See "The Arrangement - Details of the Arrangement", "The Arrangement - Procedure for Exchange of Trust Units and Exchangeable Shares", "Dividend Policy", "Certain Canadian Federal Income Tax Considerations" and "Certain United States Federal Income Tax Considerations".

Effect of the Conversion on TAP Award Holders

In connection with the Conversion, VEI will assume all of the obligations of the Trust in respect of the TAP and all outstanding TAP Awards. As at July 23, 2010, the Trust has an aggregate of 1,588,822 TAP Awards outstanding under the TAP. The transactions contemplated by the Conversion will not result in a change of control for purposes of the TAP or for purposes of the executive employment agreements with officers of VRL. In connection with the Conversion, the VRL Board has authorized certain “housekeeping” amendments to the TAP Plan and has also authorized amendments to the TAP Plan so that upon Conversion, TAP Awards granted pursuant to the TAP will continue to vest in accordance with the Amended TAP without any acceleration of the vesting period. In accordance with the TAP, upon Conversion, participants shall be entitled to receive the same number of VEI Common Shares in place of Trust Units that the participant would have otherwise received in accordance with the applicable performance terms and related delivery date. As authorized by the VRL Board, and in accordance with the terms and the provisions of the Arrangement, the TAP and all TAP Awards shall be amended to the extent necessary to reflect the Arrangement.

At the Meeting, if the Conversion Resolution is approved, the Vermilion Securityholders will be asked to consider and, if deemed advisable, to approve the Vermilion Incentive Plan. See "Other Matters to be Considered at the Meeting - Approval of the Vermilion Incentive Plan". If the Vermilion Incentive Plan is approved, such plan shall govern the issuance of all Share Awards to directors, officers, employees and consultants of VEI and its affiliates after the Effective Date and, with the written consent of the TAP Award Holders, the determination of the number of VEI Common Shares subject to all performance based awards to be vested on any vesting date which occurs after the Effective Date will be determined in accordance with the terms and conditions of the Vermilion Incentive Plan.

If the Conversion Resolution is passed and the Vermilion Incentive Plan is not approved by Vermilion Securityholders, the VEI Board will continue to grant future Share Awards under the Amended TAP.

Effect of the Conversion on the Employee Bonus Plan

In connection with the Conversion, VEI will assume all of the obligations of the Trust in respect of the Employee Bonus Plan. In connection with the Conversion, the VRL Board has authorized certain "housekeeping" amendments to the Employee Bonus Plan and has also authorized amendments to the Employee Bonus Plan so that upon Conversion, any liabilities and obligations of the Trust under the Employee Bonus Plan will be assumed by VEI. The transactions contemplated by the Conversion will not result in a change of control for purposes of the Employee Bonus Plan. In accordance with the TAP, upon Conversion, participants shall be entitled to receive the same number of VEI Common Shares in place of Trust Units that the participant would have otherwise received in accordance with the terms of the Employee Bonus Plan. As authorized by the VRL Board, and in accordance with the terms and the provisions of the Arrangement, the Employee Bonus Plan shall be amended to the extent necessary to reflect the Arrangement.

Effect of the Conversion on Unitholder Rights Plan

Pursuant to the Conversion, the Unitholder Rights Plan shall terminate on the Effective Date. If the Conversion Resolution is approved, Vermilion Securityholders will be asked to consider and, if deemed advisable, approve, the Shareholder Rights Plan. See "Other Matters to be Considered at the Meeting - Approval of the Shareholder Rights Plan".

Effect of the Conversion on the DRIP

The Trust reinstated the DRIP on January 15, 2010. The DRIP allows eligible Unitholders to purchase additional Trust Units by automatically reinvesting their cash distributions.

Pursuant to the Conversion, the Trust shall assign the DRIP and all associated agreements, including the agreement with Computershare in its capacity as the DRIP agent, to VEI and VEI shall amend and restate them on substantially similar terms and conditions as the DRIP. As a result, all existing participants in the DRIP will be deemed to be participants in the Amended DRIP without any further action on their part and holders of VEI Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid by VEI on the VEI Common Shares.

The Amended DRIP shall provide that, among other things, eligible Shareholders may direct that their cash dividends be reinvested in additional VEI Common Shares issued from treasury or, at the discretion of VEI, through the facilities of the TSX. The average market price at which participants under the Amended DRIP purchase VEI Common Shares will be based upon the average price for which VEI Common Shares are acquired through the facilities of the TSX for the purposes of the Amended DRIP. In the event that VEI elects not to purchase any VEI Common Shares through the facilities of the TSX in respect of a particular dividend, but to issue VEI Common Shares from treasury, the price at which VEI Common Shares will be issued will be based on the weighted average price of all VEI Common Shares traded on the TSX on the 10 trading days preceding a date of payment of such dividend. Each participant will also be credited with that number of VEI Common Shares equal to an additional five percent of the number of VEI Common Shares purchased on reinvestment of dividends and invested in accordance with the Amended DRIP. There is no charge to participants for reinvesting dividends. Eligible Shareholders who wish to participate in the Amended DRIP indirectly through their broker or other nominee through which their VEI Common Shares are held are advised to consult such broker or nominee to confirm whether commissions, services charges or other fees are payable.

The Amended DRIP is intended to become effective concurrently with the first cash dividend of VEI presently proposed to be paid out on or about October 15, 2010 to the Shareholders of record on September 30, 2010.

Dividend Policy

Following the Conversion, VEI expects to pay dividends on a monthly basis in a manner similar to the Trust's current approach to distributions. However, all decisions with respect to the declaration of dividends on the

VEI Common Shares will be made by the VEI Board on the basis of VEI's earnings, financial requirements and other conditions existing at such future time, planned acquisitions, income tax payable by VEI, crude oil and natural gas prices and access to capital markets, as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends. It is anticipated that the dividends will be "eligible dividends" for income tax purposes and thus qualify for the enhanced gross-up and dividend tax credit regime for certain shareholders of VEI; however, no assurance can be given that all dividends will be designated as eligible dividends. See "Certain Canadian Federal Income Tax Considerations".

If the Conversion is approved by the Vermilion Securityholders and TAP Award Holders at the Meeting and the Conversion is implemented, VEI is expected to adopt a dividend policy as described above, with the first post-Conversion dividend (assuming the Effective Date is September 1, 2010 as anticipated) to be declared in respect of September 2010 and paid on or about October 15, 2010. For the period until the Effective Date, the Trust is expected to continue paying monthly distributions in accordance with its current distribution policy. Distributions paid to the Unitholders for the month of August 2010 will not be affected by the proposed Conversion. VEI will assume the obligation for payment of such distributions on or about September 15, 2010 to the Unitholders of record on August 31, 2010. Existing participants in the DRIP will be deemed to be participants in the Amended DRIP and their cash dividends will be reinvested in additional VEI Common Shares in accordance with the terms and conditions of the Amended DRIP. See "Effect of the Conversion on the DRIP".

Details of the Conversion

The following is a summary of the principal steps in the Conversion. A full copy of the Arrangement Agreement, including the Plan of Arrangement, is attached as Appendix "C" to this Information Circular.

Plan of Arrangement Steps

(a) Unitholder Rights Plan and Incentive Rights Plan - the Unitholder URP Rights shall be cancelled without any payment or other consideration to Unitholders and the Unitholder Rights Plan shall terminate and cease to have any further force or effect. The Incentive Rights Plan shall be cancelled and shall terminate and cease to have any further force or effect.

(b) Special Voting Right - the Special Voting Rights shall be cancelled without any payment or other consideration to the Special Rights Holders and the Voting and Exchange Trust Agreement shall be terminated and cease to have any further force or effect.

(c) Amendments to the Trust Indenture - the Trust Indenture shall be amended to the extent necessary to, among other things, facilitate the Conversion and the implementation of the steps and transactions described in the Plan of Arrangement, including, without limitation, to enable the Trust Units held by Unitholders to be exchanged with VEI, all as may be reflected in a supplemental trust indenture to be dated as of the Effective Date.

(d) Amendments to the Articles of VEI - the articles of incorporation of VEI shall be amended by: (i) eliminating the share transfer restrictions in their entirety; and (ii) deleting the "Other Rules or Provisions" schedule attached to the articles of incorporation of VEI in its entirety and replacing such schedule with Exhibit 1 attached to the Plan of Arrangement;

(e) Dissenting Securityholders - the Dissenting Securities shall be, and shall be deemed to be, transferred to VEI and the Dissenting Securityholders shall cease to have any rights as Vermilion Securityholders other than the right to be paid by VEI the fair value of the Dissenting Securities in accordance with Article 4 of the Plan of Arrangement.

(f) Exchange of Trust Units - the VEI Common Shares issued to VRL in connection with the incorporation and organization of VEI shall be purchased for cancellation by VEI for consideration of $1.00 per VEI Common Share and shall be cancelled. The Trust Units held by Unitholders (other than any Trust Units held by VEI) shall be sold, transferred and assigned to VEI (free of any claims) in exchange for the

issuance by VEI to the Unitholders of fully paid and non-assessable VEI Common Shares on the basis of one fully paid and non-assessable VEI Common Share for each one Trust Unit so exchanged.

(g) Dissolution of the Trust

(i) All of the property of the Trust shall be transferred to VEI, VEI shall assume all of the liabilities and obligations of the Trust (including the DRIP and associated agreements and the liabilities and obligations of the Trust in respect of the TAP, the Employee Bonus Plan and any associated agreements and any declared but unpaid Distributions), VEI shall dispose of all of its interest as a beneficiary under the Trust and the Trust shall be dissolved and shall thereafter cease to exist;

(ii) the Amended DRIP shall become effective and all existing participants in the DRIP shall be deemed to be participants in the Amended DRIP without any further action on the part of such participants and the holders of VEI Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid on the VEI Common Shares from time to time; and

(iii) all outstanding TAP Awards shall become rights under an agreement with VEI to receive VEI Common Shares in accordance with the terms of the applicable TAP Award and the TAP and each TAP Award and the TAP will be amended to replace references to the Trust and Trust Units with references to VEI and VEI Common Shares, respectively, and to make such other consequential amendments as may be necessary to reflect the Arrangement.

(h) Exchange of Exchangeable Shares - each issued and outstanding Exchangeable Share (other than Exchangeable Shares held by VEI) shall be sold, transferred and assigned to VEI (free of any claims) in exchange for the issuance by VEI to the Exchangeable Shareholder of a number of fully paid and non-assessable VEI Common Shares that is equal to the Exchangeable Share Ratio.

(i) Conversion of Exchangeable Shares - the share capital of VRL will be reorganized such that all of the issued and outstanding Exchangeable Shares will be changed into 100 common shares of VRL.

(k) VEI and VRL Corporate Matters

(i) The incumbent directors of VEI shall be replaced as directors by the persons who are directors of VRL immediately prior to the Effective Time, such directors to hold office until the first annual meeting of shareholders of VEI or until such time as such directors resign or until their successors are duly elected or appointed; and

(ii) the incumbent directors of VRL shall be replaced as directors by the persons who are directors of VEI immediately prior to the Effective Time, such directors to hold office until the first annual meeting of shareholders of VRL or until such time as such directors resign or until their successors are duly elected or appointed.

The foregoing reflects the principal steps that the Trust and VRL currently anticipate will be required for implementation of the Conversion. Such steps may be modified in accordance with the discretionary powers granted to the VRL Board under the Interim Order and under the Plan of Arrangement. Any such modifications will not adversely affect the tax consequences to Vermilion Securityholders described under the headings "Certain Canadian Federal Income Tax Considerations" and "Certain United States Federal Income Tax Considerations".

The Conversion will also include the elimination of the Royalty currently held by the Trust as well as the indebtedness currently owing by VRL to the Trust, both of which are expected to be completed on the Effective Date.

Arrangement Agreement

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of the Trust, VRL and VEI and various conditions precedent, both mutual and with respect to each party.

The following is a summary of the material terms of the Arrangement Agreement and it is subject to, and qualified by, the full text of the Arrangement Agreement which is attached as Appendix "C" to this Information Circular. You are encouraged to carefully read the Arrangement Agreement in its entirety.

Conditions Precedent to the Arrangement

The respective obligations of the Trust, VRL and VEI to complete the transactions contemplated by the Arrangement Agreement shall be subject to the fulfillment or satisfaction, on or before the Effective Time, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

(a) the Interim Order shall have been granted in form and substance satisfactory to the Trust, VRL and VEI, acting reasonably, not later than July 30, 2010 or such later date as the parties to the Arrangement Agreement may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;

(b) the Conversion Resolution shall have been approved by the requisite number of votes cast by the Vermilion Securityholders and TAP Award Holders at the Meeting in accordance with the Trust Indenture, the Interim Order and any applicable regulatory requirements;

(c) the Final Order shall have been granted in form and substance satisfactory to the Trust, VRL and VEI, acting reasonably, not later than December 31, 2010 or such later date as the parties to the Arrangement Agreement may agree;

(d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Trust, VRL and VEI, acting reasonably, shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(9) of the ABCA;

(e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:

  (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated in the Arrangement Agreement; or

  (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transaction contemplated in the Arrangement Agreement;

(f) all necessary third party and regulatory consents and approvals with respect to the transactions contemplated by the Arrangement Agreement shall have been completed or obtained;

(g) the TSX shall have conditionally approved the listing or substitutional listing of the VEI Common Shares to be issued pursuant to the Arrangement, subject only to the filing of required documents which cannot be filed prior to the Effective Date; and

(h) each of the covenants, acts and undertakings of each of the Trust, VRL and VEI to be performed or complied with on or before the Effective Date pursuant to the terms of the Arrangement Agreement shall be duly performed or complied with.

Termination Events

The Arrangement Agreement may be terminated in each of the following circumstances:

(a) the mutual agreement of the Trust, VRL and VEI;

(b) the Arrangement shall not have become effective on or before January 1, 2011 or such later date as may be agreed to by the parties to the Arrangement Agreement; and

(c) the failure to satisfy the conditions precedent set forth above.

Approvals

Securityholder Approval

Pursuant to the Interim Order, the number of votes required to pass the Conversion Resolution shall be not less than (i) two thirds of the votes cast by Vermilion Securityholders and TAP Award Holders, either in person or by proxy, voting together as a single class at the Meeting; and (ii) two-thirds of the votes cast by Vermilion Securityholders, either in person or by proxy, voting together as a single class at the Meeting.

Notwithstanding the foregoing, the Conversion Resolution proposed for consideration by the Vermilion Securityholders and TAP Award holders authorizes the VRL Board, without further notice to, or approval of, such Vermilion Securityholders and TAP Award Holders, to amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement, and subject to the terms of the Arrangement Agreement, not to proceed with the Conversion and related transactions, notwithstanding that the Conversion Resolution has been passed (and the Conversion adopted) by the Vermilion Securityholders and TAP Award Holders or that the Conversion has received the approval of the Court. The full text of the Conversion Resolution is attached as Appendix "A" to this Circular.

Court Approvals

Interim Order

On July 30, 2010, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Appendix "B" to this Information Circular.

Final Order

The ABCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Conversion Resolution is approved by Vermilion Securityholders and TAP Award Holders at the Meeting in the manner required by the Interim Order, VEI, the Trust and VRL will make an application to the Court for the Final Order.

The application for the Final Order approving the Conversion is scheduled for August 31, 2010 at 1:45 p.m. (Calgary time), or as soon thereafter as counsel may be heard. Any Vermilion Securityholder, TAP Award Holder or other interested party desiring to support or oppose the Petition may appear at the time of the hearing in person or by counsel for that purpose provided such Vermilion Securityholder, TAP Award Holder or other interested party files with the Court and serves upon the Petitioners on or before 5:00 p.m. (Calgary time) on August 24, 2010, a notice of intention to appear setting out such Vermilion Securityholder's, TAP Award Holder's or interested party's address for service in the Province of Alberta and indicating whether such Vermilion Securityholder, TAP Award

Holder or interested party intends to support or oppose the Petition or make submissions, together with a summary of the position that such Vermilion Securityholder, TAP Award Holder or other interested party intends to advocate before the Court and any evidence or materials which are to be presented to the Court. **Service of such notice shall be effected by service upon the solicitors for the Petitioners: Macleod Dixon LLP, 3700, 400- 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, Attention: Roger F. Smith.**

The securities to be issued to Vermilion Securityholders pursuant to the Conversion will not be registered under the U.S. Securities Act, in reliance upon the exemption from registration provided by section 3(a)(10) thereof. The Court will be advised prior to the hearing of the application for the Final Order that if the terms and conditions of the Conversion are approved by the Court, the securities issued to Vermilion Securityholders pursuant to the Conversion will not require registration under the U.S. Securities Act.

The Trust has been advised by its counsel, Macleod Dixon LLP, that the Court has broad discretion under the ABCA when making orders with respect to the Conversion and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Conversion, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, the Trust may determine not to proceed with the Arrangement.

Stock Exchange Listing Approvals

It is a condition to completion of the Arrangement that the TSX shall have conditionally approved the substitutional listing of the VEI Common Shares issuable by VEI pursuant to the Arrangement subject only to the filing of required documents. The TSX has conditionally approved the substitutional listing of the VEI Common Shares issuable pursuant to the Conversion and the Amended TAP, the Vermilion Incentive Plan and the Shareholder Rights Plan, subject to VEI fulfilling the requirements of the TSX.

Third Party Approvals

The Arrangement will not have a material adverse effect on any outstanding debt or under any credit facilities and other material contracts to which the Trust and VRL are a party. All necessary third party consents under material contracts to the Arrangement shall have been obtained by the Effective Date.

Right to Dissent

The following description of the right to dissent and appraisal to which Vermilion Securityholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting Securityholder who seeks payment of the fair value of such Dissenting Securityholder's Vermilion Securities and is qualified in its entirety by the reference to the full text of the Interim Order, which is attached to this Information Circular as Appendix "B", and the text of section 191 of the ABCA, which is attached to this Information Circular as Appendix "H". A Vermilion Securityholder who intends to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of the ABCA, as modified by the Interim Order. Failure to strictly comply with the provisions of section 191 of the ABCA, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder.

A Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing.

Pursuant to the Interim Order, a registered Vermilion Securityholder is entitled, in addition to any other rights the holder may have, to dissent and to be paid the fair value of the Vermilion Securities held by the holder in respect of which the holder dissents, determined as of the close of business on the last Business Day before the day on which the Arrangement is approved. **Only registered Vermilion Securityholders may dissent. Persons who are beneficial owners of Trust Units or Exchangeable Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that they may only do so through the registered owner of such securities. Accordingly, a beneficial owner of Trust Units or Exchangeable Shares**

desiring to exercise the right to dissent must make arrangements for the securities beneficially owned by that holder to be registered in the name of the securityholder prior to the time the written objection to the Conversion Resolution is required to be received by the Trust or, alternatively, make arrangements for the registered holder of such securities to dissent on behalf of the Vermilion Securityholder. In such case, the written objection described below, should set forth the number of Trust Units and Exchangeable Shares, as the case may be, covered by such written objection.

A Dissenting Securityholder must send to the Trust a written objection to the Conversion Resolution, which written objection must be received by the Trust, c/o Macleod Dixon LLP, 3700, 400- 3rd Avenue S.W., Calgary, Alberta T2P 4H2 Attention: Roger F. Smith, by 5:00 p.m. (Calgary time) on the second last Business Day immediately preceding the Meeting or any adjournment thereof.

No Vermilion Securityholder who has voted in favour of the Conversion Resolution shall be entitled to dissent with respect to the Conversion. A holder of Vermilion Securities may not exercise the right to dissent in respect of only a portion of such holder's Vermilion Securities, but may dissent only with respect to all of the Vermilion Securities held by such Vermilion Securityholder.

An application may be made to the Court by VEI or by a Dissenting Securityholder to fix the fair value of the Dissenting Securityholder's Vermilion Securities. If such an application to the Court is made by either VEI or a Dissenting Securityholder, VEI must, unless the Court otherwise orders, send to each Dissenting Securityholder a written offer to pay such person an amount considered by the VEI Board to be the fair value of the Vermilion Securities held by such Dissenting Securityholders. The offer, unless the Court otherwise orders, will be sent to each Dissenting Securityholder at least 10 days before the date on which the application is returnable, if VEI is the applicant, or within 10 days after VEI is served with notice of the application, if a Dissenting Securityholder is the applicant. The offer will be made on the same terms to each Dissenting Securityholder, as the case may be, and will be accompanied by a statement outlining how the fair value was determined.

A Dissenting Securityholder may make an agreement with VEI for the purchase of such holder's Vermilion Securities in the amount of VEI's offer at any time before the Court pronounces an order fixing the fair value of the Vermilion Securities.

A Dissenting Securityholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application and appraisal. On the application, the Court will make an order fixing the fair value of the Vermilion Securities of all Dissenting Securityholders who are parties to the application, giving judgment in that amount against VEI and in favour of each of those Dissenting Securityholders, and fixing the time within which VEI must pay that amount due to the Dissenting Securityholders. The Court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Securityholder calculated from the date on which the Dissenting Securityholder ceases to have any rights as a Vermilion Securityholder until the date of payment.

On the Arrangement becoming effective, or upon the making of an agreement between VEI and the Dissenting Securityholder as to the payment to be made by VEI to the Dissenting Securityholder, or the pronouncement of a Court order, whichever first occurs, the Dissenting Securityholder will cease to have any rights as a Vermilion Securityholder other than the right to be paid the fair value of such Vermilion Securityholder's Vermilion Securities in the amount agreed to between VEI and the Vermilion Securityholder or in the amount of the judgment, as the case may be. Until one of these events occurs, the Vermilion Securityholder may withdraw his dissent, or if the Conversion has not yet become effective, VEI may rescind the Conversion Resolution, and in either event the dissent and appraisal proceedings in respect of that Vermilion Securityholder will be discontinued.

All Vermilion Securities held by Dissenting Securityholders will, if the holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to VEI in exchange for such fair value as of the Effective Date. If such Dissenting Securityholders ultimately are not entitled to be paid the fair value for the Vermilion Securities, such Vermilion Securities will be deemed to have been exchanged for VEI Common Shares under the Arrangement on the same basis as a non-dissenting Vermilion Securityholders and such Dissenting Securityholders will be issued VEI Common Shares on the same basis as all other Vermilion Securityholders.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Securityholder who seeks payment of the fair value of their Vermilion Securities. Section 191 of the ABCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, each Dissenting Securityholder who might desire to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of section 191 of the ABCA and the Interim Order, the full texts of which are set out in Appendices "G" and "B", respectively, to this Information Circular, and consult their own legal advisor.**

Timing of Completion of the Conversion

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions at that point in time are satisfied or waived, VEI, the Trust and VRL will apply for the Final Order approving the Arrangement on August 31, 2010. If the Final Order is obtained on August 31, 2010 in form and substance satisfactory to VEI, the Trust and VRL and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the Trust expects that the Effective Date will occur on or about September 1, 2010.

The provisions of the Arrangement that are intended to become effective on the Effective Date pursuant to the Plan of Arrangement will become effective upon the filing, on such date, with the Registrar of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

Procedure for Exchange of Trust Units and Exchangeable Shares

In order to receive their VEI Common Shares following completion of the Arrangement, holders of Vermilion Securities must deposit with the Depositary (at one of the addresses specified on the last page of the Letter of Transmittal) a validly completed and duly executed Letter of Transmittal together with the certificates representing the holder's Vermilion Securities.

Holders whose Vermilion Securities are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Vermilion Securities.

No certificates representing fractional VEI Common Shares shall be issued under the Arrangement. In lieu of any fractional VEI Common Shares, each holder of Vermilion Securities otherwise entitled to a fractional interest in a VEI Common Share will receive the nearest whole number of VEI Common Shares (with fractions equal to exactly 0.5 being rounded up). Vermilion Securities held by registered holders of Vermilion Securities on behalf of beneficial holders will be aggregated for such purposes.

The use of the mail to transmit certificates representing Vermilion Securities and the Letter of Transmittal is at each holder's risk. The Trust recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used.

If a certificate representing Vermilion Securities has been lost or destroyed, the Letter of Transmittal should be completed as fully as possible and forwarded, together with a letter describing the loss or destruction, to the Depositary. The Depositary will respond with the replacement requirements, which must be completed and returned to the Depositary.

Subject to the terms of the Arrangement, Dissenting Unitholders and Dissenting Exchangeable Shareholders who ultimately are not entitled to be paid the fair value of their Trust Units or Exchangeable Shares, as the case may be, will be entitled to receive the VEI Common Shares to which they are entitled under the Arrangement.

If the Letter of Transmittal is executed by a person other than the registered holder(s) of the Vermilion Securities being deposited or if the certificates representing the VEI Common Shares issuable in exchange for the Vermilion Securities are to be issued to a person other than such registered owner(s) or sent to an address other than the address of the registered holder(s) as shown on the register of Unitholders or Exchangeable Shareholders, as the case may be, maintained by Computershare, the signature on the Letter of Transmittal must be medallion guaranteed

by an Eligible Institution. If the Letter of Transmittal is executed by a person other than the registered owner(s) of the Vermilion Securities deposited therewith, and in certain other circumstances as set forth in the Letter of Transmittal, then the certificate(s) representing Vermilion Securities must be endorsed or be accompanied by an appropriate share transfer power of attorney duly and properly completed by the registered owner(s). The signature(s) on the endorsement panel or share transfer power of attorney must correspond exactly to the name(s) of the registered owner(s) as registered or as appearing on the certificate(s) and must be medallion guaranteed by an Eligible Institution.

All questions as to validity, form, eligibility (including timely receipt) and acceptance of any Vermilion Securities deposited pursuant to the Arrangement will be determined by the Trust (or its successor, VEI) in its sole discretion. Depositing Vermilion Securityholders agree that such determination shall be final and binding. The Trust (or its successor, VEI) reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful for it to accept under the laws of any jurisdiction. The Trust (or its successor, VEI) reserves the absolute right to waive any defect or irregularity in the deposit of any Vermilion Securities. There shall be no duty or obligation on the Trust, VRL, VEI, the Depositary or any other person to give notice of any defect or irregularity in any deposit of Vermilion Securities and no liability shall be incurred by any of them for failure to give such notice.

VEI will cause the Depositary to send, by first class mail, VEI Common Share certificates issued pursuant to the Arrangement that a Unitholder is entitled to receive, to each Unitholder's address as shown on the Trust's register of Unitholders and VRL's register of Exchangeable Shareholders, as applicable, only if such Unitholder or Exchangeable Shareholder has delivered and surrendered to the Depositary a Letter of Transmittal validly completed and duly executed and such other documents as the Depositary may require, including all certificates representing such securityholders' Vermilion Securities. If the Vermilion Securityholder indicates that he or she wishes to pick up the VEI Common Share certificates deliverable under the Arrangement, then such VEI Common Share certificates will be available at the offices of the Depositary indicated in the Letters of Transmittal.

The Trust (or its successor, VEI) reserves the right to permit the procedure for the exchange of securities pursuant to the Arrangement to be completed other than as set forth above.

From and after the Effective Time, certificates formerly representing Vermilion Securities exchanged pursuant to the Plan of Arrangement shall represent only the right to receive VEI Common Shares to which the holders are entitled pursuant to the Arrangement.

All dividends or distributions made with respect to any VEI Common Shares issued pursuant to the Arrangement but for which a certificate has not been issued shall be paid or delivered to the dividend disbursing agent of VEI. All monies received by the dividend disbursing agent of VEI on behalf of persons who immediately prior to the Effective Time were registered holders of Vermilion Securities that are exchanged pursuant to the Arrangement and not deposited with all other instruments required by this Plan of Arrangement shall be either: (a) paid (net of applicable withholding and other taxes) and delivered by the dividend disbursing agent to such persons as soon as reasonably practicable following receipt of such monies from VEI; or (b) where the person was a registered holder of Trust Units and is deemed to be a participant in the Amended DRIP, such monies will be applied automatically for the purchase of VEI Common Shares in accordance with the terms and conditions of the Amended DRIP.

Subject to any applicable legislation relating to unclaimed personal property, any certificate which immediately prior to the Effective Time represented outstanding Vermilion Securities that are exchanged pursuant to the Arrangement and not deposited with all other instruments required by the Plan of Arrangement on or prior to the fifth anniversary of the Effective Date, shall cease to represent a claim or interest of any kind or nature as a Shareholder. On such date, subject to any applicable legislation relating to unclaimed personal property, the VEI Common Shares to which the former registered holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered to VEI, together with all entitlements to dividends, distributions and interest thereon held for such former registered holder.

Should the Arrangement not be completed, any deposited Vermilion Securities will be returned to the depositing holder at the Trust's expense upon written notice to the Depositary from the Trust by returning the deposited Vermilion Securities (and any other relevant documents) by first class insured mail in the name of and to the address specified by the holder in the Letter of Transmittal or, if such name and address is not so specified, in such name and to such address as shown on the register maintained by Computershare.

Interest of Certain Person or Companies in the Arrangement

As at July 23, 2010, the directors and officers of VRL and their associates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 1,128,583 Trust Units and 2,006,077 Exchangeable Shares, representing approximately 5.5 percent of the outstanding Trust Units (after giving effect to the exchange of all Exchangeable Shares for Trust Units at the exchange ratio in effect as of July 23, 2010). In addition, as at July 23, 2010, the directors and officers of VRL, as a group, beneficially owned 581,853 TAP Awards, representing 36.6 percent of the outstanding TAP Awards. On an aggregate basis, the directors and officers of VRL, and their associates, as a group, beneficially owned, directly and indirectly, or exercised control or direction over, 4,884,882 Vermilion Securities (after giving effect to the exchange of the Exchangeable Shares at the exchange ratio in effect as of July 23, 2010) and 581,853 TAP Awards, representing approximately 5.5 percent of the Vermilion Securities and 36.6 percent of the TAP Awards, respectively, entitled to vote at the Meeting.

The transactions contemplated by the Conversion will not result in a change of control for purposes of the TAP or for purposes of the executive employment agreements with officers of VRL. Upon Conversion, TAP Awards granted pursuant to the TAP will continue to vest in accordance with the Amended TAP without any acceleration of the vesting period. In accordance with the TAP, upon Conversion, participants shall be entitled to receive the same number of VEI Common Shares in place of Trust Units that the participant would otherwise received in accordance with the applicable performance terms and related delivery date in accordance with their terms and the provisions of the TAP. See "The Arrangement - Effect of the Arrangement on the Holders of Trust Unit Awards".

The Conversion will not result in any change of control, termination or other payments being made to any directors, officers or employees of VRL pursuant to employment, charge of control or similar agreements.

TD Securities has been engaged as financial advisor to the VRL Board in connection with the Arrangement. TD Securities has received, or will receive, fees from VRL for services rendered; however, the fees paid or payable to TD Securities in connection with these services, including the provision of the Fairness Opinion, were and are not contingent on particular conclusions reached by TD Securities therein.

None of the principal holders of Trust Units or any director or officer of VRL, or any associate or affiliate of any of the foregoing persons, has or had any material interest in any transaction in the last three years or any proposed transaction that materially affected, or will materially affect, the Trust or any of its affiliates, except as disclosed above or elsewhere in this Information Circular or in the documents incorporated herein by reference.

Expenses of the Arrangement

The estimated costs to be incurred by the Trust with respect to the Conversion and related matters including, without limitation, financial advisory, accounting and legal fees, and the preparation, printing and mailing of this Information Circular and other related documents and agreements, are expected to aggregate approximately $1.5 million.

Securities Law Matters

Canada

All securities to be issued under the Arrangement, including, without limitation, the VEI Common Shares issued to the Vermilion Securityholders, will be issued in reliance on exemptions from prospectus requirements of applicable Canadian securities laws and, following completion of the Arrangement, the VEI Common Shares will

generally be "freely tradeable" (other than as a result of any "control block" restrictions which may arise by virtue of the ownership thereof) under applicable Canadian securities laws of the provinces of Canada.

Pursuant to MI 61-101, the Arrangement is a "downstream transaction". In accordance with MI 61-101, if the transaction is a "business combination" or a "related party transaction" then a formal evaluation and minority securityholder approval of the transaction in accordance with MI 61-101 would be required, unless an exemption is available to the Trust. Since the definition of "business combination" in MI 61-101 specifically excludes a "downstream transaction" and the provisions applying to "related party transactions" do not apply to "downstream transactions", the Trust is not required to obtain a formal valuation or minority approval of the Vermilion Securityholders of the Arrangement pursuant to MI 61-101. In addition, no "collateral benefit" (as such term is defined in MI 61-101) is being received by any related party to the Trust in connection with the Arrangement.

Judicial Developments

The Plan of Arrangement will be implemented pursuant to section 193 of the ABCA which provides that, where it is impractical for a corporation to effect an arrangement under any other provisions of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the ABCA, such an application will be made by VRL, VEI and the Trust for approval of the Conversion. See "The Conversion - Approvals" above. Although there have been a number of judicial decisions considering this section and applications to various arrangements, there have not been, to the knowledge of the Trust, any recent significant decisions which would apply in this instance with exception of the recent decision of the Ontario Superior Court of Justice In the Matter of a Proposed Arrangement Involving Acadian Timber Income Fund, AT Trust, Acadian Timber Limited Partnership, CellFor Inc., 7273126 Canada Inc., 7273177 Canada Inc., the Unitholders of Acadian Timber Income Fund, the Noteholders of CellFor Inc. and the Shareholders of CellFor Inc., in which the court confirmed, in interpreting the arrangement provisions of the Canada Business Corporations Act (the "CBCA"), that the arrangement provisions of the CBCA (which are similar to the arrangement provisions of the ABCA) are intended to be flexible and facilitative and are not to be construed narrowly and should be available to income trusts, such as the Trust, in the exceptional circumstances of a conversion of an income trust into a corporate, structure. **Vermilion Securityholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.**

United States

Status under U.S. securities laws

At the time of the Arrangement, each of the Trust and VEI will be a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act. It is the Trust's intention that the VEI Common Shares will be listed for trading on the TSX following completion of the Arrangement. The Trust does not currently intend to seek a listing for the VEI Common Shares on a stock exchange in the United States.

Exemption from the registration requirements of the U.S. Securities Act

The VEI Common Shares to be issued under the Conversion to Vermilion Securityholders will not be registered under the U.S. Securities Act. The VEI Common Shares will be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all Persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on July 30, 2010 and, subject to the approval of the Arrangement by Vermilion Securityholders, a hearing on the Arrangement will be held on August 31, 2010 by the Court. See "The Arrangement – Approvals" above.

Resales of VEI Common Shares within the United States after the completion of the Arrangement

The VEI Common Shares issuable to Vermilion Securityholders following completion of the Arrangement will be freely tradable in the United States under U.S. federal securities laws, except by Persons who will be "affiliates" of VEI after the Conversion. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Persons who are affiliates of VEI after the Conversion may not sell the VEI Common Shares that they receive in connection with the Arrangement in the absence of registration under the U.S. Securities Act, unless an exemption from registration is available, such as the exemptions contained in Rule 144 or Rule 904 of Regulation S under the U.S. Securities Act.

- Affiliates – Rule 144. In general, under Rule 144, persons who are affiliates of VEI after the Conversion will be entitled to sell in the United States, during any three-month period, the VEI Common Shares that they receive in connection with the Arrangement, provided that the number of such securities sold does not exceed the greater of 1% of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale, requirements, aggregation rules and the availability of current public information about VEI. Persons who are affiliates of VEI after the Conversion will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of VEI.

- Affiliates – Regulation S. In general, under Regulation S, persons who are affiliates of VEI solely by virtue of their status as an officer or director of VEI may sell their VEI Common Shares outside the United States in an "offshore transaction" if neither the seller, an affiliate nor any person acting on its behalf engages in "directed selling efforts" in the United States and provided that no selling commission, fee or other remuneration is paid in connection with such sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. For purposes of Regulation S "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered". Also, under Regulation S, an "offshore transaction" includes an offer that is not made to a person in the United States where either (a) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the Unites States; or (b) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would include a sale through the TSX, if applicable). Certain additional restrictions, set forth in Rule 903 of Regulation S, are applicable to sales outside the United States by a holder of VEI Common Shares who is an affiliate of VEI after the Conversion other than by virtue of his or her status as an officer or director of VEI.

The foregoing discussion is only a general overview of certain requirements of U.S. securities laws applicable to the resale of VEI Common Shares received upon completion of the Arrangement. **All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation**.

Experts

Certain legal matters relating to the Arrangement are to be passed upon by Macleod Dixon LLP on behalf of the Trust. As at July 23, 2010, the partners and associates of Macleod Dixon LLP beneficially owned, directly or indirectly, less than 1 percent of the outstanding Vermilion Securities. Robert J. Engbloom, a partner of Macleod Dixon LLP, is the Corporate Secretary of VRL.

The principals of GLJ do not hold any Vermilion Securities as of the date hereof. Deloitte & Touche LLP, the Trust's auditors and the proposed auditors of VEI, are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Macleod Dixon LLP, Canadian counsel to the Trust, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act relating to the Arrangement generally applicable to Vermilion Securityholders who, for purposes of the Tax Act, and at all relevant times, hold their Vermilion Securities and will hold their VEI Common Shares as capital property and deal at arm's length with, and are not affiliated with, the Trust and VEI. Vermilion Securities and VEI Common Shares will generally be considered to be capital property to a Vermilion Securityholder unless such securities are held by the Vermilion Securityholder in the course of carrying on a business of trading or dealing in securities, or were acquired in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders and holders of VEI Common Shares who are resident in Canada for purposes of the Tax Act and whose Trust Units and VEI Common Shares might not otherwise qualify as capital property, may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Trust Units, VEI Common Shares and every "Canadian security" (as defined in the Tax Act) owned by such holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Exchangeable Shares will not be Canadian securities for these purposes and therefore will not be deemed to be capital property under subsection 39(4) of the Tax Act. Vermilion Securityholders who do not hold their Vermilion Securities as capital property or who will not hold their VEI Common Shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to: (i) a Vermilion Securityholder that is a "financial institution" for the purposes of the mark-to-market rules in the Tax Act; (ii) a Vermilion Securityholder an interest in which is a "tax shelter investment" as defined in the Tax Act; (iii) a Vermilion Securityholder that is a "specified financial institution" as defined in the Tax Act; (iv) a Vermilion Securityholder whose functional currency for the purposes of the Tax Act is the currency of a country other than Canada; or (v) a Vermilion Securityholder who acquired Trust Units on the exercise of employee stock options. Any such Vermilion Securityholder should consult its own tax advisor with respect to the Arrangement.

This summary is based on the current provisions of the Tax Act and Macleod Dixon LLP's understanding of the current published administrative policies and assessing practices of the CRA publicly available prior to the date of this document. This summary takes into account all proposed amendments to the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("**Proposed Amendments**") and assumes that such Proposed Amendments will be enacted substantially as proposed. However, no assurance can be given that such Proposed Amendments will be enacted in the form proposed, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Arrangement and/or the holding of VEI Common Shares. Except for the Proposed Amendments, this summary does not take into account or anticipate any other changes in law or any changes in the CRA's administrative policies and assessing practices, whether by judicial, governmental or legislative action or decision, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Vermilion Securityholder. Vermilion Securityholders should consult their own tax advisors as to the tax consequences to them of the Arrangement and/or the holding of VEI Common Shares.

Vermilion Securityholders Resident in Canada

This portion of the summary is generally applicable to a Vermilion Securityholder who, at all relevant times and for the purposes of the Tax Act and any applicable income tax treaty, is resident or is deemed to be resident in Canada (a "**Resident Holder**").

Exchange of Trust Units for VEI Common Shares under the Arrangement

A Resident Holder who exchanges a Trust Unit for a VEI Common Share pursuant to the Arrangement will generally be deemed to have (i) disposed of the Trust Unit for proceeds of disposition equal to the "cost amount" (as defined in the Tax Act) of such Trust Unit to the Resident Holder immediately before the disposition; and (ii) acquired the VEI Common Share received on the exchange at a cost equal to the cost amount to the Resident Holder of the particular Trust Unit so exchanged. As a result, Resident Holders will generally not realize a capital gain or a capital loss on the exchange of their Trust Units for VEI Common Shares.

The cost amount of a Trust Unit to a Resident Holder immediately before the exchange will generally be equal to the adjusted cost base of the Trust Unit. The cost of a VEI Common Share to a Resident Holder following the Arrangement will generally be the average of the cost of all VEI Common Shares held by such Resident Holder as capital property.

The Tax Act provides that, on the exchange of a Trust Unit for a VEI Common Share, a Resident Holder will include in income under section 15 of the Tax Act: (i) the amount, if any, by which the fair market value of a VEI Common Share exceeds the fair market value of a Trust Unit (the "**Excess Share Value**"); and (ii) the amount, if any, by which the fair market value of a Trust Unit exceeds the fair market value of a VEI Common Share, where it is reasonable to regard such excess as a benefit that the Resident Holder desired to confer on a person or partnership with whom the Resident Holder does not deal at arm's length (within the meaning of the Tax Act) (the "**Excess Trust Unit Value**"). The Excess Share Value or the Excess Trust Unit Value, if any, as applicable, must be included in computing the income of the Resident Holder for the taxation year of the Resident Holder which includes the Effective Date. No assurances can be given that the CRA will accept the position that the fair market value of a Trust Unit at the time of the exchange is equal to the fair market value of a VEI Common Share immediately after the exchange.

Exchange of Exchangeable Shares for VEI Common Shares under the Arrangement

A Resident Holder who exchanges Exchangeable Shares for VEI Common Shares pursuant to the Arrangement will, unless the Resident Holder chooses to recognize a capital gain or capital loss on the exchange as described in the immediately following paragraph or the Resident Holder makes a joint tax election with VEI pursuant to section 85 of the Tax Act in relation to the exchange as described below, be deemed to have disposed of such Exchangeable Shares for proceeds of disposition equal to the Resident Holder's adjusted cost base thereof. Such Resident Holder would therefore neither recognize a capital gain nor a capital loss in respect of the exchange and would be deemed to acquire the VEI Common Shares received on the exchange at a cost which is equal to the adjusted cost base of the Exchangeable Shares. This cost will be averaged with the adjusted cost base of all other VEI Common Shares held by the Resident Holder as capital property for the purpose of determining the adjusted cost base of each VEI Common Share held by the Resident Holder.

Notwithstanding the foregoing, a Resident Holder who receives VEI Common Shares in exchange for the Resident Holder's Exchangeable Shares may, if the Resident Holder so chooses, recognize a capital gain (or a capital loss) in respect of the disposition by reporting the same in the Resident Holder's income tax return for the taxation year during which the exchange occurs. Such capital gain (or capital loss) will be equal to the amount by which the fair market value of the VEI Common Shares received exceeds (or is exceeded by) the aggregate of the adjusted cost base of the Exchangeable Shares exchanged and any reasonable costs of making the disposition. In such circumstances, the cost of the VEI Common Shares acquired on the exchange will be equal to the fair market value thereof. This cost will be averaged with the adjusted cost base of all other VEI Common Shares held by the Resident Holder as capital property for the purpose of determining the adjusted cost base of each VEI Common Share held by the Resident Holder. For a description of the tax treatment of capital gains and capital losses, see "Vermilion Securityholders Resident in Canada - Taxation of Capital Gains or Capital Losses" below.

Section 85 Election

A Resident Holder who exchanges Exchangeable Shares for VEI Common Shares pursuant to the Arrangement may choose to recognize a portion of any capital gain that would otherwise arise on the exchange by making a joint election with VEI pursuant to subsection 85(1) of the Tax Act (or, in the case of such a Resident

Holder that is a partnership, pursuant to subsection 85(2) of the Tax Act) (a "**Joint Tax Election**"). The effect of making a Joint Tax Election is that the proceeds of disposition of the Exchangeable Shares will, subject to certain limitations imposed by the Tax Act, be deemed to be the amount set forth in the election (the "**elected amount**"). The limitations imposed by the Tax Act in respect of the elected amount are that the elected amount cannot exceed the fair market value of the Exchangeable Shares at the time of the exchange, nor can the elected amount be less than the lesser of the fair market value of the Exchangeable Shares and the adjusted cost base of the Exchangeable Shares to the Resident Holder at the time of the exchange.

A capital gain will be recognized by the Resident Holder to the extent that the elected amount exceeds the sum of (i) the aggregate adjusted cost base to the Resident Holder of the Exchangeable Shares and (ii) any reasonable costs of disposition. The VEI Common Shares received will be deemed to have a cost equal to the elected amount in respect of the Exchangeable Shares and this cost will be averaged with the adjusted cost base of all other VEI Common Shares held by the Resident Holder as capital property for the purpose of determining the adjusted cost base of each VEI Common Share held by the Resident Holder. For a description of the tax treatment of capital gains, see "Vermilion Securityholders Resident in Canada - Taxation of Capital Gains or Capital Losses" below.

To make a Joint Tax Election, the Resident Holder must provide two signed copies of the applicable federal, provincial and territorial tax election forms to VEI within 90 days following the Effective Date, duly completed and including (i) the required information concerning the Resident Holder, (ii) the details of the number of Exchangeable Shares transferred in respect of which the Resident Holder is making a Joint Tax Election, and (iii) the applicable elected amount for such Exchangeable Shares. It will be the sole responsibility of each Resident Holder who wishes to make such a Joint Tax Election to obtain the appropriate federal, provincial or territorial election forms and to duly complete and submit such forms to VEI for its execution. VEI will sign the tax election forms received from the Resident Holder within 90 days following the Effective Date that appear correct and complete, and return such forms to the Resident Holder within 30 days of receipt by VEI. VEI will not be responsible for the proper completion or filing of any election form.

Resident Holders who wish to make a Joint Tax Election with VEI in respect of the exchange of their Exchangeable Shares should give their immediate attention to this matter following the Effective Time. The law in this area is complex and contains numerous technical requirements and the comments made herein with respect to Joint Tax Elections are provided for general information only. Resident Holders wishing to make a Joint Tax Election in respect of the exchange of their Exchangeable Shares should consult their own tax advisors.

Holding and Disposing of VEI Common Shares

Dividends on VEI Common Shares

Dividends on VEI Common Shares will be included in a Resident Holder's income for the purposes of the Tax Act. Such dividends received by a Resident Holder who is an individual will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by VEI at or prior to the time the dividend is paid, such dividend will be treated as an eligible dividend for the purposes of the Tax Act and a Resident Holder who is an individual will be entitled to an enhanced dividend tax credit in respect of such dividend. VEI has advised that it intends to designate all dividends paid on the VEI Common Shares as eligible dividends for these purposes.

Taxable dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

In the case of a Resident Holder of VEI Common Shares that is a corporation, dividends received on the VEI Common Shares will be required to be included in computing the corporation's income for the taxation year in which such dividends are received and will generally be deductible in computing the corporation's taxable income. A Resident Holder of VEI Common Shares that is a "private corporation" (as defined in the Tax Act) or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals may be liable under Part IV of the Tax Act to pay a refundable tax of 33⅓% on

dividends received on the VEI Common Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income.

A Resident Holder of VEI Common Shares that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6⅔% on its "aggregate investment income" (as defined in the Tax Act), including any dividends that are not deductible in computing taxable income.

Disposition of VEI Common Shares

A disposition or deemed disposition of a VEI Common Share by a Resident Holder (other than in a tax deferred transaction or a disposition to VEI that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in the open market), will generally result in the Resident Holder realizing a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the VEI Common Share immediately before the disposition. For a description of the tax treatment of capital gains and capital losses, see "Vermilion Securityholders Resident in Canada - Taxation of Capital Gains or Capital Losse*s*" below.

Taxation of Capital Gains or Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year (subject to and in accordance with rules contained in the Tax Act). Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6⅔% on its "aggregate investment income" (as defined in the Tax Act), including any taxable capital gains.

If the Resident Holder is a corporation, the amount of any capital loss otherwise realized on a disposition or deemed disposition of a share may be reduced by the amount of dividends received or deemed to have been received by it on such share (and in certain circumstances a share exchanged for such share) to the extent and under circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns a share or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such share. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Dissenting Securityholders Resident in Canada

Pursuant to the Arrangement, a Dissenting Securityholder who is a Resident Holder (a "**Resident Dissenting Securityholder**") will be deemed to have transferred such Resident Dissenting Securityholder's Vermilion Securities, as the case may be, to VEI and will be entitled to receive a cash payment from VEI equal to the fair value of such Vermilion Securities. Such a Resident Dissenting Securityholder will realize a capital gain (or a capital loss) equal to the amount by which the cash payment received from VEI (exclusive of any interest) exceeds (or is less than) the aggregate of the adjusted cost base of the Vermilion Securities immediately before the disposition and any reasonable costs associated with the disposition. For a description of the tax treatment of capital gains and capital losses, see "Vermilion Securityholders Resident in Canada - Taxation of Capital Gains or Capital Losses" above.

Interest awarded to a Resident Dissenting Securityholder by a court will be included in the Resident Dissenting Securityholder's income for the purposes of the Tax Act. In addition, a Resident Dissenting

Securityholder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6⅔% on its "aggregate investment income" (as defined in the Tax Act), including interest income.

Additional income tax considerations may be relevant to Resident Dissenting Securityholders. Resident Dissenting Securityholders should consult their own tax advisors.

Eligibility for Investment

Subject to the provisions of a particular plan, provided the VEI Common Shares are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX) or that VEI qualifies as a "public corporation" for the purposes of the Tax Act, VEI Common Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts. Notwithstanding that the VEI Common Shares may be a qualified investment for a trust governed by a tax-free savings account (a "**TFSA**"), the holder of a TFSA will be subject to a penalty tax on the VEI Common Shares held in the TFSA if such VEI Common Shares are a "prohibited investment" for that TFSA. The VEI Common Shares will generally be a "prohibited investment" if the holder of the TFSA does not deal at arm's length with VEI for purposes of the Tax Act or the holder of the TFSA has a "significant interest" (within the meaning of the Tax Act) in VEI or a corporation, partnership or trust with which VEI does not deal at arm's length for purposes of the Tax Act. Holders are advised to consult their own advisors in this regard.

Unitholders Not Resident in Canada

This portion of the summary applies to a Unitholder who, for purposes of the Tax Act and any relevant tax treaty, is not and is not deemed to be resident in Canada and who does not use or hold, and is not deemed to use or hold their Trust Units or the VEI Common Shares received under the Arrangement in carrying on a business in Canada and is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere (a "**Non-Resident Holder**").

Exchange of Trust Units for VEI Common Shares under the Arrangement

A Non-Resident Holder who exchanges a Trust Unit for a VEI Common Share under the Arrangement will generally be subject to the same Canadian federal income tax consequences as described above under the heading "Vermilion Securityholders Resident in Canada – Exchange of Trust Units for VEI Common Shares under the Arrangement" as though each reference therein to a "Resident Holder" were read as a reference to a "Non-Resident Holder".

Where a Trust Unit held by a Non-Resident Holder is "taxable Canadian property" of the Non-Resident Holder, a VEI Common Share received upon the Arrangement will be deemed to be taxable Canadian property to the Non-Resident Holder. A Trust Unit will generally not be considered to be taxable Canadian property to a Non-Resident Holder at a particular time unless: (i) at any time during the 60-month period immediately preceding the disposition of the Trust Unit the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder or the Non-Resident Holder together with all such persons, held 25% or more of the issued Trust Units and, at any time during such 60-month period more than 50% of the fair market value of the Trust Unit was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interest in, such properties; or (ii) the Trust is not a mutual fund trust for the purposes of the Tax Act on the date of disposition. Based in part on representations of VRL, in its capacity as administrator of the Trust, as to certain factual matters, the Trust is currently a mutual fund trust for purposes of the Tax Act and is expected to continue to be a mutual fund trust at the time that the Trust Units are exchanged pursuant to the Arrangement.

Any Excess Share Value or Excess Trust Unit Value attributable to a Non-Resident Holder will be deemed to be a dividend received by the Non-Resident Holder from a corporation resident in Canada for the purposes of the Tax Act. Such amount will be subject to Canadian withholding tax at the rate of 25% unless the rate is reduced

under the provisions of a tax treaty between Canada and the Non-Resident Holder's jurisdiction of residence. Where the Non-Resident Holder is a United States resident entitled to benefits under the *Canada-United States Income Tax Convention, 1980* (the "**Canada-U.S. Tax Treaty**") and is the beneficial owner of the deemed dividend, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%. No assurances can be given that the CRA will accept the position that the fair market value of a Trust Unit at the time of the exchange is equal to the fair market value of a VEI Common Share immediately after the exchange.

Non-Resident Dissenting Unitholders

Pursuant to the Arrangement, a Dissenting Unitholder who is a Non-Resident Holder (a "**Non-Resident Dissenting Unitholder**") will be deemed to have transferred such Non-Resident Dissenting Unitholder's Trust Units to VEI and will be entitled to receive a cash payment from VEI equal to the fair value of the Non-Resident Dissenting Unitholder's Trust Units. A Non-Resident Dissenting Unitholder will be considered to have disposed of such Trust Units for proceeds of disposition equal to the amount of the payment (exclusive of interest) received by the Dissenting Non-Resident Unitholder and will realize a capital gain (or a capital loss) equal to the amount by which such cash payment (exclusive of interest) exceeds (or is exceeded by) the adjusted cost base of such Trust Units to the Non-Resident Dissenting Unitholder.

A Non-Resident Dissenting Unitholder will generally not be liable for tax under the Tax Act in respect of any capital gain realized on a disposition of such Trust Units unless such Trust Units are or are deemed to be taxable Canadian property to such Non-Resident Dissenting Unitholder and the Non-Resident Dissenting Unitholder is not entitled to relief under an applicable tax treaty between Canada and the Non-Resident Dissenting Unitholder's country of residence. See the discussion above under "Unitholders Not Resident in Canada - Exchange of Trust Units for VEI Common Shares under the Arrangement" for a general discussion of Trust Units being taxable Canadian property.

An amount paid in respect of interest awarded by the Court to a dissenting Non-Resident Dissenting Unitholder will generally not be subject to Canadian withholding tax.

Dividends on VEI Common Shares

Dividends paid or deemed to be paid to a Non-Resident Holder on VEI Common Shares will be subject to Canadian withholding tax at the rate of 25% unless the rate is reduced under the provisions of a tax treaty between Canada and the Non-Resident Holder's jurisdiction of residence. Where the Non-Resident Holder is a United States resident entitled to benefits under the Canada-U.S. Tax Treaty and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

Disposition of VEI Common Shares

A Non-Resident Holder will generally not be liable to Canadian income tax on a disposition or deemed disposition of VEI Common Shares unless the VEI Common Shares are, or are deemed to be, taxable Canadian property to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country in which the Non-Resident Holder is resident. Provided the VEI Common Shares are listed on a "designated stock exchange" (as defined in the Tax Act, which includes the TSX) at the time of disposition, the VEI Common Shares will generally not constitute taxable Canadian property to a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition of the VEI Common Share: (i) the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the capital stock of VEI; and (ii) more than 50% of the fair market value of the VEI Common Share was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interest in, such properties. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, VEI Common Shares could be deemed to be taxable Canadian property to a Non-Resident Holder.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the anticipated material U.S. federal income tax considerations applicable to a U.S. Unitholder (as defined below) of the Arrangement and of the ownership and disposition of VEI Common Shares received pursuant to the Arrangement.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Unitholder as a result of the Arrangement or the ownership or disposition of VEI Common Shares received pursuant to the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Unitholder that may affect the U.S. federal income tax considerations applicable to a Unitholder or an Exchangeable Shareholder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Unitholder. Each U.S. Unitholder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Arrangement.

Scope of this Disclosure

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated under the Code, U.S. court decisions, published U.S. Internal Revenue Service ("IRS") rulings and published administrative positions of the IRS that are applicable, in each case as in effect and available as of the date of this Information Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis and could affect the U.S. federal income tax considerations described in this summary.

For purposes of this summary, a "U.S. Unitholder" is an owner of Trust Units receiving VEI Common Shares pursuant to the Arrangement that is (a) an individual who is a citizen or resident of the U.S. for U.S. income tax purposes, (b) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia, (c) an estate if the income of which is subject to U.S. federal income tax regardless of its source, or (d) a trust if: (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes; or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

For purposes of this summary, a "Non-U.S. Unitholder" is an owner of Trust Units receiving VEI Common Shares pursuant to the Arrangement that is not a U.S. Unitholder. This summary does not address the U.S. federal income tax considerations applicable to Non-U.S. Unitholders of the receipt of VEI Common Shares pursuant to the Arrangement. Accordingly, a Non-U.S. Unitholder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any tax treaties) of the Arrangement and the ownership and disposition of VEI Common Shares received pursuant to the Arrangement.

This summary does not address the U.S. federal income tax considerations of the Arrangement to U.S. Unitholders that are subject to special provisions under the Code, including the following U.S. Unitholders: (a) U.S. Unitholders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Unitholders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies or that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (c) U.S. Unitholders that have a "functional currency" other than the U.S. dollar; (d) U.S. Unitholders that are liable for the alternative minimum tax under the Code; (e) U.S. Unitholders that own Trust Units as part of a straddle, hedging arrangement, conversion arrangement, constructive sale, or other arrangement involving more than one position; (f) U.S. Unitholders that acquired Trust Units in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Unitholders that hold Trust Units or VEI Common Shares other than as capital assets within the meaning of section 1221 of the Code; (h) U.S. Unitholders who are U.S. expatriates or former long-term residents of the U.S.; and (i) U.S. Unitholders that own, directly or by attribution, 10 percent or more, by voting power or value, of the outstanding Trust Units. U.S. Unitholders that are subject to special provisions under the Code, including U.S.

Unitholders described immediately above, should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal, U.S. state and local and foreign tax consequences of the Arrangement.

If an entity that is classified as partnership (or "pass-through" entity) for U.S. federal income tax purposes holds Trust Units, the U.S. federal income tax consequences to such partnership (or "pass-through" entity) and the partners of such partnership (or owners of such "pass-through" entity) generally will depend on the activities of the partnership (or "pass-through" entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (and owners of "pass-through entities) for U.S. federal income tax purposes should consult their own financial advisors, legal counsel or accountants regarding the U.S. federal income tax consequences of the Arrangement.

This summary does not address the U.S. state and local, U.S. estate and gift or foreign tax consequences to U.S. Unitholders of the Arrangement or the ownership and disposition of VEI Common Shares received pursuant to the Arrangement. Each U.S. Unitholder should consult its own tax advisors regarding the U.S. state and local and foreign tax consequences to them.

Circular 230

To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that any discussion of tax matters set forth in this Information Circular was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any prospective investor, for the purpose of avoiding tax-related penalties under federal, state or local tax law. Each U.S. Unitholder should seek advice based on its particular circumstances from an independent tax advisor.

U.S. Federal Income Tax Consequences of the Arrangement

Plan of Arrangement

Pursuant to the Arrangement, in a series of transactions, all of the assets of the Trust will be transferred to a newly formed entity, VEI, and the Unitholders and Exchangeable Shareholders will receive VEI Common Shares in exchange for their Trust Units and Exchangeable Shares, as applicable, in the Trust, as described under "Arrangement Agreement". In connection with the Arrangement, all Trust Units will be exchanged and each Unitholder (including U.S. Unitholders) will receive one VEI Common Share for each Trust Unit exchanged. If the Arrangement does not take place in the manner described herein, the U.S. federal income tax consequences of the Arrangement could differ significantly and adversely from those described in this summary.

This discussion assumes that the Trust has not been a Passive Foreign Investment Company (a **"PFIC"**) for any taxable year during which a U.S. Unitholder held Trust Units, and that VEI will not be a PFIC in 2011 or thereafter. A non-U.S. corporation is classified as a PFIC for each taxable year in which: (i) 75 percent or more of its gross income is passive income (as defined for U.S. federal income tax purposes); or (ii) on average for such taxable year, 50 percent or more (by value) of its assets either produce or are held for the production of passive income. In determining whether it is a PFIC, a non-U.S. corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25 percent interest. The Trust believes that it has never been a PFIC, and does not expect to be a PFIC in 2010, nor does VEI expect to be a PFIC.

U.S. Unitholders are urged to consult their own U.S. tax advisors regarding the adverse U.S. federal income tax consequences of owning and disposing of stock of a PFIC.

Qualification as a Reorganization under Section 368(a)(1) of the Code

There is no legal authority directly addressing the U.S. federal income tax treatment of a series of transactions such as the exchange of Trust Units for VEI Common Shares pursuant to the Arrangement. Although not free from uncertainty, such exchange should qualify as a tax-free reorganization under section 368(a)(1) of the

Code (a **"Reorganization"**). However, this result is not certain and may depend to some extent upon events subsequent to the date of this Information Circular, including events subsequent to the Effective Date, which events cannot be predicted with accuracy.

Consequences of the Arrangement

The following will be the principal U.S. federal income tax consequences of the exchange of Trust Units for VEI Common Shares by U.S. Unitholders, assuming the Arrangement qualifies as a Reorganization:

(a) no gain or loss will be recognized by a U.S. Unitholder on the exchange of Trust Units for VEI Common Shares pursuant to the Arrangement;

(b) the tax basis of a U.S. Unitholder in the VEI Common Shares acquired in exchange for Trust Units pursuant to the Arrangement will be equal to such U.S. Unitholder's tax basis in the Trust Units exchanged;

(c) the holding period of a U.S. Unitholder for the VEI Common Shares acquired in exchange for Trust Units pursuant to the Arrangement will include such U.S. Unitholder's holding period for the Trust Units; and

(d) U.S. Unitholders who exchange Trust Units for VEI Common Shares pursuant to the Arrangement generally will be required to report certain information to the IRS on their U.S. federal income tax returns for the taxable year in which the Arrangement occurs, and to retain certain records related to the Arrangement.

Consequences to a Dissenting U.S. Unitholder

A U.S. Unitholder that validly exercises the rights of dissent provided to it under the Interim Order and whose dissent rights remain valid immediately before the Effective Time generally will recognize gain or loss in amount equal to the difference, if any, between (a) the amount of U.S. dollars or the fair market value of Canadian currency plus the fair market value of any property received; and (b) such U.S. Unitholder's tax basis in the Trust Units surrendered. Such gain or loss generally will be a capital gain or loss, which will be long-term capital gain or loss if such Trust Units were held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Unitholder that is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Unitholder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

The Ownership and Disposition of VEI Common Shares

Distributions With Respect to VEI Common Shares

A U.S. Unitholder that receives a distribution, including a constructive distribution, with respect to the VEI Common Shares generally will be required to include the amount of such distribution (without reduction for any Canadian income tax withheld) in gross income as a dividend to the extent of the current or accumulated "earnings and profits" (as determined under the Code) of VEI. Any such dividend generally will be treated as foreign source income for U.S. federal income tax purposes and will not be eligible for the "dividends received deduction" under the Code. To the extent that a distribution received with respect to the VEI Common Shares exceeds the current and accumulated "earnings and profits" of VEI, such distribution will be treated (a) first, as a tax-free return of capital to the extent of a U.S. Unitholder's tax basis in the VEI Common Shares; and (b) thereafter, as capital gain from the sale or exchange of the VEI Common Shares.

Subject to applicable exceptions with respect to short-term and hedged positions, certain dividends received by noncorporate U.S. Unitholders before January 1, 2011 from a "qualified foreign corporation" may be eligible for reduced rates of taxation. A qualified corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that the U.S. Treasury Department determines to be

satisfactory for these purposes and that includes an exchange of information provision. The U.S. Treasury has determined that the United States - Canada Income Tax Convention meets these requirements, and VEI believes that it will be eligible for the benefits of such Convention. Dividends received by U.S. investors from a foreign corporation that was a PFIC in either the taxable year of the distribution or the preceding taxable year will not constitute qualified dividends. As discussed above in "U.S. Federal Income Tax Consequences of the Arrangement—Plan of Arrangement", we believe that we are not a PFIC.

Dispositions of VEI Common Shares

Except as described below, a U.S. Unitholder who sells or exchanges VEI Common Shares in a taxable disposition (other than to VEI) generally would recognize a gain or loss in an amount equal to the difference, if any, between (a) the amount of U.S. dollars or the fair market value of Canadian currency plus the fair market value of any property received; and (b) such U.S. Unitholder's tax basis in the VEI Common Shares sold or otherwise disposed of. Such gain or loss generally should be a capital gain or loss, which will be long-term capital gain or loss if such VEI Common Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Unitholder that is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Unitholder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

Other Considerations

Foreign Tax Credit

Subject to certain limitations, any Canadian tax paid (whether directly or through withholding) by a U.S. Unitholder in connection with the Arrangement or in connection with the ownership or disposition of VEI Common Shares will be treated as foreign taxes eligible for credit against such U.S. Unitholder's U.S. federal income tax liability. Alternatively, such U.S. Unitholder may, subject to applicable limitations, elect to deduct the otherwise creditable Canadian taxes for U.S. federal income tax purposes. Generally, the foreign tax credit is calculated separately for each category of income; dividends generally will be treated as "passive" category income. The rules governing the foreign tax credit are complex and involve the application of rules that depend upon the particular circumstances of the U.S. Unitholder. Accordingly, U.S. Unitholders are urged to consult their tax advisors regarding the availability of the foreign tax credit.

Receipt of Canadian Currency

In the case of a cash-basis U.S. Unitholder that receives Canadian currency on the sale, exchange or other taxable disposition of VEI Common Shares (collectively, the **"Disposition"**), the amount realized will be based on the U.S. dollar value of the Canadian currency received on the settlement date of the Disposition. An accrual-basis U.S. Unitholder may elect the same treatment required of a cash-basis taxpayer, provided that such election is applied consistently from year to year. This election may not be changed without the consent of the IRS. If an accrual basis U.S. Unitholder does not elect to be treated as a cash-basis taxpayer for this purpose, such U.S. Unitholder may have a foreign currency gain or loss for U.S. federal income tax purposes because of any difference between the U.S. dollar value of the currency received prevailing on the date of the Disposition and the date of payment. Such foreign currency gain or loss would be treated as U.S.- source ordinary income or loss and would be in addition to any gain or loss recognized by that U.S. Unitholder on the Disposition. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Unitholder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Unitholder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. If such Canadian currency is converted into U.S. dollars on the date received by the U.S. Unitholder, a cash-basis or electing accrual U.S. Unitholder should not recognize any gain or loss on such conversion.

Taxable dividends with respect to VEI Common Shares that are paid in Canadian dollars will be included in the gross income of a U.S. Unitholder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars

are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Unitholder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Unitholder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes.

Each U.S. Unitholder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Information Reporting; Backup Withholding Tax

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, or proceeds arising from the sale or other taxable disposition of Trust Units or VEI Common Shares generally will be subject to information reporting and backup withholding tax, currently at the rate of 28 percent, if a U.S. Unitholder (a) fails to furnish such U.S. Unitholder's correct U.S. taxpayer identification number (generally on Form W-9); (b) furnishes an incorrect U.S. taxpayer identification number; (c) is notified by the IRS that such U.S. Unitholder has previously failed to properly report items subject to backup-withholding tax; or (d) fails to certify, under penalty of perjury, that such U.S. Unitholder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Unitholder that it is subject to backup-withholding tax. However, U.S. Unitholders that are corporations generally are excluded from these information reporting and backup-withholding tax rules. Backup withholding is not an additional U.S. federal income tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Unitholder's U.S. federal income tax liability, if any, or will be refunded to the extent it exceeds such liability, if such U.S. Unitholder furnishes required information to the IRS. A U.S. Unitholder that does not provide a correct U.S. taxpayer identification number may be subject to penalties imposed by the IRS. Each U.S. Unitholder should consult its own U.S. tax advisor regarding the information reporting and backup withholding tax rules.

In addition, U.S. Unitholders that own, immediately before the Conversion, at least 1% (by vote or value) of the total outstanding equity of the Trust will be required to attach a statement to their tax returns for the taxable year in which the Conversion is completed that contains the information set forth in Section 1.368-3(b) of the Treasury regulations promulgated under the Code. The statement must include, among other things, the U.S. Unitholder's tax basis in the Trust Units surrendered and a description of the VEI Common Shares received in the Conversion.

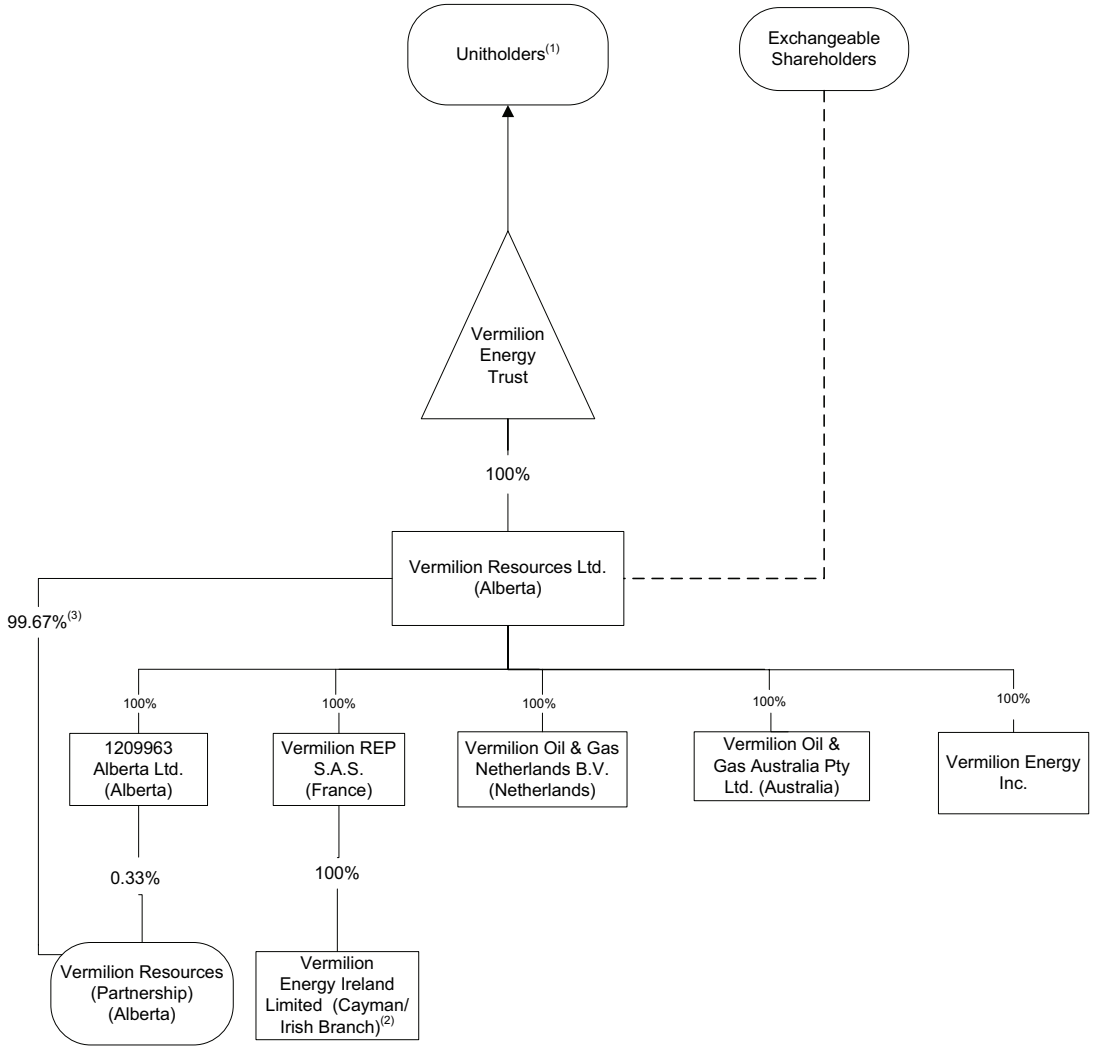
INFORMATION CONCERNING THE TRUST

General

Vermilion Energy Trust is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and formed on December 16, 2002 pursuant to the Trust Indenture. The head and principal office of the Trust is located at Suite 2800, 400 - 4th Avenue S.W., Calgary, Alberta, T2P 0J4.

Organizational Structure of the Trust

The following diagram describes the intercorporate relationships among the Trust and each of its material subsidiaries as at July 30, 2010, where each principal subsidiary was incorporated or formed and the percentage of votes attaching to all voting securities of each subsidiary beneficially owned by VRL.



Notes:

(1) The Unitholders own 100% of the Trust Units.

(2) Vermilion Energy Ireland Limited is the Irish Branch of a Cayman Islands incorporated company.

(3) Based on current ownership percentages prior to elimination of the Royalty currently held by the Trust.

Summary Description of the Business of the Trust

Vermilion Energy Trust

The Trust is an unincorporated open-ended investment trust established under the laws of the Province of Alberta pursuant to the Declaration of Trust. The Trust was established in 2003 pursuant to a reorganization of a predecessor of VRL completed by way of plan of arrangement. The Trust was established to acquire and hold, directly and indirectly, interests in petroleum and natural gas properties and to provide a vehicle for the distribution of a portion of cash flow to Unitholders.

Vermilion Resources Ltd.

VRL was incorporated under the ABCA on November 23, 1993. On January 1, 2003, VRL amalgamated with its wholly-owned subsidiary, 973675 Alberta Ltd. and on January 15, 2003, VRL amalgamated with its wholly-owned subsidiaries, Big Sky Resources Inc., Vermilion Gas Marketing Inc. and 962134 Alberta Ltd. Also on January 15, 2003, the shareholders of VRL approved the reorganization of VRL by way of a plan of arrangement under the ABCA into the Trust and Clear Energy Inc. (the **"2003 Arrangement"**). The 2003 Arrangement was completed on January 22, 2003 and resulted in former VRL shareholders and option holders owning all of the issued and outstanding common shares of Clear Energy Inc. and all of the issued and outstanding Trust Units, and the Trust owning all of the issued and outstanding common shares of VRL. Certain former shareholders of VRL own Exchangeable Shares of VRL in accordance with the elections made by such holders under the 2003 Arrangement.

VRL is actively engaged in the business of oil and natural gas exploitation, development, acquisition and production in Canada, France, the Netherlands, Ireland and Australia. For more information regarding the business of VRL, reference should be made to the AIF.

The head office of VRL is located at Suite 2800, 400 - 4th Avenue S.W., Calgary, Alberta T2P 0J4 and its registered office is located at Suite 3700, 400 - 3rd Avenue S.W., Calgary, Alberta T2P 4H2.

For further information about the Trust and VRL, see "Vermilion Energy Trust" and "Narrative Descriptions of the Business" in the AIF incorporated by reference herein.

Documents Incorporated by Reference

Information in respect of the Trust has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from the Corporate Secretary of VRL, Suite 2800, 400 - 4th Avenue S.W., Calgary, Alberta, T2P 0J4, (403) 269-4884. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com. Financial information respecting the Trust is provided in the Trust's financial statements and management's discussion and analysis, which are incorporated herein by reference.

The following documents of the Trust, filed with the various securities commissions or similar authorities in the jurisdictions where the Trust is a reporting issuer, are specifically incorporated by reference into and form an integral part of this Information Circular:

(a) the AIF;

(b) the audited consolidated financial statements of the Trust as at and for the years ended December 31, 2009 and 2008, respectively, together with the notes thereto and the auditors' report thereon;

(c) management's discussion and analysis of the financial results and financial condition of the Trust for the year ended December 31, 2009;

(d) the unaudited comparative consolidated financial statements of the Trust for the three months ended March 31, 2010, together with the notes thereto;

(e) management's discussion and analysis of the financial results and financial condition of the Trust for the three months ended March 31, 2010;

(f) the 2010 Information Circular; and

(g) the information circular of the Trust dated March 17, 2009 relating to the annual and special meeting of the Unitholders and Exchangeable Shareholders held on May 8, 2009.

Any documents of the type described in section 11.1 of Form 44-101F1 - Short Form Prospectus, filed by the Trust with the securities commissions or similar authorities in the provinces of Canada subsequent to the day of this Information Circular and prior to the Effective Date shall be deemed to be incorporated by reference in this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

Prior Sales

The Trust has not issued or sold any Trust Units or securities convertible into Trust Units during the period August 1, 2009 to July 23, 2010, other than as follows:

- An aggregate of 8,091,000 Trust Units were issued pursuant to a bought-deal public offering of Trust Units at a price $30.90 per Trust Unit for gross proceeds of approximately $250 million completed on October 30, 2009, which includes 809,000 Trust Units issued on December 1, 2009 in connection with the exercise by the underwriters of the over-allotment option. See "History of Vermilion" in the AIF incorporated by reference herein.

- An aggregate of 160,400 Trust Units were issued during this period upon the exercise of awards granted under the Rights Incentive Plan at exercise prices ranging from $7.77 to $8.33 and having a weighted average exercise price of $7.95 per right for aggregate consideration of approximately $1.3 million. The Rights Incentive Plan is described under the "Compensation Discussion and Analysis - Elements of Compensation" heading in the 2010 Information Circular incorporated by reference herein.

- An aggregate of 668,986 Trust Units were issued during this period under the TAP. The TAP is described under the "Compensation Discussion and Analysis - Trust Unit Award Incentive Plan (TAP)" heading in the 2010 Information Circular incorporated by reference herein.

- An aggregate of 28,624 Trust Units were issued during this period pursuant to the Employee Bonus Plan. The Employee Bonus Plan is described under the "Compensation Discussion and Analysis - Compensation Bonus" heading in the 2010 Information Circular incorporated by reference herein.

- An aggregate of 11,642 Trust Units were issued during this period pursuant to conversion of Exchangeable Shares. See "Vermilion Share Capital - Exchangeable Shares" in the AIF incorporated by reference herein.

- An aggregate of 617,373 Trust Units were issued during this period pursuant to the DRIP for aggregate consideration of approximately $20.0 million. See "Additional Information Respecting Vermilion Energy Trust - Distribution Reinvestment Plan" in the AIF incorporated by reference herein.

Price Range and Trading Volume of Trust Units

The Trust Units are listed and traded on the TSX. The trading symbol for the Trust Units is "VET.UN". The following sets forth trading information for the Trust Units for the periods indicated:

Period	High	Low	Volume
2009			
August	$31.89	$28.70	3,755,256
September	$31.00	$27.74	5,003,482
October	$32.33	$28.53	5,400,967
November	$30.68	$28.75	5,222,686
December	$32.71	$30.01	4,305,323
2010			
January	$34.60	$31.57	4,498,203
February	$34.82	$31.68	3,944,350
March	$35.81	$34.04	4,275,070
April	$36.36	$34.73	3,472,413
May	$35.60	$31.25	3,938,653
June	$35.75	$32.50	3,896,721
July (to July 29)	$34.40	$32.45	2,244,853

Distributions to Unitholders

The following table sets forth the per Trust Unit amount of monthly cash distributions paid by the Trust in 2010 for the months indicated. Distributions are generally paid on the 15th day of the month following the month of declaration.

2010	
January	$0.19
February	$0.19
March	$0.19
April	$0.19
May	$0.19
June	$0.19
July	$0.19

The Trust declared a distribution of $0.19 on July 15, 2010 which is payable on August 16, 2010. The Trust intends to declare a distribution of $0.19 per Trust Unit to be paid on September 15, 2010 to Unitholders of record on August 31, 2010 which would be the final distribution of the Trust.

Legal Proceedings and Regulatory Actions

The Trust is not a party to any legal proceeding since the beginning of its most recently completed financial year, nor is the Trust aware of any contemplated legal proceeding involving the Trust or any of its property which involves a claim for damages exclusive of interest and costs that may exceed 10 percent of the current assets of the Trust.

To the knowledge of the Trust, there were no (i) penalties or sanctions imposed against the Trust or VRL by a court relating to securities legislation or by a securities regulatory authority during the Trust's last three financial years, (ii) penalties or sanctions imposed by a court or regulatory body against the Trust or VRL that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements the Trust or VRL entered into with a court relating to securities legislation or with a securities regulatory authority during the last three financial years.

Auditors, Transfer Agent and Registrar

The auditors of the Trust are Deloitte & Touche LLP, Chartered Accountants, 3000 Scotia Centre, 700 - 2nd Street S.W., Calgary, Alberta T2P 0S7.

The transfer agent and registrar for the Trust Units is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

INFORMATION CONCERNING VERMILION ENERGY INC.

Notice to Reader

As at the date hereof, VEI has not carried on any active business other than executing the Arrangement Agreement. Unless otherwise noted, the disclosure in this Information Circular has been prepared assuming that the Conversion has been completed. VEI will be the publicly listed corporation resulting from the reorganization of the Trust's trust structure into a corporation pursuant to the Conversion.

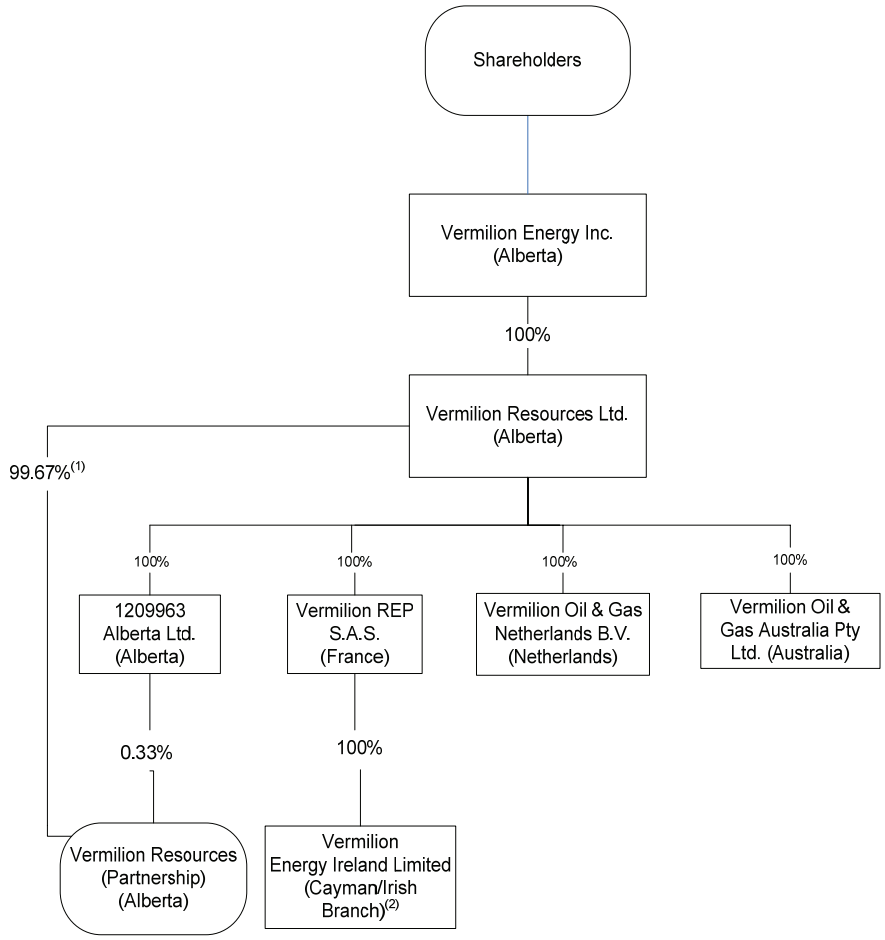
Corporate Structure

Name, Address and Incorporation

VEI was incorporated on July 21, 2010 pursuant to the provisions of the ABCA for the purpose of facilitating the Conversion. The registered and head office of VEI is located at Suite 2800, 400 - 4th Avenue S.W., Calgary, Alberta T2P 0J4.

Intercorporate Relationship

The following diagram describes the intercorporate relationships among VEI and each of its material subsidiaries after the Effective Date if the Conversion has been completed.



Notes:
(1) Based on current ownership percentages prior to elimination of royalty currently held by the Trust.
(2) Vermilion Energy Ireland Limited is the Irish Branch of a Cayman Islands incorporated company.

General Development of the Business

VEI has not carried on any active business since its incorporation other than executing the Arrangement Agreement. If approved by Vermilion Securityholders and TAP Award Holders, the Conversion will result in the reorganization of the Trust's trust structure into a corporate structure. Upon completion of the Conversion, the former Vermilion Securityholders will become Shareholders of VEI and the TAP Award Holders will become holders of Share Awards pursuant to the Amended TAP. For a detailed description of the historical development of the business of the Trust, see "Narrative Description of the Business" in the AIF. For a description of the business to be carried on by VEI through VRL, its wholly-owned subsidiary following completion of the Conversion, see "Description of the Business" below.

Upon completion of the Conversion, VEI will become a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador and will become subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement. The TSX has conditionally approved the substitutional listing of the VEI Common Shares issuable pursuant to the Arrangement, the Amended TAP and the Vermilion Incentive Plan, subject to VEI fulfilling the requirements of the TSX.

Description of the Business

If approved by Vermilion Securityholders and TAP Award Holders, the Conversion will result in the reorganization of the Trust's trust structure into a corporation, VEI. Upon completion of the Conversion, VEI, through VRL and its subsidiaries, will carry on the business currently carried on by the Trust and VRL. The VEI Board and senior management of VEI will be comprised of the members of the VRL Board and senior management of VRL immediately prior to the Conversion. For a detailed description of the Trust's business, which will continue to be carried on by VEI through VRL, its wholly-owned subsidiary if the Conversion is completed, see "Narrative Description of the Business" in the AIF.

Management's Discussion and Analysis

As at the date of this Information Circular, VEI has not conducted any business or operations, other than to execute the Arrangement Agreement and has issued 100 VEI Common Shares to VRL in connection with its incorporation and organization.

If the Conversion is completed, the business of the Trust will continue to be carried on as before the Effective Date. VEI's financial position, risks and outlook after the Conversion is completed will be substantially the same as those outlined in the management's discussion and analysis of the Trust for the year ended December 31, 2009 and the AIF incorporated by reference in this Information Circular.

Since the Conversion will not result in a change in control for accounting purposes, it will be treated as a change in business form and will be accounted for as a continuity of interests. Accordingly, there will be no direct adjustments to the carrying values of the assets and liabilities of the Trust to reflect the Conversion.

Pursuant to the Conversion, the non-controlling interest recorded on the Trust’s consolidated balance sheet related to the Exchangeable Shares will ultimately be extinguished by the issuance of VEI Common Shares. For accounting purposes, the issuance of such VEI Common Shares will be recorded at the market value on the Effective Date and the difference between that amount and the non-controlling interest balance will be reflected as capital assets or goodwill of VEI, as appropriate.

Changes to equity compensation plans associated with the Conversion may result in a charge against earnings with a corresponding adjustment to contributed surplus.

In 2011, VEI will begin to report its financial results under International Financial Report Standards ("IFRS"). As the Trust is continuing to finalize its IFRS accounting policies, as at the date of this document it is not able to provide guidance as to what additional changes may result under IFRS.

VEI has agreed to indemnify its directors and officers, to the extent permitted under corporate law, against costs and damages incurred by the directors and officers as a result of lawsuits or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their services. VEI's directors and officers are covered by directors' and officers' liability insurance. No amount has been recorded with respect to the indemnification agreements in VEI's audited balance sheet.

Readers are encouraged to review the Trust's management's discussion and analysis for the year ended December 31, 2009, which has been filed on SEDAR at www.sedar.com and which is incorporated by reference in this Information Circular.

Description of Capital Structure

The authorized capital of VEI consists of an unlimited number of VEI Common Shares. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of VEI.

VEI Common Shares

Each VEI Common Share entitles the holder to receive notice of and to attend all meetings of the shareholders of VEI and to one vote at such meetings. The holders of VEI Common Shares will be, at the discretion of the VEI Board and subject to applicable legal restrictions, entitled to receive any dividends declared by the VEI Board on the VEI Common Shares. The holders of VEI Common Shares will be entitled to share equally in any distribution of the assets of VEI upon the liquidation, dissolution, bankruptcy or winding-up of VEI or other distribution of its assets among the Shareholders for the purpose of winding-up its affairs.

Pro Forma Consolidated Capitalization

The following table sets forth the unaudited pro forma consolidated capitalization of VEI as at July 30, 2010, both before and after giving effect to the completion of the Conversion. See also the audited balance sheet of VEI attached as Appendix "E" to this Information Circular.

Designation (Authorization)	As at July 30, 2010 before giving effect to the Conversion	As at July 30, 2010 after giving effect to the Conversion
VEI Common Shares (unlimited)	$100	$999,658,254
	(100 VEI Common Shares)	(88,345,043 VEI Common Shares)[1][2]

Notes:

(1) The 100 VEI Common Shares of VEI held by VRL will be purchased for cancellation by VEI for consideration of $1.00 per VEI Common Share in connection with the Conversion.

(2) Assumes that the same number of 80,842,558 Trust Units are outstanding on the Effective Date as were outstanding on July 30, 2010. Assumes that the exchange ratio of 1.87246 Trust Units for each Exchangeable Share in effect on July 30, 2010 was the same exchange ratio on the Effective Date. Assumes the same number of Exchangeable Shares of 4,006,753 are outstanding on the Effective Date as were outstanding on July 30, 2010.

Dividend Record and Policy

Following the Conversion, VEI expects to pay dividends on a monthly basis in a manner similar to the Trust's current approach to distributions. However, all decisions with respect to the declaration of dividends on the VEI Common Shares will be made by the VEI Board on the basis of VEI's earnings, financial requirements and other conditions existing at such future time, planned acquisitions, income tax payable by VEI, crude oil and natural gas prices and access to capital markets, as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends. It is expected that the dividends will be "eligible dividends" for income tax purposes and thus qualify for the enhanced gross-up and tax credit regime for certain shareholders of VEI. See "Certain Canadian Federal Income Tax Considerations" in the Information Circular.

Prior Sales

VEI has not issued any securities other than the 100 VEI Common Shares currently held by VRL which will be repurchased for cancellation under the Arrangement. VEI Common Shares will be issued to Vermilion Securityholders pursuant to the Conversion in consideration for the transfer of their Vermilion Securities to VEI as part of the Conversion.

Principal Shareholders

As of the date hereof, VRL is the sole shareholder of VEI, holding 100 VEI Common Shares. To the knowledge of the VRL Board, no person or company will, following the Conversion, beneficially own, control or direct, directly or indirectly, more than 10 percent of the voting rights attached to the outstanding VEI Common Shares.

Directors and Executive Officers

In connection with the Conversion, the VEI Board will be comprised of the members of the VRL Board and upon completion of the Conversion the officers of VRL immediately prior to the Conversion will be appointed officers of VEI. The following table sets forth the name, province and country of residence, offices held and principal occupation for each of the directors and officers of VEI upon completion of the Conversion. The directors of VEI shall hold office until the next annual meeting of Shareholders or until their respective successors have been duly elected or appointed.

Name and Position with the Corporation	Principal Occupation during Five Preceding Years	Year First Became a Director of the Corporation
Larry J. Macdonald[(1)(2)(3)(4)] Okotoks, Alberta, Canada	Chairman and Chief Executive Officer of Point Energy Ltd. and is the Managing Director of Northpoint Energy Ltd., both of which are private oil and gas exploration companies. Mr. Macdonald has held these positions since 2003. Mr. Macdonald is also a director of Sure Energy Inc. (since 2006).	2002
W. Kenneth Davidson[(1)(2)] Oakville, Ontario, Canada	Director of Millar Western Forest Products Ltd., a private corporation (since 2000), and is a director and member of the Audit Committee of Realex Properties Corp. (since 2009).	2005
Lorenzo Donadeo Calgary, Alberta, Canada	Chief Executive Officer of VRL (since 2003) and was Executive Vice President and Chief Operating Officer when VRL made its international forays into France in 1996 and Trinidad and Tobago in 1999 through Aventura Energy Inc.	1994
Claudio Ghersinich[(1)(3)(4)] Calgary, Alberta, Canada	President of Carrera Investment Corp., a private investment company. Mr. Ghersinich is also Chairman of PetroGlobe Inc., a public oil and gas exploration company.	1994
Joseph F. Killi[(1)(2)] Calgary, Alberta, Canada	Mr. Killi is a co-founder and currently serves as Executive Chairman and a director of Parkbridge Lifestyle Communities Inc. (since 1998) and is Vice-Chairman and a director of Realex Properties Corp. (since 1997). Mr. Killi is also a director of Wilmington Capital Management Inc. (sine 1998).	1999
William F. Madison[(1)(3)(4)] Sugarland, Texas, United States	Director of Canadian Oil Recovery and Remediation Enterprises Inc. Mr. Madison was a director of Montana Tech Foundation from 1996 to 2006, serving as Chairman during 2004 and 2005.	2004
Dr. Timothy R. Marchant[(2)(3)(4)] Calgary, Alberta, Canada	Adjunct Professor at the Haskayne School of Business, University of Calgary. From 2007 to 2009, Dr. Marchant was an energy seminar leader at the European Summer School for Advanced Management in Denmark. Dr. Marchant has also served in a variety of senior executive positions with British Petroleum and Amoco in a number of international arenas.	2010
John D. Donovan Executive Vice President, Business Development	Executive Vice President, Business Development since 2005.	N/A
Curtis Hicks Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer since 2004.	N/A

Name and Position with the Corporation	Principal Occupation during Five Preceding Years	Year First Became a Director of the Corporation
George R. (Bob) Mac Dougall Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Operating Officer since 2006. Mr. Mac Dougall joined VRL as Chief Operating Officer in 2004.	N/A
Paul L. Beique Vice President, Capital Markets	Vice President, Capital Markets since 2008. Prior to that, Director Investor Relations of VRL since 2003.	N/A
Mona Jasinski Vice President, People	Vice President, People since 2009. Prior to joining VRL, Ms. Jasinski spent five years in Royal Dutch Shell, most recently as Onshore Production, North America, Human Resources Manager.	N/A
Raj C. Patel Vice President, Marketing	Vice President, Marketing since 2001.	N/A
Peter Sider Vice President, European Operations	Vice President, European Operations since July 2009. Prior to that and since 2006, Mr. Sider held various management positions with VRL and Vermilion Oil & Gas Netherland B.V.	N/A

Notes:
(1) Member of the Audit Committee.
(2) Member of the Governance and Human Resources Committee.
(3) Member of the Independent Reserves Committee.
(4) Member of the Health, Safety and Environment Committee.

Following completion of the Conversion, the VEI Board will have four committees: (i) Audit Committee, (ii) Independent Reserves Committee, (iii) Governance and Human Resources Committee, and (iv) Health, Safety and Environment Committee. Each of such committees will be composed of the same individuals serving as members of the Audit Committee, the Independent Reserves Committee, the Governance and Compensation Committee and the Health, Safety and Environment Committee of VRL, as applicable. Membership of the Committees is noted in the table above.

Compensation of Directors and Executive Officers

To date, VEI has not carried on any active business and has not completed a fiscal year of operations. No compensation has been paid by VEI to its directors or executive officers and none will be paid until after the Conversion is completed.

Indebtedness of Directors and Executive Officers

There exists no indebtedness of the directors or executive officers of VEI, or any of their associates, nor is any indebtedness of any of such persons to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by VEI.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of VEI, no director or executive officer of VEI: (a) are, as at the date hereof, or have been, within the 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer

or chief financial officer; (b) are, as at the date of this Information Circular, or have been within 10 years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of the insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) have, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee.

Penalties or Sanctions

To the knowledge of VEI, no director or executive officer of VEI, nor any personal holding company thereof owned or controlled by them: (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of VEI, in the last ten years, no director or executive officer of VEI, nor any personal holding company thereof owned or controlled by them, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, has become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets or the assets of his or her holding company.

Conflicts of Interest

Except as disclosed in this Information Circular, including the Appendices, no director or senior officer of VEI or other insider of VEI, nor any associate or affiliate of the foregoing persons, has any existing or potential material conflict of interest with VEI or any of their subsidiaries.

Legal Proceedings

Other than the proceedings relating to the approval of the Conversion, there are no legal proceedings to which VEI is a party or in respect of which any of its assets are the subject matter, which is material to VEI is not aware of any such proceedings that are contemplated.

Interest of Management and Others in Material Transactions

Other than as discussed herein, there are no material interests, direct or indirect, of directors, executive officers, any Vermilion Securityholder who beneficially owns, directly or indirectly, or who exercises control or direction over, more than 10 percent of the outstanding Vermilion Securities or any known associate or affiliate of such persons, in any transaction within the most recently completed financial year or in any proposed transaction which has materially affected or would materially affect VEI or any of their subsidiaries.

Auditors, Transfer Agent and Registrar

Auditors

The auditors of VEI are Deloitte & Touche LLP, Chartered Accountants, Calgary, Alberta, who will, upon the completion of the Conversion, continue to be the auditors of VEI.

Transfer Agent and Registrar

The transfer agent and registrar for the VEI Common Shares will be Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

Material Contracts

Since incorporation, the only contract entered into by VEI that materially affects VEI or to which VEI will become a party on or prior to the Effective Date, that can reasonably be regarded as material to a proposed investor in the VEI Common Shares, other than contracts entered into in the ordinary course of business, is the Arrangement Agreement. A copy of the Arrangement Agreement is attached as Appendix "C" to this Information Circular.

In addition, if the Conversion is completed on the Effective Date and the Vermilion Securityholders vote in favour of the adoption of the Shareholder Rights Plan, VEI shall enter into the Shareholder Rights Plan Agreement with Computershare in order to implement the Shareholder Rights Plan on the Effective Date. A copy of the Shareholder Rights Plan Agreement is attached as Appendix "G" to this Information Circular.

RISK FACTORS

Risk Factors Relating to the Conversion

An investment in Trust Units or VEI Common Shares involves numerous risks and uncertainties. The risks associated with an investment in Trust Units, along with the risks associated with the Trust's business, are described in the AIF and the management's discussion and analysis for the year ended December 31, 2009, both of which are incorporated by reference in this Information Circular. These risks will continue to apply to the new structure, with any references to the Trust and VRL being replaced with VEI, and such other changes as may be necessary to reflect the new structure resulting from the Conversion and related transactions. In addition, there are risks associated with the Conversion itself. Set forth below is a summary of certain additional risk factors relating to the Conversion, the activities of VEI and the ownership of VEI Common Shares following the Effective Date which prospective investors should carefully consider. Vermilion Securityholders should carefully review and consider all risk factors, as well as the other information contained in the documents forming the Trust's public disclosure record, before making an investment decision.

Required Judicial and Regulatory Approvals

Completion of the steps contemplated by the Arrangement Agreement and the Plan of Arrangement requires that the Trust obtain judicial and regulatory approvals. Such approvals include, without limitation, issuance of the Final Order and conditional approval of the TSX for the listing of the VEI Common Shares. Failure to obtain the Final Order, TSX approvals or other regulatory approvals on terms acceptable to the VRL Board could result in a decision to not proceed with the Conversion. If any of the required approvals cannot be obtained on terms satisfactory to the VRL Board, or at all, the Arrangement Agreement (including the Plan of Arrangement) may have to be amended in order to mitigate the negative consequence of the failure to obtain any such approval. In the event that the Arrangement Agreement or Plan of Arrangement cannot be amended so as to mitigate the negative consequences of the failure to obtain a required approval or consent, the Conversion may not proceed. See "The Conversion - Arrangement Agreement".

Failure to Realize Anticipated Benefits of the Conversion

While the Trust believes that it will achieve the benefits described in this Information Circular (see "Background to and Reasons for the Arrangement - Benefits of the Arrangement"), there is no guarantee that the Trust will realize any of the benefits, whether as described or at all.

Credit Facilities and Third Party Debt

VEI believes that it will be able to comply with the requirements of the amended and restated credit agreement dated June 24, 2009 between VRL and a syndicate of banks such that VEI will be entitled to assume the obligations of the Trust thereunder without triggering any event of default or obligation to repay the amounts owing thereunder. These requirements are prescribed in such credit agreement and, apart from the provision of a guarantee and security from VEI, are generally minor in nature. Some similar requirements may apply under VRL's hedging agreements with non-lender counterparties.

Dilution of VEI Shareholders

VEI will be authorized to issue an unlimited number of VEI Common Shares for consideration and on terms and conditions as established by the VEI Board without the approval of Shareholders. Shareholders will have no pre-emptive rights in connection with such further issues.

Risk Factors Relating to the Activities of Vermilion Energy Inc. and the Ownership of VEI Common Shares

The following is a list of certain risk factors relating to the activities of VEI and its affiliates and the ownership of VEI Common Shares following the Effective Date:

- the financial condition, operating results and future growth of VEI will be substantially dependent on the prevailing and expected prices of crude oil and natural gas. Any substantial and extended decline in the Canadian dollar based price of crude oil or natural gas will have an adverse effect on the revenues, profitability and cash from operating activities of VEI;

- the uncertainty of future dividend payments by VEI and the level thereof as VEI's dividend strategy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, VRL's operational performance, VRL's operating and capital obligations, net income, cash from operating activities, net debt levels, Canadian dollar crude oil prices, access to capital markets and timing and level of income tax payments, as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends. Further, future treatment of dividends for tax purposes will be subject to the nature and composition of VEI's dividends and potential legislative and regulatory changes;

- the level of VEI's indebtedness from time to time could impair VEI's ability to obtain additional financing on a timely basis;

- VEI may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of VEI which may be dilutive; and

- the inability of VEI to manage growth effectively could have a material adverse impact on its business, operations and prospects.

In addition, for a description of risk factors in respect of the structure of the Trust, see "Risk Factors" in the AIF and "Risk Management" in the Trust's management discussion and analysis for the year ended December 31, 2009, each of which is incorporated by reference herein. Vermilion Securityholders and TAP Award Holders should carefully consider all risk factors set out herein and in the AIF and in the Trust's management discussion and analysis for the year ended December 31, 2009.

OTHER MATTERS TO BE CONSIDERED AT THE MEETING

Consideration and voting in respect of the approval of the Vermilion Incentive Plan and Shareholder Rights Plan will occur only if the Conversion Resolution has been approved by Vermilion Securityholders and TAP Award Holders.

Approval of the Vermilion Incentive Plan

At the Meeting, Vermilion Securityholders will be asked to consider and, if deemed advisable, approve the Vermilion Incentive Plan which will, if approved, replace the TAP following the Effective Date. Incentive-based compensation such as the Vermilion Incentive Plan (and currently the TAP) is an integral component of compensation for employees, senior officers, directors and consultants. The attraction and retention of qualified personnel has been identified as one of the key risks to VEI's long-term strategic growth plan. The Vermilion Incentive Plan is intended to maintain VEI's competitiveness within the Canadian oil and gas industry and abroad to facilitate the achievement of its long-term goals. In addition, this performance-based compensation is intended to reward participants for meeting certain pre-defined operational and financial goals which have been identified for increasing long-term Shareholder value.

If approved, the Vermilion Incentive Plan, a copy of which is set out in Appendix "F" hereto, will be implemented on the Effective Date and will govern all grants of Share Awards after the Effective Date and, with the consent of the TAP Award Holders, the determination of the number of VEI Common Shares subject to all performance based awards to be vested on any vesting date which occurs after the Effective Date will be determined in accordance with the terms and conditions of the Vermilion Incentive Plan. If the Vermilion Incentive Plan is not approved by Vermilion Securityholders pursuant to the Plan of Arrangement, all outstanding TAP Awards will become rights to receive VEI Common Shares in accordance with the terms of the applicable TAP Award. Each TAP Award and the TAP will be amended accordingly and VEI will be entitled to grant new Share Awards under the terms of the Amended TAP.

The Incentive Rights Plan of the Trust, which provided for the grant of options to purchase Trust Units, will be terminated in connection with the Conversion. As such, the only share-based compensation arrangements of VEI will be the Vermilion Incentive Plan (or the Amended TAP if such Vermilion Incentive Plan is not approved) and the Employee Bonus Plan**.**

Purpose of the Plan

The principal purposes of the Vermilion Incentive Plan are: (i) to strengthen the ability of VEI to attract and retain qualified directors and personnel; (ii) to focus management of VEI on operating and financial performance and total long-term Shareholder return by providing an increased incentive to contribute to VEI's growth and profitability; and (iii) to promote a proprietary interest in VEI through share ownership, thereby aligning the interests of directors, officers, employees, consultants and shareholders.

Summary of the Plan

Under the Vermilion Incentive Plan, Share Awards may only be granted to employees, senior officers, directors or Consultants (as such terms and other capitalized terms used in this part of the Information Circular, are defined in the Vermilion Incentive Plan) of the Corporation or any Affiliate, who are providing services to the Corporation or any Affiliate on an on-going basis, or have provided or are expected to provide services to the Corporation or any Affiliate.

In accordance with the terms of the Vermilion Incentive Plan, two types of Share Awards may be granted: Restricted Time Based Awards and Performance Based Awards. Share Awards that are granted to the executive officers of VEI are at all times designated as Performance Based Awards. Grantees of Share Awards, other than executive officers, are permitted to allocate the applicable Share Award as between a Performance Based Award or a Restricted Time Based Award either: (a) 100 percent as a Performance Based Award; or (b) 75 percent as a Performance Based Award and 25 percent as a Restricted Time Based Award, and such determination shall be

reflected in the Share 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.

Vesting in respect of Performance Based Awards is dependent upon the VEI Board's assessment of the achievement of various performance factors, including, without limitation, (as defined in the Vermilion Incentive Plan) Relative Total Shareholder Return, Recycle Ratio, operational measures relating to growth of the Corporation, production volumes, unit costs of production and total proved reserves, HSE Indicators and the execution of the strategic plan of VEI. Based on an assessment of the annual performance of VEI as against the corporate performance criteria, the VEI Board will assign a Performance Factor. The applicable Performance Factor will determine the number of VEI Common Shares that are issuable pursuant to a Performance Based Award.

The vesting date for Share Awards 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 VEI. Vesting in respect of the grant of an initial Share Award and a Share Award in connection with a promotion is one-third of the Share Award subject to either a Performance Based Award or Restricted Time Based Award on each of the first, second and third anniversaries of the grant of such Share Award. Vesting in respect of subsequent awards occurs on the third year following the date of the Share Award. The Performance Factors determined in respect of each of the three fiscal years during the term is averaged to determine the number of VEI Common Shares which are deliverable on the Issue Date in respect of subsequent Share Awards. At the sole discretion of the VEI, VEI Common Shares deliverable pursuant to Share Awards may be issued from treasury or acquired through the facilities of the TSX. The number of VEI Common Shares reserved for issuance from time to time pursuant to Share Awards and other security-based compensation plans (including the Employee Bonus Plan) may not exceed 10 percent of the aggregate number of outstanding VEI Common Shares on a non-diluted basis. In addition, no one service provider may be granted any Share Award which would, together with all Share Awards then held by such grantee, entitle such grantee to receive a number of VEI Common Shares which exceeds 5 percent of the issued and outstanding VEI Common Shares, the number of VEI Common Shares reserved for issuance at any time to insiders pursuant to Share Awards that, when combined with the number of VEI Common Shares issuable pursuant to any other security based compensation arrangement, may not exceed 10 percent of the total issued and outstanding VEI Common Shares; and there may not be issued to insiders, within a one-year period, a number of VEI Common Shares that, when combined with any other security based compensation arrangement, will exceed 10 percent of the total issued and outstanding VEI Common Shares. Upon the vesting of a Share Award, all of the VEI Common Shares 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 applicable Performance Factor.

Unless otherwise determined by the Board, in the event of a Change of Control Transaction or in the event of an Unsolicited Bid prior to any Vesting Date, that number of VEI Common Shares subject to either a Performance Based Award or a Restricted Time Based Award, multiplied in the case of a Performance Based Award by the Performance Factor, shall, in certain circumstances, immediately vest prior to the effective time of the Change of Control Transaction or Unsolicited Bid, as applicable.

In addition, Share Awards that have vested on a Vesting Date will be cumulatively adjusted with the fair market value of the monthly market price to account for dividends attributable to such Share Awards from the date of grant to the Vesting Date.

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

In the event that a grantee of a Share Award is terminated for cause, all Share Award Agreements and all unvested Shares Awards will be terminated and all rights to receive VEI Common Shares thereunder will be forfeited. In the event a grantee of a Share Award is terminated for any reason other than for cause, all outstanding Share Award Agreements and all unvested Share Awards will be terminated as of the date of the notice of termination and all outstanding Share 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 Share Award voluntarily resigns, all Share Award Agreements and all

unvested Share Awards 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), all Share Awards granted to such grantee shall continue to vest in accordance with the terms of the Vermilion Incentive Plan. In the event of the death of the grantee, the vesting date of all Share Awards shall be accelerated as of the date of the grantee's death provided that the VEI Board, taking into account the performance of VEI and the grantee, may determine the performance factor to be applied and the number of Share Awards which will vest. All Share Awards will be non-assignable and non-transferable, except upon the death of the grantee. The Vermilion Incentive Plan does not contain any provisions for financial assistance by VEI in respect of Share Awards granted thereunder.

Under the terms of the Vermilion Incentive Plan, VEI retains the right to amend from time to time or to suspend, terminate or discontinue the terms and conditions of the Vermilion Incentive Plan and the Share Awards granted thereunder by resolution of the Board. Any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the TSX, as may be required. Any amendment to the Vermilion Incentive Plan shall take effect only with respect to Share Awards granted after the effective date of such amendment, provided that it may apply to any outstanding Share Awards with the mutual consent of VEI and the grantees to whom such Share Awards have been granted. The VEI Board shall have the power and authority to approve amendments relating to the Vermilion Incentive Plan or to Share Awards, without further approval of the Shareholders, to the extent that such amendment:

(a) is for the purpose of curing any ambiguity, error or omission in the Vermilion Incentive Plan or to correct or supplement any provision of the Vermilion Incentive Plan that is inconsistent with any other provision of the Vermilion Incentive Plan;

(b) is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed;

(c) is an amendment to the Vermilion Incentive Plan respecting administration and eligibility for participation under the Vermilion Incentive Plan;

(d) changes the early termination provisions of a Share Award or the Vermilion Incentive Plan which does not entail an extension beyond the original expiry date; or

(e) is an amendment to the Vermilion Incentive Plan of a "housekeeping nature";

provided that in the case of any alteration, amendment or variance referred to above, the alteration, amendment or variance does not:

(i) amend the number of Common Shares issuable under the Vermilion Incentive Plan;

(ii) result in a material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to a grantee;

(iii) change the class of eligible participants to the Vermilion Incentive Plan which would have the potential of broadening or increasing participation by insiders of VEI;

(iv) amend the amendment provision of the Vermilion Incentive Plan;

(v) amend the Vermilion Incentive Plan to extend the expiry date of the Share Awards granted under the Vermilion Incentive Plan beyond the expiry date of the Share Awards provided for under the terms and conditions of the Vermilion Incentive Plan; or

(vi) make any amendment to the Vermilion Incentive Plan that permits a grantee to transfer Share Awards to any person, other than in the case of the death of the grantee.

Voting Requirements

The approval of the Vermilion Incentive Plan must be confirmed by a majority of not less than 50 percent of the votes cast by Unitholders and Exchangeable Shareholders, voting as a single class, in person or by proxy at the Meeting. The Trust is not aware of any Vermilion Securityholder who will be ineligible to vote on the approval of the Vermilion Incentive Plan at the Meeting. **The VEI Board recommends that Vermilion Securityholders vote FOR the resolution approving the Vermilion Incentive Plan.**

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

"RESOLVED THAT:

1. The Vermilion Incentive Plan, substantially as described in the Information Circular, including the approval of up to a maximum of 10 percent of the issued and outstanding VEI Common Shares from time to time to be issued thereunder, is hereby approved.

2. The VRL Board may revoke this resolution before it is acted upon, without further approval of Vermilion Securityholders.

3. Any one or more directors or officers of VEI, are hereby authorized to execute and deliver, whether under corporate seal or otherwise, all such agreements, instruments, notices, consents, acknowledgements, certificates and other documents (including any documents required under applicable laws or regulatory policies), and to perform and do all such other acts and things, as any such director or officer in his discretion may consider to be necessary or advisable from time to time in order to give effect to this resolution."

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Vermilion Securities represented thereby in favour of the ordinary resolution approving the Vermilion Incentive Plan.

Approval of the Shareholder Rights Plan

At the Meeting, the Vermilion Securityholders will be asked to consider and, if deemed advisable, approve the Shareholder Rights Plan, which will replace the Unitholder Rights Plan on the Effective Date. If the Conversion Resolution is approved and the Conversion is implemented, the Unitholder Rights Plan will be terminated and the Unitholder Rights will be cancelled as a step in the Arrangement. The Shareholder Rights Plan is, therefore, being sought to provide VEI with a comparable plan to the Unitholder Rights Plan. The Shareholder Rights Plan is substantially the same in all material respects as the Unitholder Rights Plan, with only such changes as are necessary to reflect differences between the Trust and its capital structure compared to VEI and its capital structure. The following is a brief summary of the Shareholder Rights Plan which is qualified in its entirety by reference to the text of the Shareholder Rights Plan Agreement set out in Appendix "G" hereto. The approval of the Shareholder Rights Plan is not being recommended in response to or in contemplation of any known take-over bid or other similar transaction.

Purpose of the Plan

The objectives of the Shareholder Rights Plan are to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any takeover bid for VEI. Takeover bids may be structured to be coercive or may be initiated at a time when the VEI Board will have a difficult time preparing an adequate response to the offer. Accordingly, such offers do not always result in Shareholders 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 may be 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 Shareholder value; and (iii) make reasoned recommendations to the Shareholders.

The Shareholder Rights Plan discourages discriminatory, coercive or unfair takeovers of VEI and gives the VEI Board time if, in the circumstances, the VEI Board determines it is appropriate to take such time, to pursue alternatives to maximize Shareholder value in the event an unsolicited takeover bid is made for all or a portion of the outstanding VEI Common Shares of VEI. As set forth in detail below, the Shareholder Rights Plan discourages coercive hostile takeover bids by creating the potential that any VEI Common Shares 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 Shareholder Rights Plan provides that all holders of VEI Common Shares who are not related to the bidder will be entitled to exercise rights issued to them under the Shareholder Rights Plan and to acquire VEI Common Shares 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 (defined below) under the Shareholder Rights Plan. Accordingly, the Shareholder Rights Plan will encourage potential bidders to make takeover bids by means of a Permitted Bid (as defined below) or to approach the VEI Board to negotiate a mutually acceptable transaction. The Permitted Bid provisions of the Shareholder Rights Plan are designed to ensure that in any takeover bid for outstanding VEI Common Shares of the Shareholders, all Shareholders are treated equally and are given adequate time to properly assess such takeover bid on a fully-informed basis.

The Shareholder Rights Plan is not being proposed to prevent a takeover of VEI, to secure the continuance of management or the directors of VEI in their respective offices or to deter fair offers for the VEI Common Shares of VEI.

Term

Provided the Shareholder Rights Plan is approved at the Meeting, the Shareholder Rights Plan (unless terminated earlier) will remain in effect until termination of the annual meeting of Shareholders in 2013 unless the term of the Shareholder Rights Agreement is extended beyond such date by resolution of Shareholders at such meeting.

Issue of Rights

One right (a **"Right"**) will be issued by VEI pursuant to the Shareholder Rights Plan Agreement in respect of each VEI Common Share of VEI outstanding at the close of business on the Effective Time (the **"Record Time"**). One Right will be issued for each additional VEI Common Share issued after the Record Time and prior to the earlier of the Separation Time or the Expiration Time (both terms as defined below).

Rights Exercise Privilege

The Rights will separate from the voting shares 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 Shareholder 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 Shareholder Rights Plan or a Permitted Bid) Beneficial Ownership (as defined in the Shareholder Rights Plan) of 20 percent or more of the voting securities of VEI 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 VEI 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 VEI Common Shares 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 VEI Common Share until the Rights separate from the underlying VEI Common Shares and become exercisable or until

the exercise of the Rights. The issuance of the Rights will not change the manner in which Shareholders trade their VEI Common Shares.

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 Shareholder whereby the Shareholder agrees to deposit or tender voting shares 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 VEI Shareholder who has agreed to tender voting shares 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 shares 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 Shareholder has agreed to deposit or tender voting shares to the Lock-Up Bid or is equal to or greater than a specified minimum which is not more than seven percent higher than the offer price under the Lock-Up Bid; and (ii) if the number of voting shares offered to be purchased under the Lock-Up Bid is less than all of the voting shares held by Shareholders (excluding VEI Common Shares held by the offeror), the number of voting shares 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 shares offered to be purchased under the Lock-Up Bid or is equal to or greater than a specified number which is not more than seven percent higher than the number of voting shares 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 percent of the price or value of the consideration payable under the Lock-Up Bid and 50 percent of the increase in consideration resulting from another takeover bid or transaction shall be payable by the Shareholder if the Shareholder fails to deposit or tender voting shares 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 VEI Common Shares issued from and after the effective date (the **"Effective Date"**) of the Shareholder Rights Agreement. Rights are also attached to VEI Common Shares outstanding on the Effective Date, although certificates issued prior to the Effective Date will not bear such a legend. Shareholders 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 VEI Common Shares and will not be exercisable or transferable separately from the VEI Common Shares. From and after the Separation Time, the Rights will become exercisable, will be evidenced by Rights Certificates and will be transferable separately from the VEI Common Shares.

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 shares as registered on the books of VEI, 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 shares 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 percent of the voting shares held by independent Shareholders 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 shares 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 shares may be taken up and paid for and that any voting shares 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 shares may be taken up and paid for, more than 50 percent of the voting shares held by independent Shareholders 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 shares for not less than ten Business Days from the date of such public announcement.

The Shareholder 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 VEI Board to make a takeover bid by way of a takeover bid circular sent to all holders of voting shares on terms which the VEI Board considers fair to all Shareholders. In such circumstances, the VEI Board may waive the application of the Shareholder Rights Plan thereby allowing such bid to proceed without dilution to the offeror. Any waiver of the application of the Shareholder 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 shares while the initial takeover bid is outstanding. The VEI Board may also waive the application of the Shareholder 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 percent of the outstanding voting shares of VEI within 14 days or such earlier or later date as may be specified by the VEI Board. With the prior consent of the holders of voting shares, the VEI Board may, prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of voting shares otherwise than pursuant to the foregoing, waive the application of the Shareholder Rights Plan to such Flip-in Event.

The VEI Board may, with the prior consent of the holders of voting shares, 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 VEI Board has waived the application of the Shareholder 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 percent of the voting shares 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.

VEI Board

The approval of the Shareholder Rights Plan will not in any way lessen or affect the duty of the VEI Board to act honestly and in good faith with a view to the best interests of VEI. The VEI 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 Shareholders as are considered appropriate.

Amendment

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

Voting Requirements

The approval of the Shareholder Rights Plan must be confirmed by a majority of not less than 50 percent plus one of the votes cast by Unitholders and Exchangeable Shareholders voting as a single class in person or by proxy at the Meeting. The Trust is not aware of any Vermilion Securityholder who will be ineligible to vote on the approval of the Shareholder Rights Plan at the Meeting. **The VEI Board recommends that Vermilion Securityholders vote FOR the resolution approving the Shareholder Rights Plan and any Rights issued pursuant thereto**.

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

"RESOLVED THAT:

1. The adoption of the Shareholder Rights Plan substantially as described in the Information Circular is hereby approved, and VEI is hereby authorized to enter into an agreement with Computershare Trust Company of Canada (or such other person as may be appropriate in the circumstances), as rights agent, to implement the Shareholder Rights Plan and to issue rights thereunder.

2. The VRL Board may revoke this resolution before it is acted upon, without further approval of the Unitholders or Exchangeable Shareholders.

3. Any one or more directors or officers of VEI, are hereby authorized to execute and deliver, whether under corporate seal or otherwise, the agreement referred to above and any other agreements, instruments, notices, consents, acknowledgements, certificates and other documents (including any documents required under applicable laws or regulatory policies), and to perform and do all such other acts and things, as any such director or officer in his discretion may consider to be necessary or advisable from time to time in order to give effect to this resolution."

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Vermilion Securities represented thereby in favour of the ordinary resolution approving and adopting the Shareholder Rights Plan.

PRINCIPAL HOLDERS OF TRUST UNITS

As at July 23, 2010, 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 percent of the issued and outstanding Trust Units or Exchangeable Shares.

As of July 23, 2010, the directors and senior officers of VRL beneficially owned, directly or indirectly, or exercised control or direction over, 1,128,583 Trust Units representing 1.4 percent of the issued and outstanding Trust Units and 2,006,077 Exchangeable Shares representing 50 percent 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 July 23, 2010 of 1.87246. Were all of the Exchangeable Shares to be exercised into Trust Units as at July 23, 2010, the directors and senior officers of VRL would beneficially own, directly or indirectly, or exercise control or direction over 4,884,882 Trust Units representing 5.5 percent of the then issued and outstanding Trust Units.

ADDITIONAL INFORMATION

Additional information relating to the Trust is available on SEDAR at www.sedar.com. Financial information concerning the Trust and its business affairs is provided in its financial statements for the year ended December 31, 2009 and the three months ended March 31, 2010 and the accompanying management's discussion and analysis, all of which are incorporated by reference herein. Copies of the Trust's financial statements and related management's discussion and analysis are available upon request without charge from the Corporate Secretary of VRL at Suite 2800, 400 - 4th Avenue S.W., Calgary, Alberta, T2P 0J4, and can be accessed on SEDAR.

AUDITORS' CONSENT

We have read the information circular and proxy statement (the "**Information Circular**") of Vermilion Energy Trust (the "**Trust**") dated July 30, 2010 with respect to a plan of arrangement involving Vermilion Energy Inc., the Trust, Vermilion Resources Ltd., Vermilion Securityholders and TAP Award Holders. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Information Circular of our report to the Unitholders of Vermilion Energy Trust on the consolidated balance sheets of the Trust as at December 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income and retained earnings and cash flows for the years then ended. Our report is dated March 12, 2010.

We also consent to the inclusion in the Information Circular of our report to the board of directors of Vermilion Energy Inc. on the balance sheet of Vermilion Energy Inc. as at July 27, 2010. Our report is dated July 29, 2010.

Calgary, Alberta
July 30, 2010

(signed) *"Deloitte & Touche LLP"*
Chartered Accountants

CONSENT OF MACLEOD DIXON LLP

We hereby consent to the reference to our opinion contained under the heading "Certain Canadian Federal Income Tax Considerations" in the information circular and proxy statement (the "**Information Circular**") of Vermilion Energy Trust (the "**Trust**") dated July 30, 2010 relating to the plan of arrangement involving Vermilion Energy Inc., the Trust, Vermilion Resources Ltd. ("**VRL**"), holders of trust units and trust unit incentive plan awards of the Trust and exchangeable shares of VRL and to the inclusion of the foregoing opinion in the Information Circular.

Calgary, Alberta
July 30, 2010

(signed) *"Macleod Dixon LLP"*

CONSENT OF TD SECURITIES INC.

We refer to the information circular and proxy statement (the "**Information Circular**") of Vermilion Energy Trust (the "Trust") dated July 30, 2010 relating to the plan of arrangement involving Vermilion Energy Inc., the Trust, Vermilion Resources Ltd. ("**VRL**"), holders of trust units of the Trust and exchangeable shares of VRL (collectively, the "**Vermilion Securityholders**") and holders of trust unit incentive plan awards of the Trust and our opinion letter dated July 27, 2010 (the "**Fairness Opinion**") addressed to the board of directors of VRL (the "**VRL Board**") concerning the fairness, from a financial point of view, of the consideration to be received by Vermilion Securityholders pursuant to the Trust's proposed conversion from a trust structure into a corporation.

We hereby consent to the references to TD Securities Inc. contained in the Information Circular and to the inclusion of the full text of the Fairness Opinion in the Information Circular. In providing our consent, we do not intend or permit that any person other than the VRL Board shall rely upon the Fairness Opinion.

Calgary, Alberta
July 30, 2010

(signed) *"TD Securities Inc."*

APPENDIX "A"

CONVERSION RESOLUTION

"**WHEREAS** the capitalized terms not otherwise defined in this resolution shall have the same meaning as in the Information Circular and Proxy Statement of Vermilion Energy Trust dated July 30, 2010;

BE IT RESOLVED THAT:

1. The Arrangement under section 193 of the ABCA substantially as set forth in the Plan of Arrangement attached as Schedule "A" to Appendix "C" to the Information Circular and all transactions contemplated thereby, be and are hereby authorized and approved;

2. the Arrangement Agreement, a copy of which is attached as Appendix "C" to the Information Circular, together with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 5 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby confirmed, ratified and approved;

3. VRL, as the administrator of the Trust, and for and on its own behalf, and VEI be and are hereby authorized to apply for a final order from the Court of Queen's Bench of Alberta to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be amended, modified or supplemented and as described in the Information Circular);

4. notwithstanding that this resolution has been passed (and the Arrangement adopted) by the Vermilion Securityholders and TAP Award Holders or that the Arrangement has received the approval of the Court of Queen's Bench of Alberta, any director or officer of VRL, as the administrator of the Trust, and for and on its own behalf, is hereby authorized, and empowered to, without further notice to or approval, amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement, and subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions; and

5. any director or officer of VRL is hereby authorized, for and on behalf of the Trust and VRL, to execute and deliver Articles of Arrangement and to execute, with or without the corporate seal, and, if, appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action."

APPENDIX "B"

INTERIM ORDER

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF SECTION 193 OF THE
BUSINESS CORPORATIONS ACT, R.S.A. 2000, C. B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
VERMILION ENERGY INC., VERMILION ENERGY TRUST, VERMILION RESOURCES LTD., THE HOLDERS OF TRUST UNITS AND TAP AWARD HOLDERS OF VERMILION ENERGY TRUST AND EXCHANGEABLE SHAREHOLDERS OF VERMILION RESOURCES LTD.

BEFORE THE HONOURABLE JUSTICE J. STREKAF IN CHAMBERS	)))	At the Calgary Courts Centre, in the City of Calgary, in the Province of Alberta, on Friday, the 30th day of July, 2010

INTERIM ORDER

UPON the application by Petition of Vermilion Resources Ltd. ("**VRL**"), on its own behalf and on behalf of Vermilion Energy Trust (the "**Trust**"), and of Vermilion Energy Inc. ("**VEI**") (collectively, the "**Petitioners**") for an Interim Order under section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**") in connection with a proposed arrangement under section 193 of the ABCA, involving VEI, the Trust, VRL and the holders (the "**Unitholders**") of trust units ("**Trust Units**") of the Trust, the holders (the "**TAP Award Holders**") of trust unit incentive plan awards ("**TAP Awards**") of the Trust and the holders (the "**Exchangeable Shareholders**", and collectively with the Unitholders, referred to as the "**Vermilion Securityholders**") of Series A exchangeable shares ("**Exchangeable Shares**", and collectively with Trust Units, referred to as the "**Vermilion Securities**") of VRL;

AND UPON reading the said Petition and the Affidavit of Mona Jasinski, Vice President, People of VRL and VEI sworn July 27, 2010 (the "**Affidavit**") and the documents referred to therein;

AND UPON hearing counsel for the Petitioners;

AND UPON noting that the Executive Director of the Alberta Securities Commission (the "**Executive Director**") has been served with notice of this application as required by subsection 193(8) of the ABCA and that the Executive Director does not intend to appear or make submissions with respect to this application;

FOR THE PURPOSES OF THIS ORDER:

(a) all references to the "Arrangement" used herein means the arrangement proposed by VEI and VRL, on its own behalf and in its capacity as administrator of the Trust, as set forth in the plan of arrangement attached as Schedule A to the Arrangement Agreement (the "**Plan of Arrangement**"), which is attached as Appendix "C" to the draft Notice of Meeting, Information

Circular and Proxy Statement and Notice of Petition to the Court of Queen's Bench of Alberta (collectively, the "**Meeting Materials**") attached as Exhibit "A" to the Affidavit; and

(b) the capitalized terms not defined in this Order shall have the meanings attributed to them in the Glossary to the Information Circular and Proxy Statement, which begins at page 9 of the Meeting Materials.

IT IS HEREBY ORDERED AND DIRECTED THAT:

General

1. The proposed course of action is an "arrangement" within the definition of the ABCA and the Petitioners may proceed with the Arrangement.

2. The Trust shall seek, in the manner set forth below, approval of the Arrangement by the Vermilion Securityholders and the TAP Award Holders.

Meeting of the Vermilion Securityholders and TAP Award Holders

3. The Trust shall convene a special meeting of Vermilion Securityholders and TAP Award Holders (the "**Meeting**") to be held on or about August 31, 2010 for the purpose of, among other things, considering and voting upon a special resolution to approve the Arrangement and related transactions set forth in the Arrangement Agreement substantially in the form set forth in Appendix "A" to the Meeting Materials (the "**Conversion Resolution**") and such other business described in the Meeting Materials and as may properly be brought before the Meeting or any adjournment thereof, all as more particularly described in the Meeting Materials.

4. Subject to the express provisions of this Order, the Meeting shall be called and conducted in accordance with the Trust Indenture and applicable securities laws.

5. The Conversion Resolution approving the Arrangement must be passed by at least 66 ⅔% of: (i) the votes cast by all Vermilion Securityholders and TAP Award Holders, either in person or by proxy, voting together as a single class at the Meeting; and (ii) the votes cast by all Vermilion Securityholders, either in person or by proxy, voting together as a single class at the Meeting.

6. Each Unitholder is entitled to one vote for each Trust Unit held. Each Exchangeable Shareholder is entitled to one vote for each Trust Unit into which such Exchangeable Shareholder's Exchangeable Shares are convertible based on the exchange ratio in effect on the Record Date (defined below). In respect of the Conversion Resolution only, each TAP Award Holder is entitled to one vote for each Trust Unit obtainable upon the vesting of each TAP Award which is outstanding as of the Record Date, assuming in the case of performance based TAP Awards, a performance factor of 1.0 for the purposes of determining the number of Trust Units in respect of such awards.

7. The record date for the purposes of determining Vermilion Securityholders and TAP Award Holders entitled to receive notice of and to vote at the Meeting is July 23, 2010 (the "**Record Date**"). Only Vermilion Securityholders and TAP Award Holders whose names have been entered on the register of Trust Units or Exchangeable Shares or TAP Awards, as applicable, at the close of business on the Record Date will be entitled to receive notice of and to attend and vote at the Meeting, even if a Vermilion Securityholder or a TAP Award Holder has since that time disposed of his or her Vermilion Securities or TAP Awards, as applicable. No person acquiring Vermilion Securities or TAP Awards after the Record Date shall be entitled to vote those Vermilion Securities or TAP Awards at the Meeting.

8. The quorum at the Meeting shall be at least two persons either present in person or represented by proxy and representing in the aggregate not less than 5% of the votes attached to outstanding Trust Units entitled to vote at the Meeting. For the purposes of determining such quorum, the holders of any issued Special Voting Rights who are present at the Meeting shall be regarded as representing outstanding Trust Units equivalent in number to the votes attaching to such Special Voting Rights. If no quorum is present within 30 minutes of the time fixed for holding the Meeting, the Meeting will be adjourned to such day being not less than 21 nor more than 60 days later and to such place and time as may be appointed by the Chairman of the Meeting. At the adjourned Meeting, the Vermilion Securityholders and TAP Award Holders present in person or represented by proxy and entitled to vote at the adjourned Meeting will constitute a quorum for the adjourned Meeting.

9. The Chairman of the Meeting shall be the President and Chief Executive Officer of VRL.

10. The only persons entitled to attend and speak at the Meeting shall be the Vermilion Securityholders and TAP Award Holders or their authorized representatives, VRL's directors and officers, the Trust's auditors and advisors, the Executive Director and other persons with the permission of the Chairman of the Meeting.

Notice

11. At least 21 days (exclusive of the day of mailing or delivery but inclusive of the day of the Meeting) prior to the day of the Meeting, the Trust and VRL shall send the Meeting Materials, substantially in the form set forth in Exhibit "A" to the Affidavit filed herein, with amendments thereto as counsel for the Petitioners may determine to be necessary or desirable (provided that such amendments are not inconsistent with the terms of this Order), to the Vermilion Securityholders and TAP Award Holders of record as of the Record Date, to VRL's directors and auditors and to the Executive Director, by mailing the same by prepaid ordinary mail or by delivering the same by direct courier at the expense of the Trust. Such mailing and delivery shall constitute good and sufficient service of notice of the Petition, the Meeting and hearing in respect of the Petition. In the case of non-registered Vermilion Securityholders, service of the Petition, the Meeting and the hearing in respect of the Petition shall be given in accordance with the Trust's obligations under National Instrument 54-101.

12. The accidental omission to give notice of the Meeting, or the non-receipt of such notice by one or more of the aforesaid persons, shall not invalidate any resolution passed or proceedings taken at the Meeting.

13. The mailing of the Meeting Materials in accordance with the provisions of this Order, shall constitute good and sufficient service in respect of the Petition upon all persons who are entitled to receive such notice pursuant to this Order and no other form of service need be made and no other material need be served on such persons in respect of these proceedings, and service of the Petition and the Affidavit is dispensed with, except for service thereof on the Executive Director.

Adjournments and Postponements

14. VRL, in its capacity as administrator of the Trust, if it deems it to be advisable, may adjourn or postpone the Meeting on one or more occasions and for such period(s) of time as VRL deems advisable, without the necessity of first convening such Meeting or first obtaining any vote of Vermilion Securityholders and TAP Award Holders respecting the adjournment or postponement, and notice of such adjournment or postponement shall be given by press release, newspaper advertisement or by such other method as determined to be the most appropriate method of communication by the board of directors of VRL (provided that such authorization shall not derogate from the rights of the other parties to the Arrangement Agreement). If the Meeting is adjourned or postponed in accordance with this Order, the references to the Meeting in this Order shall be deemed to be the Meeting as adjourned or postponed.

Amendments to the Plan of Arrangement

15. VRL, in its capacity as administrator of the Trust, is authorized to make such amendments, revisions or supplements to the Plan of Arrangement as it may determine necessary or desirable, provided that such amendments are made in accordance with and in the manner contemplated by the Plan of Arrangement. The Arrangement as so amended, revised or supplemented shall be deemed to be the Arrangement submitted to the Meeting and the subject of the Conversion Resolution.

Dissent Rights

16. Registered Vermilion Securityholders shall have the right to dissent from the Conversion Resolution in accordance with the provisions of section 191 of the ABCA, as modified by this Order, and are entitled to be paid the fair value of their Vermilion Securities in respect of which such right of dissent is exercised, provided that:

    (a) notwithstanding subsection 191(5) of the ABCA, the written objection to the Conversion Resolution which is required to be sent to the Trust must be received, at or before 5:00 p.m. (Calgary time) on the second last Business Day immediately preceding the Meeting or any adjournment thereof, by the Trust in care of its solicitors, Macleod Dixon LLP, 3700, 400 - 3rd

Avenue S.W., Calgary, Alberta T2P 4H2, facsimile number (403) 264-5973, Attention: Roger F. Smith;

(b) a Dissenting Securityholder must abstain from voting his or her Vermilion Securities at the Meeting, either in person or represented by proxy, with respect to the Conversion Resolution;

(c) a Vermilion Securityholder may not exercise the right of dissent in respect of only a portion of such Vermilion Securityholder's Vermilion Securities;

(d) a Dissenting Securityholder must otherwise comply with the requirements of section 191 of the ABCA; and

(e) payment of the fair value of Vermilion Securities in respect of which the right of dissent is exercised may be made by VEI if such payment is made after the Effective Date.

17. Notice to Vermilion Securityholders of the right of dissent with respect to the Conversion Resolution and the right to receive, subject to the provisions of this Order an the ABCA, the fair value of their Vermilion Securities shall be good and sufficiently given by including information with respect thereto in the Information Circular.

Final Application

18. Subject to further Order of this Court and provided that the Vermilion Securityholders and TAP Award Holders have approved the Arrangement in the manner prescribed hereby and the board of directors of VRL have not revoked that approval, VEI and VRL, on its own behalf and on behalf of the Trust, may proceed with an application for approval of the Arrangement and the Final Order on August 31, 2010 (the "**Hearing Date**") at 1:45 p.m. (the "**Hearing Time**") at the Calgary Courts Centre, Calgary, Alberta.

19. Any Vermilion Securityholder, TAP Award Holder or any other interested party desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve upon the Petitioners on or before 5:00 p.m. (Calgary time) on August 24, 2010, a notice of his or her intention to appear, including his or her address for service in the Province of Alberta and indicating whether such Vermilion Securityholder, TAP Award Holder or other interested party intends to support or oppose the application or make submissions thereat, together with a summary of the position such Vermilion Securityholder, TAP Award Holder or other interested party intends to advocate before the Court and any evidence or materials which are to be presented to the Court. Service of such notice on the Petitioners shall be effected by delivery to the solicitors for the Petitioners, Macleod Dixon LLP, 3700, 400 - 3rd Avenue S.W., Calgary, Alberta T2P 4H2, facsimile number (403) 264-5973, Attention: Roger F. Smith.

20. In the event that the application for the Final Order approving the Arrangement is adjourned, only those parties who have served a notice of intention to appear in accordance with paragraph 19 of this Order shall have notice of the adjourned date.

Leave to Vary Interim Order

21. The Trust is entitled at any time to seek leave to vary this Order upon such terms and the giving of such notice as this Court may direct.

(signed) "*J. Strekaf*"
J.C.Q.B.A.

ENTERED at Calgary, Alberta,
July 30, 2010.

(signed) "*V.A. Brandt*"
Clerk of the Court

APPENDIX "C"

ARRANGEMENT AGREEMENT

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is made as of the 27th day of July, 2010

AMONG:

VERMILION ENERGY TRUST, an unincorporated open-ended trust established under the laws of the Province of Alberta, by its administrator Vermilion Resources Ltd. (the "**Trust**")

- and -

VERMILION RESOURCES LTD., a corporation subsisting under the laws of the Province of Alberta ("**VRL**")

- and -

VERMILION ENERGY INC., a corporation subsisting under the laws of the Province of Alberta ("**VEI**")

WHEREAS:

(a) the parties hereto wish to propose an arrangement with the holders of trust units of the Trust and Series A exchangeable shares of VRL;

(b) the parties hereto intend to carry out certain of the transactions contemplated herein by way of an arrangement under the ABCA; and

(c) the parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for the other matters relating to such arrangement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals hereto, the following terms have the following meanings:

(a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9 and the regulations thereunder, each as amended from time to time;

(b) "**Administrator**" means the administrator of the Trust, currently VRL;

(c) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;

(d) "**Arrangement**" means the proposed arrangement under Section 193 of the ABCA involving VEI, the Trust, VRL, the Vermilion Securityholders and the TAP Award Holders on the terms and conditions set forth in the Plan of Arrangement, as supplemented, modified or amended;

(e) "**Articles of Arrangement**" means one or more articles of arrangement in respect of the Arrangement that are required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted to give effect to the Arrangement;

(f) "**Business Day**" means a day which is not a Saturday, Sunday, bank holiday or other holiday in Calgary, Alberta;

(g) "**Certificate**" means the certificate(s) or confirmation(s) of filing which may be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

(h) "**Conversion**" means the proposed conversion of the Trust from an income trust structure to a corporate structure pursuant to the Arrangement and related transactions;

(i) "**Conversion Resolution**" means the special resolution in respect of the Conversion and related matters to be considered by the Vermilion Securityholders and TAP Award Holders at the Meeting;

(j) "**Court**" means the Court of Queen's Bench of Alberta;

(k) "**Depositary**" means Computershare Investor Services Inc., or such other company as may be designated by the Trust or VEI;

(l) "**Effective Date**" means the date the Arrangement is effective under the ABCA;

(m) "**Effective Time**" means the time on the Effective Date at which the Arrangement is effective;

(n) "**Exchangeable Shares**" means the Series A exchangeable shares in the capital of VRL;

(o) "**Exchangeable Shareholders**" means the registered holders of Exchangeable Shares;

(p) "**Final Order**" means the final order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(q) "**Information Circular**" means, collectively, the Notice of Special Meeting, Notice of Petition to the Court of Queen's Bench of Alberta and Information Circular and Proxy Statement of the Trust dated July 30, 2010, prepared in connection with the Meeting;

(r) "**Interim Order**" means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the Meeting, a copy of which order will be attached as Schedule "B" to the Information Circular, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(s) "**Meeting**" means the special meeting of the Vermilion Securityholders and TAP Award Holders as of the Record Date to be held on August 31, 2010 to consider, among other things to be approved by the Vermilion Securityholders, the Conversion, and any adjournment(s) thereof;

(t) "**Person**" means an individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority, or other entity;

(u) "**Plan of Arrangement**" means the plan of arrangement attached hereto as Schedule "A", as amended or supplemented from time to time in accordance with the terms thereof;

(v) "**Record Date**" means July 23, 2010;

(w) "**Registrar**" means the Registrar of Corporations appointed under Section 263 of the ABCA;

(x) "**TAP Award Holders**" means the holders of one or more TAP Awards;

(y) "**TAP Awards**" means awards issued from time to time under the TAP Plan;

(z) "**TAP Plan**" means the Trust Unit Award Incentive Plan of the Trust;

(aa) "**Trust Indenture**" means the trust indenture establishing the Trust dated December 16, 2002, as amended and restated January 15, 2003 and governed by the laws of the Province of Alberta, as may be further amended, supplemented or restated from time to time;

(bb) "**Trust Units**" means the trust units of the Trust, each representing an equal undivided beneficial interest in the Trust;

(cc) "**Trustee**" means Computershare Trust Company of Canada, trustee of the Trust;

(dd) "**TSX**" means the Toronto Stock Exchange;

(ee) "**Unitholder**" means a registered holder of Trust Units;

(ff) "**VEI Common Shares**" means the common shares in the capital of VEI; and

(gg) "**Vermilion Securityholders**" means, collectively, the Unitholders and the Exchangeable Shareholders; and

(hh) "**Vermilion Entities**" means, collectively, VRL and VEI and their respective successors.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Article References

Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and schedules are to articles, sections and schedules of this Agreement.

1.5 Extended Meanings

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, bodies corporate, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.

1.6 Entire Agreement

This Agreement, together with the schedule attached hereto, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof.

1.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Alberta and the laws of Canada applicable in Alberta and shall be treated in all respects as an Alberta contract.

1.8 Schedule

Schedule "A" annexed to this Agreement, being the Plan of Arrangement, is incorporated by reference into this Agreement and forms a part hereof.

ARTICLE 2
THE ARRANGEMENT

2.1 Arrangement

As soon as reasonably practicable, the Trust, VRL and VEI shall apply to the Court pursuant to Section 193 of the ABCA for an order approving the Arrangement and, in connection with such application, shall:

(a) forthwith file, proceed with and diligently prosecute an application for an Interim Order under subsection 193(4) of the ABCA, providing for, among other things, the calling and holding of the Meeting for the purpose of considering and, if deemed advisable, approving the Conversion Resolution; and

(b) subject to obtaining all necessary approvals of the Vermilion Securityholders and TAP Award Holders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take steps necessary to submit the Arrangement to the Court and apply for the Final Order,

and subject to the fulfillment of the conditions set forth herein, shall deliver to the Registrar Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any act or formality.

2.2 VEI

VRL has caused VEI to be incorporated under the ABCA. Prior to the Effective Time and other than as contemplated herein or as reasonably necessary to carry out the transactions contemplated by the Arrangement, VEI shall not: (i) issue any securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities except for the issuance of a nominal number of common shares on incorporation; or (ii) carry on any business, enter into any transaction or effect any corporate act whatsoever.

2.3 Effective Date

The Arrangement shall become effective at the Effective Time on the Effective Date.

ARTICLE 3
COVENANTS

3.1 Covenants of the Trust and the Vermilion Entities

Each of the Trust and the Vermilion Entities, covenant and agree for the benefit of each other, as applicable, that it will use commercially reasonable efforts to:

(a) solicit or cause to be solicited proxies to be voted at the Meeting in favour of the Conversion Resolution and prepare the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order,

and applicable corporate and securities laws, and file and distribute the same to the Vermilion Securityholders and TAP Award Holders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;

(b) convene the Meeting as ordered by the Interim Order and conduct such Meeting in accordance with the Interim Order and as otherwise required by law and the Trust Indenture;

(c) subject to the approval of the Conversion Resolution by the Vermilion Securityholders and TAP Award Holders, as required by the Interim Order, submit the Arrangement to the Court and apply for the Final Order;

(d) forthwith carry out the terms of the Final Order to the extent applicable to it;

(e) upon issuance of the Final Order and subject to the conditions precedent in Article 4, proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar pursuant to subsection 193(9) of the ABCA;

(f) prior to the Effective Date, make application to list or substitutionally list on the TSX the VEI Common Shares issuable pursuant to the Arrangement;

(g) take all actions and enter into all such agreements as are necessary to complete and give effect to the transactions contemplated by this Agreement and the Arrangement;

(h) obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;

(i) cause each of the conditions precedent set forth in Article 4 which are within its control to be satisfied on or before the Effective Date;

(j) not, except as contemplated in connection with the Plan of Arrangement, merge into or with, or consolidate with, any other Person or, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement;

(k) until the Effective Date, except as specifically provided for hereunder and in the Arrangement, not alter or amend its constating or governing documents, articles or by-laws or those of its subsidiaries as the same exist at the date of this Agreement;

(l) take all action necessary and cooperate with the other Vermilion Entities to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement; and

(m) reserve and authorize for issuance the securities issuable by it, if any, as contemplated in the Plan of Arrangement and cause to be reserved and authorized for issuance the securities issuable by each of the Vermilion Entities within its control, if any, as contemplated in the Plan of Arrangement and in respect of any share-based compensation arrangements of such Vermilion Entity following the Effective Time.

3.2 Amendments to the Trust Indenture

The parties hereto agree that pursuant to the Arrangement, the Trust Indenture shall be amended in a manner satisfactory to the Trust and VRL, acting reasonably, as necessary to facilitate the Arrangement.

ARTICLE 4
CONDITIONS PRECEDENT

4.1 Mutual Conditions Precedent

The respective obligations of the Trust and the Vermilion Entities to complete the transactions contemplated by this Agreement shall be subject to the fulfilment or satisfaction, on or before the Effective Time, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

(a) the Interim Order shall have been granted in form and substance satisfactory to the Trust and the Vermilion Entities, acting reasonably, not later than July 30, 2010 or such later date as the parties hereto may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;

(b) the Conversion Resolution shall have been approved by the requisite number of votes cast by the Vermilion Securityholders and TAP Award Holders at the Meeting in accordance with the Trust Indenture, the Interim Order and any applicable regulatory requirements;

(c) the Final Order shall have been granted in form and substance satisfactory to the Trust and the Vermilion Entities, acting reasonably, not later than December 31, 2010 or such later date as the parties hereto may agree;

(d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Trust and the Vermilion Entities, acting reasonably, shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(9) of the ABCA;

(e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:

(i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or

(ii) results in a judgment or assessment of material damages directly or indirectly relating to the transaction contemplated herein;

(f) all necessary third party and regulatory consents and approvals with respect to the transactions contemplated hereby shall have been completed or obtained;

(g) the TSX shall have conditionally approved the listing or substitutional listing of the VEI Common Shares to be issued pursuant to the Arrangement, subject only to the filing of required documents which cannot be filed prior to the Effective Date; and

(h) each of the covenants, acts and undertakings of each of the Trust and the Vermilion Entities to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall be duly performed or complied with.

4.2 Notice and Effect of Failure to Comply with Conditions

(a) Each of the parties hereto shall give prompt notice to the others of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which

occurrence or failure would, or would be likely to, result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any party hereunder provided, however, that no such notification will affect the conditions to the obligations of the parties hereunder.

(b) If any of the conditions precedent set forth in Section 4.1 hereof shall not be complied with or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement provided that prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other party, specifying in reasonable detail all breaches of covenants or other matters which the party delivering such notice is asserting as the basis for the non fulfillment of the applicable conditions precedent and the party in breach shall have failed to cure such breach within three Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a party.

4.3 Satisfaction of Conditions

The conditions set out in this Article 4 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 5
NOTICES

5.1 Notices

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be served personally, and in the case of:

(a) the Trust, addressed to:

Vermilion Energy Trust
c/o Vermilion Resources Ltd..
2800, 400 Fourth Avenue SW
Calgary AB T2P 0J4
Attention: Executive Vice President & Chief Financial Officer

(b) any or all of the Vermilion Entities, addressed to:

c/o Vermilion Resources Ltd.
2800, 400 Fourth Avenue SW
Calgary AB T2P 0J4
Attention: Executive Vice President & Chief Financial Officer

ARTICLE 6
AMENDMENT AND TERMINATION

6.1 Amendments

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective unitholders, shareholders or partners; provided that any such amendment that changes the

consideration to be received by the Vermilion Securityholders or TAP Award Holders pursuant to the Arrangement is brought to the attention of the Court before approval of the Final Order and is subject to such requirements as may be ordered by the Court.

6.2 Termination

This Agreement shall be terminated in each of the following circumstances:

(a) the mutual agreement of the parties;

(b) the Arrangement shall not have become effective on or before January 1, 2011 or such later date as may be agreed to by the parties hereto; and

(c) termination of this Agreement under Article 4 hereof.

ARTICLE 7
GENERAL

7.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

7.2 No Assignment

No party may assign its rights or obligations under this Agreement.

7.3 Exclusivity

None of the covenants of the Trust or VRL contained herein shall prevent the board of directors of VRL from responding as required by law to any unsolicited submission or proposal regarding any acquisition or disposition of assets or any unsolicited proposal to amalgamate, merge or effect an arrangement or any unsolicited acquisition proposal generally or make any disclosure to its shareholders with respect thereto which in the judgment of the board of directors of VRL, acting upon the advice of outside counsel, is required under applicable law.

7.4 Equitable Remedies

All covenants herein or to be given hereunder as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may only be ordered at the discretion of the court.

7.5 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

(a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and

(b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

7.6 Further Assurances

Each party hereto shall, from time to time and at all times hereafter, at the request of another party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

7.7 Time of Essence

Time shall be of the essence.

7.8 Liability of the Trust

The parties hereto acknowledge that, except to the extent that VRL is entering into this Agreement in its own right, the Administrator is entering into this Agreement solely on behalf of the Trust and the obligations of the Trust hereunder shall not be personally binding upon the Trustee, the Administrator or any of the Unitholders of the Trust and that any recourse against the Trust or any Unitholder in any manner in respect of any indebtedness, obligation or liability of the Trust arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including without limitation claims based on negligence, otherwise tortious behaviour, shall be limited to, and satisfied only out of, the Trust Fund as defined in the Trust Indenture.

7.9 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF this Agreement has been executed and delivered by the parties hereto effective as of the date first above written.

VERMILION ENERGY TRUST, by its administrator, **VERMILION RESOURCES LTD.**

Per: (Signed) *"Curtis Hicks"*
Name: Curtis Hicks
Title: Executive Vice President and Chief Financial Officer

VERMILION RESOURCES LTD.

Per: (Signed) *"Curtis Hicks"*
Name: Curtis Hicks
Title: Executive Vice President and Chief Financial Officer

VERMILION ENERGY INC.

Per: (Signed) *"Curtis Hicks"*
Name: Curtis Hicks
Title: Executive Vice President and Chief Financial Officer

SCHEDULE "A"
PLAN OF ARRANGEMENT
UNDER SECTION 193
OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)
INVOLVING AND AFFECTING
VERMILION ENERGY INC., VERMILION ENERGY TRUST, VERMILION RESOURCES LTD., THE UNITHOLDERS OF VERMILION ENERGY TRUST, THE HOLDERS OF SERIES A EXCHANGEABLE SHARES OF VERMILION RESOURCES LTD. AND THE HOLDERS OF AWARDS UNDER THE TRUST UNIT AWARD INCENTIVE PLAN OF VERMILION ENERGY TRUST

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below (and grammatical variations of such terms shall have corresponding meanings):

(a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9 and the regulations thereunder;

(b) "**Amended DRIP**" means the Amended and Restated Dividend Reinvestment Plan to be entered into between VEI and Computershare Trust Company of Canada pursuant to which, among other things, the DRIP will be amended and restated;

(c) "**Arrangement**" means the arrangement under section 193 of the ABCA involving VEI, the Trust, VRL, the Vermilion Securityholders and the TAP Award Holders on the terms and conditions set forth in this Plan of Arrangement;

(d) "**Articles of Arrangement**" means one or more articles of arrangement in respect of the Arrangement that are required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted to give effect to the Arrangement;

(e) "**Business Day**" means a day which is not a Saturday, Sunday, bank holiday or other holiday in Calgary, Alberta;

(f) "**Certificate**" means the certificate(s) or confirmation(s) of filing which may be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

(g) "**Code**" means the United States Internal Revenue Code of 1986, as amended;

(h) "**Conversion**" means the proposed conversion of the Trust from an income trust structure to a corporate structure pursuant to the Arrangement and related transactions;

(i) "**Court**" means the Court of Queen's Bench of Alberta;

(j) "**Depositary**" means Computershare Investor Services Inc., or such other company as may be designated by the Trust or VEI;

(k) "**Dissenting Exchangeable Shares**" means those Exchangeable Shares in respect of which a registered Exchangeable Shareholder has duly exercised the rights of dissent provided to such Exchangeable Shareholder under the Interim Order;

(l) "**Dissenting Exchangeable Shareholders**" means registered holders of Exchangeable Shares who validly exercise the rights of dissent provided to them under the Interim Order and whose dissent rights remain valid immediately before the Effective Time;

(m) "**Dissenting Securities**" means, collectively, the Dissenting Units and the Dissenting Exchangeable Shares;

(n) "**Dissenting Securityholders**" means, collectively, the Dissenting Unitholders and the Dissenting Exchangeable Shareholders;

(o) "**Dissenting Units**" means those Trust Units in respect of which a registered Unitholder has duly exercised the rights of dissent provided to such Unitholder under the Interim Order;

(p) "**Dissenting Unitholders**" means registered holders of Trust Units who validly exercise the rights of dissent provided to them under the Interim Order and whose dissent rights remain valid immediately before the Effective Time;

(q) "**Distribution**" means a distribution payable by the Trust in respect of the Trust Units;

(r) "**Distribution Payment Date**" means the date on which a Distribution is to be paid to Unitholders;

(s) "**Distribution Record Date**" means the date on which Unitholders are identified for purposes of determining entitlement to a Distribution;

(t) "**DRIP**" means the Distribution Reinvestment Plan of the Trust;

(u) "**Effective Date**" means the date the Arrangement is effective under the ABCA;

(v) "**Effective Time**" means the time on the Effective Date at which the Arrangement is effective;

(w) "**Employee Bonus Plan**" means the Employee Bonus Plan for employees of VRL, the Trust and certain corporations, trusts or other entities owned or controlled by VRL or the Trust;

(x) "**Exchangeable Shares**" means the Series A exchangeable shares in the capital of VRL;

(y) "**Exchangeable Shareholders**" means the registered holders of Exchangeable Shares;

(z) "**Exchangeable Share Ratio**" means the number of Trust Units issuable on exchange of each Exchangeable Share as at the Effective Time and, for greater certainty, in the event the Effective Time occurs following a Distribution Record Date but prior to a Distribution Payment Date, the number of Trust Units issuable on exchange of such Exchangeable Share shall be adjusted to give effect to the Distribution as if the Distribution Payment Date was the Business Day immediately preceding the Effective Date;

(aa) "**Final Order**" means the final order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(bb) "**Incentive Rights Plan**" means the Trust Unit Rights Incentive Plan of the Trust;

(cc) "**Information Circular**" means, collectively, the Notice of Special Meeting, Notice of Petition to the Court of Queen's Bench of Alberta and Information Circular and Proxy Statement of the Trust dated July 30, 2010, prepared in connection with the Meeting;

(dd) "**Interim Order**" means the interim order of the Court under subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the Meeting, a copy of which order will be attached as Appendix "B" to the Information Circular, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(ee) "**Letter of Transmittal**" means the letter of transmittal pursuant to which a Vermilion Securityholder is required to deliver the certificate or certificates representing the Vermilion Securityholder's Vermilion Securities in order to receive, upon completion of the Arrangement, a certificate or certificates representing the VEI Common Shares issued to the Vermilion Securityholder under the Arrangement;

(ff) "**Meeting**" means the special meeting of Vermilion Securityholders and the TAP Award Holders as of the Record Date to be held on August 31, 2010 to consider, among other things to be approved by the Vermilion Securityholders, the Conversion, and any adjournment(s) thereof;

(gg) "**Plan of Arrangement**" means this plan of arrangement, as amended or supplemented from time to time in accordance with the terms hereof;

(hh) "**Record Date**" means July 23, 2010;

(ii) "**Registrar**" means the Registrar of Corporations appointed under section 263 of the ABCA;

(jj) "**Regulations**" means the United States Treasury regulations promulgated under the Code, as amended;

(kk) "**Special Voting Rights**" means the special voting rights of the Trust, issued and certified under the Trust Indenture for the time being outstanding and entitled to the benefits and subject to the limitations set forth in the Trust Indenture;

(ll) "**Special Rights Holders**" means the holders of one or more Special Voting Rights;

(mm) "**TAP Award Holders**" means the holders of one or more TAP Awards;

(nn) "**TAP Awards**" means awards issued from time to time under the TAP to employees, senior officers, directors or consultants of VRL or any affiliate of VRL;

(oo) "**TAP**" means the Trust Unit Award Incentive Plan of the Trust;

(pp) "**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. (5th Supp.), c. 1 and the regulations thereunder;

(qq) "**Trust**" means Vermilion Energy Trust, an unincorporated open-ended trust established under the laws of Province of Alberta pursuant to the Trust Indenture;

(rr) "**Trust Indenture**" means the amended and restated trust indenture of the Trust dated as of January 15, 2003 between Computershare Trust Company of Canada and VRL;

(ss) "**Trust Units**" means the units of the Trust, each representing an equal undivided beneficial interest in the Trust;

(tt) "**Unitholder**" means a registered holder of Trust Units;

(uu) "**Unitholder Rights Plan**" means the unitholder rights plan created pursuant to a unitholder rights plan agreement between the Trust and Computershare Trust Company of Canada dated as of May 5, 2006 and amended on May 9, 2009;

(vv) "**Unitholder URP Rights**" means rights under the Unitholder Rights Plan;

(ww) "**VEI**" means Vermilion Energy Inc., a corporation existing under the laws of the Province of Alberta;

(xx) "**VEI Common Shares**" means the common shares in the capital of VEI;

(yy) "**Vermilion Securities**" means, collectively, the Trust Units and the Exchangeable Shares;

(zz) "**Vermilion Securityholders**" means, collectively, the Unitholders and the Exchangeable Shareholders;

(aaa) "**Voting and Exchange Trust Agreement**" means the voting and exchange trust agreement entered into on January 16, 2003 between the Trust, Vermilion Acquisition Ltd. (a predecessor to VRL) and Computershare Trust Company of Canada; and

(bbb) "**VRL**" means Vermilion Resources Ltd., a corporation existing under the laws of the Province of Alberta.

1.2 Sections

Unless otherwise indicated, any reference in this Plan of Arrangement to a section refers to the specified section of this Plan of Arrangement.

1.3 Number, Gender and Persons

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular number include the plural and vice versa, words importing any gender include all genders and words importing persons include individuals, bodies corporate, partnerships, associations, trusts, unincorporated organizations, governmental bodies and other legal or business entities of any kind.

1.4 Currency

Unless otherwise expressly stated herein, all references to currency and payments in cash or money in this Plan of Arrangement are to Canadian dollars.

1.5 Statutory References

Any reference in this Plan of Arrangement to a statute includes such statute as amended, consolidated or re-enacted from time to time, all regulations made thereunder, all amendments to such regulations from time to time, and any statute or regulation which supersedes such statute or regulations.

ARTICLE 2
ARRANGEMENT

2.1 Binding Effect

The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Section 2.3 has become effective in the sequence and at the times set out therein. This Plan of Arrangement shall become effective at, and be binding at and after, the Effective Time

on (i) VEI; (ii) VRL; (iii) the Trust; (iv) the Unitholders; (v) the Exchangeable Shareholders; and (vi) the TAP Award Holders.

2.2 US Tax Treatment

The parties to this Plan of Arrangement intend that for United States federal income tax purposes the transactions contemplated hereby qualify as a "reorganization" within the meaning of section 368(a) of the Code and that this Plan of Arrangement constitute a "plan of reorganization" within the meaning of section 1.368-2(g) of the Regulations.

2.3 Arrangement

At the Effective Time, the following transactions shall occur and shall be deemed to occur sequentially in the order set out below, except as otherwise expressly provided. To the extent that such transactions involve VEI or VRL or any securities thereof or are governed by Section 193 of the ABCA, such transactions shall occur without any further act or formality pursuant to Section 193 of the ABCA. All other transactions shall occur by means of the appropriate action being taken on the part of the appropriate parties to effect such transactions at the Effective Time:

Unitholder Rights Plan and Incentive Rights Plan

(a) the Unitholder URP Rights shall be cancelled without any payment or other consideration to Unitholders and the Unitholder Rights Plan shall terminate and cease to have any further force or effect;

(b) the Incentive Rights Plan shall be cancelled and shall terminate and cease to have any further force or effect;

Special Voting Rights

(c) the Special Voting Rights shall be cancelled without any payment or other consideration to the Special Rights Holders and the Voting and Exchange Trust Agreement shall be terminated and cease to have any further force or effect;

Amendments to the Trust Indenture

(d) the Trust Indenture shall be amended to the extent necessary to, among other things, facilitate the Conversion and the implementation of the steps and transactions described herein, including, without limitation, to enable the Trust Units held by Unitholders to be exchanged with VEI, all as may be reflected in a supplemental trust indenture to be dated as of the Effective Date;

Amendment to Articles of VEI

(e) the articles of incorporation of VEI shall be amended by:

(i) eliminating the share transfer restrictions in their entirety; and

(ii) deleting the "Other Rules or Provisions" schedule attached to the articles of incorporation of VEI in its entirety and replacing such schedule with the attached Exhibit 1;

Dissenting Securityholders

(f) the Dissenting Securities shall be, and shall be deemed to be, transferred to VEI and the Dissenting Securityholders shall cease to have any rights as Vermilion Securityholders other than the right to be paid by VEI the fair value of the Dissenting Securities in accordance with Article 4;

Exchange of Trust Units

(g) the VEI Common Shares issued to VRL in connection with the incorporation and organization of VEI shall be purchased for cancellation by VEI for consideration of $1.00 per VEI Common Share, and shall be cancelled;

(h) the Trust Units held by Unitholders (other than any Trust Units held by VEI) shall be sold, transferred and assigned to VEI (free of any claims) in exchange for the issuance by VEI to the Unitholders of fully paid and non-assessable VEI Common Shares on the basis of one (1) fully paid and non-assessable VEI Common Share for each one (1) Trust Unit so exchanged;

(i) upon the exchange of Trust Units for VEI Common Shares pursuant to subsection 2.3(h):

(i) each former Unitholder shall cease to be the holder of the Trust Units so exchanged and the name of each such former holder shall be removed from the register of holders of Trust Units;

(ii) each such former Unitholder shall become a holder of the VEI Common Shares so received and shall be added to the register of holders of VEI Common Shares; and

(iii) VEI shall become the holder of the Trust Units so exchanged and shall be added to the register of holders of Trust Units in respect thereof;

Dissolution of the Trust

(j) all of the property of the Trust shall be transferred to VEI, VEI shall assume all of the liabilities and obligations of the Trust (including the DRIP and associated agreements and the liabilities and obligations of the Trust in respect of the TAP, the Employee Bonus Plan and any associated agreements and any declared but unpaid Distributions), VEI shall dispose of all of its interest as a beneficiary under the Trust and the Trust shall be dissolved and shall thereafter cease to exist;

(k) the Amended DRIP shall become effective and all existing participants in the DRIP shall be deemed to be participants in the Amended DRIP without any further action on the part of such participants and the holders of VEI Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid on the VEI Common Shares from time to time;

(l) all outstanding TAP Awards shall become rights under an agreement with VEI to receive VEI Common Shares in accordance with the terms of the applicable TAP Award and the TAP and each TAP Award and the TAP will be amended to replace references to the Trust and Trust Units with references to VEI and VEI Common Shares, respectively, and to make such other consequential amendments as may be necessary to reflect the Arrangement;

Exchange of Exchangeable Shares

(m) each issued and outstanding Exchangeable Share (other than Exchangeable Shares held by VEI) shall be sold, transferred and assigned to VEI (free of any claims) in exchange for the

issuance by VEI to the Exchangeable Shareholder of a number of fully paid and non-assessable VEI Common Shares that is equal to the Exchangeable Share Ratio;

(n) upon the exchange of Exchangeable Shares for VEI Common Shares pursuant to subsection 2.3(m):

(i) each former Exchangeable Shareholder shall cease to be the holder of the Exchangeable Shares so exchanged and the name of each such former holder shall be removed from the register of holders of Exchangeable Shares;

(ii) each such former Exchangeable Shareholder shall become a holder of the VEI Common Shares so received and shall be added to the register of holders of VEI Common Shares; and

(iii) VEI shall become the holder of the Exchangeable Shares so exchanged and shall be added to the register of holders of Exchangeable Shares in respect thereof;

Conversion of Exchangeable Shares

(o) the share capital of VRL will be reorganized such that all of the issued and outstanding Exchangeable Shares will be changed into 100 common shares of VRL;

VEI and VRL Corporate Matters

(p) the incumbent directors of VEI shall be replaced as directors by the persons who are directors of VRL immediately prior to the Effective Time, such directors to hold office until the first annual meeting of shareholders of VEI or until such time as such directors resign or until their successors are duly elected or appointed; and

(q) the incumbent directors of VRL shall be replaced as directors by the persons who are directors of VEI immediately prior to the Effective Time, such directors to hold office until the first annual meeting of shareholders of VRL or until such time as such directors resign or until their successors are duly elected or appointed.

2.4 Stated Capital of VEI

Upon issuance of the VEI Common Shares in accordance with subsections 2.3(h) and 2.3(m), there shall be added to the stated capital account maintained for the VEI Common Shares an amount determined by the board of directors of VEI in accordance with Subsection 28(3) of the ABCA.

2.5 Securities Registers

VEI, VET and VRL shall make the appropriate entries in their respective securities registers to reflect the matters referred to in Section 2.3.

2.6 Income Tax Election

A former holder of Exchangeable Shares shall be entitled to make an income tax election, pursuant to subsection 85(1) or 85(2) of the Tax Act, as applicable (and the analogous provisions of provincial or territorial income tax law) with respect to the transfer by the Exchangeable Shareholder of Exchangeable Shares to VEI by providing two signed copies of the necessary election forms to VEI within 90 days following the Effective Date, duly completed with the details of the number of Exchangeable Shares transferred and the applicable agreed amount or amounts for the purposes of such election. Thereafter, subject to the election forms complying with the provisions of the Tax Act (or applicable provincial or territorial income tax law), the forms will be signed by VEI and returned to such former Exchangeable Shareholder within 30 days after the receipt thereof

by VEI for filing with the Canada Revenue Agency (or the applicable provincial or territorial taxing authority). VEI will not be responsible for the proper completion of any election form and, except for the obligation of VEI to so sign and return duly completed election forms which are received by VEI within 90 days of the Effective Date, VEI will not be responsible for any taxes, interest or penalties resulting from the failure by an Exchangeable Shareholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial or territorial legislation). In its sole discretion, VEI may choose to sign and return an election form received by it more than 90 days following the Effective Date, but VEI will have no obligation to do so.

ARTICLE 3
OUTSTANDING CERTIFICATES

3.1 Outstanding Certificates

From and after the Effective Time, certificates formerly representing Vermilion Securities that were exchanged pursuant to subsections 2.3(h) or 2.3(m) shall represent only the right to receive the certificates representing VEI Common Shares to which the former Vermilion Securityholders are entitled pursuant to subsections 2.3(h) and 2.3(m), or as to the certificates formerly representing Dissenting Securities held by Dissenting Securityholders, to receive the fair value of the Trust Units or Exchangeable Shares formerly represented by such certificates. Former holders of Vermilion Securities shall not be entitled to any distribution, interest, dividend, premium or other payment on or with respect to the Vermilion Securities.

3.2 Confirmation of TAP Awards

As soon as reasonably possible after the Effective Time, VEI shall deliver, or cause to be delivered, to the TAP Award Holders appropriate confirmations, notices and/or documents to evidence such TAP Award Holder's right to receive VEI Common Shares in accordance with the terms of the TAP and the applicable TAP Award.

3.3 Certificates Representing VEI Common Shares

VEI shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former Vermilion Securityholder of a duly completed Letter of Transmittal and the certificates representing the Vermilion Securities held by such former Vermilion Securityholder, either:

(a) forward or cause to be forwarded by first class mail (postage prepaid) to such former Vermilion Securityholder at the address specified in the Letter of Transmittal; or

(b) if requested by such former Vermilion Securityholder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such former Vermilion Securityholder,

certificates representing the number of VEI Common Shares issued to such former Vermilion Securityholder under the Arrangement.

3.4 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Vermilion Securities that were exchanged pursuant to the Arrangement shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more VEI Common Shares (and any dividends or distributions with respect thereto) deliverable in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the person to whom certificates representing VEI Common Shares are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to VEI and its transfer agent in such sum as VEI may direct or otherwise indemnify VEI in a manner

satisfactory to VEI against any claim that may be made against VEI with respect to the certificate alleged to have been lost, stolen or destroyed.

3.5 Distributions with Respect to Unsurrendered Certificates

All dividends or distributions made with respect to any VEI Common Shares issued pursuant to the Arrangement but for which a certificate has not been issued shall be paid or delivered to the dividend disbursing agent of VEI. All monies received by the dividend disbursing agent of VEI on behalf of persons who immediately prior to the Effective Time were registered holders of Vermilion Securities that are exchanged pursuant to the Arrangement and not deposited with all other instruments required by this Plan of Arrangement shall be either: (a) paid (net of applicable withholding and other taxes) and delivered by the dividend disbursing agent to such persons as soon as reasonably practicable following receipt of such monies from VEI; or (b) where the person was a registered holder of Trust Units and is deemed to be a participant in the Amended DRIP, such monies will be applied automatically for the purchase of VEI Common Shares in accordance with the terms and conditions of the Amended DRIP.

3.6 Extinction of Rights

Subject to any applicable legislation relating to unclaimed personal property, any certificate which immediately prior to the Effective Time represented outstanding Vermilion Securities that are exchanged pursuant to the Arrangement and not deposited with all other instruments required by this Plan of Arrangement on or prior to the fifth anniversary of the Effective Date, shall cease to represent a claim or interest of any kind or nature as a shareholder of VEI. On such date, subject to any applicable legislation relating to unclaimed personal property, the VEI Common Shares to which the former registered holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered to VEI, together with all entitlements to dividends, distributions and interest thereon held for such former registered holder.

3.7 Withholding Rights

VEI and the Depositary shall be entitled to deduct and withhold from any consideration payable to any holder of Vermilion Securities, such amounts as VEI or the Depositary are required or permitted to deduct and withhold with respect to such consideration under the Tax Act, the Code, or any successor legislation or other provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Vermilion Securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

3.8 Fractional Shares

No certificates or scrip representing fractional VEI Common Shares shall be issued under the Arrangement. In lieu of any fractional VEI Common Shares, each Vermilion Securityholder otherwise entitled to a fractional interest in a VEI Common Share, shall receive the nearest whole number of VEI Common Shares as applicable (with fractions equal to or greater than 0.5 being rounded up and less than 0.5 being rounded down).

ARTICLE 4
DISSENTING SECURITYHOLDERS

Each Vermilion Securityholder shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. No Vermilion Securityholder who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement. A Vermilion Securityholder may not exercise the right to dissent in respect of only a portion of such holder's Vermilion Securities but may dissent only with respect to all of the Vermilion Securities held by the Vermilion Securityholder. The Dissenting Securities shall be, and shall be deemed to be, transferred to VEI as of the Effective Time, notwithstanding the provisions of Section 191 of the ABCA. A Dissenting Securityholder shall, in respect of the Dissenting Securities, at the Effective Time, cease to have any rights as a holder of Vermilion Securities and shall only be entitled to be paid by VEI the fair

value of the Dissenting Securities held by such Dissenting Securityholder immediately prior to the Effective Time. A Dissenting Securityholder who for any reason is not entitled to be paid by VEI the fair value of the Dissenting Securityholder's Dissenting Securities shall not be, or be reinstated as:

(a) in the case of a Dissenting Unitholder, a unitholder of the Trust but for purposes of receipt of consideration shall be treated as if the Dissenting Unitholder had participated in this Plan of Arrangement on the same basis as a non-dissenting holder of Trust Units and, accordingly, shall be entitled to receive VEI Common Shares as non-dissenting holders of Trust Units are entitled to receive on the basis set forth in Article 2 of this Plan of Arrangement; or

(b) in the case of a Dissenting Exchangeable Shareholder, a holder of Exchangeable Shares but for purposes of receipt of consideration shall be treated as if the Dissenting Exchangeable Shareholder had participated in this Plan of Arrangement on the same basis as a non-dissenting holder of Exchangeable Shares and, accordingly, shall be entitled to receive VEI Common Shares as non-dissenting holders of Exchangeable Shares are entitled to receive on the basis set forth in Article 2 of this Plan of Arrangement.

The fair value of the Dissenting Securities shall be determined as of the close of business on the last business day before the day on which the Arrangement is approved; but in no event shall the Trust, VEI or VRL be required to recognize such Dissenting Securityholder as a Vermilion Securityholder or a holder of VEI Common Shares after the Effective Time and the names of such Dissenting Securityholders shall be removed from the registers of holders of Vermilion Securities at the Effective Time.

ARTICLE 5
AMENDMENT

5.1 Plan of Arrangement Amendment

(a) VRL, in its sole discretion, reserves the right to amend, modify and/or supplement this Plan of Arrangement from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be contained in a written document that is filed with the Court and, if made following the Meeting, approved by the Court, and communicated to Vermilion Securityholders and the TAP Award Holders in the manner required by the Court (if so required).

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by VRL at any time prior to, at or after the Meeting but prior to the Effective Time and any such amendment, modification or supplement which is approved or directed by the Court following the Meeting shall be effective and shall become part of the Plan of Arrangement.

(c) Subject to applicable law, any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time unilaterally by VRL, provided that it concerns a matter which, in the reasonable opinion of VRL, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the Vermilion Securityholders or the TAP Award Holders.

Exhibit 1

OTHER RULES OR PROVISIONS (IF ANY):

The directors may, between annual general meetings, appoint one or more additional directors of VEI to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed one-third (1/3) of the number of directors who held office at the expiration of the last annual meeting of VEI.

Meetings of the shareholders of VEI may be held outside Alberta at any place within Canada as the Board of Directors of VEI may determine.

APPENDIX "D"

FAIRNESS OPINION

TD Securities Inc.
800 Home Oil Tower
324-8th Avenue S.W.
Calgary, Alberta T2P 2Z2

July 27, 2010

The Board of Directors of Vermilion Resources Ltd.
2800, 400 – 4th Avenue S.W.
Calgary, Alberta
T2P 3Y7

To the Board of Directors of Vermilion Resources Ltd.:

TD Securities Inc. ("TD Securities") understands that the board of directors (the "Board") of Vermilion Resources Ltd. ("VRL" or the "Company", and collectively with Vermilion Energy Trust (the "Trust") and its subsidiaries and partnerships, "Vermilion") will be seeking the approval of the holders (the "Unitholders") of trust units (the "Units") of the Trust and the holders (the "Exchangeable Shareholders") of Series A exchangeable shares (the "Exchangeable Shares") of VRL (collectively, the "Securityholders"), to complete a reorganization of the Trust into a corporate structure. Under the proposed plan of arrangement (the "Arrangement"), Unitholders will exchange their Units on a one for one basis for common shares ("Common Shares") of a newly incorporated company ("New Vermilion"), and Exchangeable Shareholders will exchange their Exchangeable Shares for Common Shares on the basis of the exchange ratio then in effect for Exchangeable Shares, which will result in the Securityholders owning substantially all of the Common Shares. If approved, the Arrangement will result in New Vermilion carrying on the business presently carried on by the Company and the Trust. Following the completion of the Arrangement, the Board and senior management of Vermilion will serve as the board of directors and senior management of New Vermilion.

The above description is summary in nature. The specific terms and conditions of the Arrangement will be more fully described in the notice of special meeting and management information circular and proxy statement (the "Information Circular") of the Trust, which is to be mailed to the Securityholders in connection with the Arrangement.

ENGAGEMENT OF TD SECURITIES

TD Securities was engaged by Vermilion pursuant to an engagement agreement (the "Engagement Agreement") dated July 15, 2010 to provide financial advisory services to the Board in connection with the Arrangement, including the preparation and delivery to the Board of an opinion (the "Opinion") as to the fairness, from a financial point of view, of the consideration to be received by Securityholders under the Arrangement. TD Securities has not been asked and has not prepared a formal valuation or appraisal of any of the assets or securities of the Trust, the Company, New Vermilion or any of their respective affiliates and this Opinion should not be construed as such, nor has TD Securities been requested to identify, solicit, consider or develop any potential alternatives to the Arrangement.

The terms of the Engagement Agreement provide that TD Securities will receive a fee for its services as financial advisor that is contingent on the delivery of this Opinion. In addition, Vermilion has agreed to reimburse TD Securities for its reasonable out-of-pocket expenses and to indemnify TD Securities, in certain circumstances, against certain expenses, losses, claims, actions, suits, proceedings, damages and liabilities which may arise directly or indirectly from services performed by TD Securities in connection with the Engagement Agreement.

Subject to terms of the Engagement Agreement, TD Securities consents to the inclusion of this Opinion and a summary thereof, in a form acceptable to TD Securities, in the Information Circular and to the filing of the Information Circular by Vermilion with the applicable Canadian and United States securities regulatory authorities.

CREDENTIALS OF TD SECURITIES

TD Securities is a Canadian investment banking firm with operations in a broad range of investment banking activities, including corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment management and investment research. TD Securities has participated in a significant number of transactions involving public and private companies and has extensive experience in preparing valuations and fairness opinions.

This Opinion represents the opinion of TD Securities and its form and content have been approved by a committee of senior investment banking professionals of TD Securities, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

RELATIONSHIP WITH INTERESTED PARTIES

Neither TD Securities nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta) (the "Securities Act")) of Vermilion or any of its respective associates or affiliates (collectively, the "Interested Parties"). Neither TD Securities nor any of its affiliates is an advisor to any of the Interested Parties with respect to the Arrangement other than to Vermilion and to the Board pursuant to the Engagement Agreement.

TD Securities and its affiliates have not been engaged to provide any financial advisory services, have not acted as lead or co-lead manager on any offering of securities of Vermilion or any other Interested Party, or had a material financial interest in any transaction involving Vermilion or any other Interested Party during the 24 months preceding the date on which TD Securities was first contacted in respect of the Arrangement other than: (i) acting as sole bookrunner and co-lead manager in connection with Vermilion's offering of trust units announced in October 2009; (ii) acting as financial advisor to the independent committee of the Company for the sale of its interest in Verenex Energy Inc. announced in February 2009; (iii) acting as lead agent for Vermilion's $675 million credit facility; and (iii) providing Vermilion with commodity and foreign exchange derivative trading services.

TD Securities and its affiliates act as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have and may in the future have positions in the securities of any Interested Party, and, from time to time, may have executed or may execute transactions on behalf of any Interested Party or other clients for which it may have received or may receive compensation. As an investment dealer, TD Securities conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Arrangement, Vermilion, or any other Interested Party.

No understandings or agreements exist between TD Securities and Vermilion or any other Interested Party with respect to future financial advisory or investment banking business. TD Securities may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for Vermilion, New Vermilion, or any other Interested Party, and The Toronto-Dominion Bank, parent of TD Securities, may provide banking services to Vermilion, New Vermilion or any other Interested Party.

SCOPE OF REVIEW

In connection with this Opinion, TD Securities reviewed and relied upon (without attempting to verify independently the completeness or accuracy of) or carried out, among other things, the following:

1. A draft of the Information Circular as of July 26, 2010 and a draft of the arrangement agreement (including the plan of arrangement) with respect to the Arrangement as of the same date;
2. Audited annual consolidated financial statements of the Trust for each of the three years ended December 31, 2007, 2008 and 2009;
3. Annual reports of the Trust for the three years ended December 31, 2007, 2008 and 2009;
4. Unaudited interim consolidated financial statements and management's discussion and analysis of the Trust for the three month period ended March 31, 2010;
5. Short Form Prospectus dated October 23, 2009, related to the offering of trust units;
6. Annual Information Forms of the Trust for the three years ended December 31, 2007, 2008 and 2009;
7. Notices of annual meetings of Unitholders and management information circulars of the Trust for the two years ended December 31, 2008 and 2009;
8. Unaudited projected financial information for the Trust, provided by management, including forecast taxes payable assuming a conversion to a corporate structure as proposed under the Arrangement;
9. Unaudited summary of Vermilion's capital and non-capital tax pool balances, provided by management, as at December 31, 2009;
10. Unaudited summary of Vermilion's outstanding hedges, provided by management, as at July 7, 2010;
11. Various research publications prepared by equity research analysts regarding Vermilion and other selected public entities considered relevant;
12. Public information relating to the business, operations, financial performance and Unit trading history of Vermilion and other selected public entities considered relevant;
13. Public information with respect to certain other transactions of a comparable nature considered relevant;
14. Discussions with Vermilion management with respect to the information referred to above and other issues deemed relevant;
15. Representations contained in a certificate dated July 27, 2010 from Lorenzo Donadeo, President and Chief Executive Officer of VRL and Curtis W. Hicks, Executive Vice President and Chief Financial Officer of VRL; and
16. Such other corporate, industry and financial market information, investigations, analyses and discussions as TD Securities considered necessary or appropriate in the circumstances.

TD Securities has not, to the best of its knowledge, been denied access by Vermilion to any information requested by TD Securities. TD Securities has assumed the accuracy and fair presentation of and relied upon the audited consolidated financial statements of Vermilion and the reports of the auditors thereon.

PRIOR VALUATIONS

Vermilion has represented to TD Securities that, among other things, it has no knowledge of any prior independent valuations or appraisals relating to Vermilion or any affiliate or any of their respective securities, material assets, or liabilities made in the preceding 24 months and in the possession or control of Vermilion other than those which have been provided to TD Securities or, in the case of independent

valuations known to Vermilion, which it does not have within its possession or control, notice of which has been given to TD Securities.

ASSUMPTIONS AND LIMITATIONS

This Opinion is subject to the assumptions, limitations and explanations set forth herein.

With the Board's acknowledgement and agreement as provided for in the Engagement Agreement, TD Securities has relied upon and assumed the accuracy, completeness and fairness of presentation of all financial and other information, data, advice, opinions and representations obtained by TD Securities or provided to it by Vermilion or its personnel, advisors or other representatives (provided orally, in writing or by other electronic transmission) or otherwise obtained by TD Securities pursuant to its engagement, including the certificate provided by senior management of Vermilion and the information, data and other material as filed under Vermilion's profile on SEDAR (collectively, the "Information"). This Opinion is conditional upon such accuracy, completeness and fair presentation. TD Securities has not been requested to or attempted to verify independently the accuracy, completeness or fairness of presentation of any such Information.

With respect to the budgets, forecasts, projections or estimates provided to TD Securities and used in its analyses, TD Securities notes that projecting future results is inherently subject to uncertainty. TD Securities has assumed, however, that such budgets, forecasts, projections and estimates were prepared using the assumptions identified therein and on bases reflecting the most reasonable assumptions, estimates and judgements of Vermilion's management as to the matters covered thereby and which, in the reasonable opinion of Vermilion, are (or were at the time of preparation and continue to be) reasonable in the circumstances. TD Securities expresses no independent view as to the reasonableness of such budgets, forecasts, projections and estimates or the assumptions on which they are based.

Senior officers of Vermilion have, on behalf of Vermilion, represented to TD Securities in a certificate dated July 27, 2010, among other things, that after due inquiry: (i) Vermilion has no information or knowledge of any facts public or otherwise not specifically provided to TD Securities relating to Vermilion or New Vermilion which would reasonably be expected to affect materially this Opinion; (ii) with the exception of forecasts, projections or estimates referred to in subparagraph (v) below, the Information is or, in the case of historical Information was, at the date of preparation, true, complete and accurate and did not and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the Information not misleading in the light of circumstances in which it was presented; (iii) since the dates on which the Information was provided to TD Securities, there have been no changes in any material facts or new material facts since the respective dates thereof which have not been disclosed to TD Securities or updated by more current Information provided to TD Securities by Vermilion and there has been no material change, financial or otherwise in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Vermilion and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on this Opinion; (iv) to the best of their knowledge, information and belief after due inquiry, there is no plan or proposal for any material change (as defined in the Securities Act) in the affairs of Vermilion which has not been disclosed to TD Securities; (v) any portion of the Information provided to TD Securities which constitute forecasts, projections or estimates was prepared using the assumptions identified therein, which, in the reasonable opinion of Vermilion, are (or were at the time of the preparation and continue to be) reasonable in the circumstances reflecting the best currently available assumptions, estimates and judgements of Vermilion's management as to the matters covered thereby; and (vi) Vermilion has received memoranda, reports, tax and other advice from its tax and legal advisors concerning the structure and tax implications of the Arrangement and other related matters and has determined that the conclusions of such memoranda, reports, tax and other advice are accurate, complete, fair and reasonable in the circumstances.

With respect to all legal and tax matters relating to the Arrangement and the implementation and effect thereof, we have relied upon the advice and representations provided to us by or on behalf of Vermilion and have relied upon and assumed the completeness and accuracy of such advice and representations, including the validity and efficacy of the procedures being followed to implement the Arrangement. TD Securities has assumed, with your permission, that upon completion of the Arrangement there will be no material adverse change in the tax attributes (whether in Canada, the United States or otherwise) of New Vermilion and its subsidiaries relative to Vermilion, other than as have been disclosed in full detail to TD Securities. We are not legal, tax, accounting or regulatory experts and we express no opinion concerning any legal, tax, accounting or regulatory matters concerning the Arrangement (or the tax effect thereof on any person or entity) or the sufficiency of this Opinion for your purposes. TD Securities did not render advice to the Board regarding legal, tax, accounting or regulatory matters.

In preparing this Opinion, TD Securities has made several other assumptions, including that: the Arrangement will be completed substantially in accordance with the draft agreements reviewed by us and as described in the draft Information Circular reviewed by us; all final or executed versions of agreements and documents will conform in all material respects to the drafts provided to TD Securities; the Information Circular will be distributed to Unitholders in accordance with all applicable laws; the disclosure in the Information Circular will be accurate, in all material respects, and will comply, in all material respects, with the requirements of all applicable laws; conditions precedent to be satisfied to complete the Arrangement can be satisfied; all approvals, authorizations, consents, permissions, exemptions or orders of relevant regulatory authorities required in respect of or in connection with the Arrangement will be obtained, without adverse condition or qualification; and that all steps or procedures being followed to implement the Arrangement are valid and effective. In its analysis in connection with the preparation of this Opinion, TD Securities made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of TD Securities or any party involved with the Arrangement.

This Opinion is being provided for the exclusive use of the Board in considering the Arrangement and may not be published, disclosed or used for any other purposes by any other person or relied upon by any other person other than the Board without the express prior written consent of TD Securities. This Opinion is not intended to and does not: (i) constitute a recommendation that Unitholders should vote in favour of the Arrangement; or (ii) express any opinion as to the trading price or value of any securities of Vermilion, New Vermilion or any other person following the announcement or completion of the Arrangement. This Opinion does not address the relative merits of the Arrangement as compared to other transactions or business strategies that might be available to Vermilion. In considering fairness, from a financial point of view, TD Securities considered the Arrangement from the perspective of Securityholders generally and did not consider the specific circumstances of any particular Securityholder.

This Opinion is rendered as of July 27, 2010, on the basis of securities markets, economic and general business and financial conditions and legal, tax and other regulatory regimes prevailing on that date and the condition and prospects, financial and otherwise, of Vermilion, New Vermilion and their respective subsidiaries and affiliates as they were reflected in the Information provided to TD Securities. Any changes therein may affect this Opinion and, although TD Securities reserves the right to change or withdraw this Opinion in such event, it disclaims any undertaking or obligation to advise any person of any such change that may come to its attention, or change or update this Opinion after such date.

The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. TD Securities believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete or misleading view of the process underlying this Opinion. Accordingly, this Opinion should be read in its entirety.

CONCLUSION

Based upon and subject to the foregoing and such other matters as we considered relevant, TD Securities is of the opinion that, as of July 27, 2010, the consideration to be received by the Securityholders pursuant to the Arrangement is fair, from a financial point of view, to the Securityholders.

Yours very truly,

TD SECURITIES INC.

APPENDIX "E"

AUDITED BALANCE SHEET OF VEI

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Calgary AB T2P 0S7
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Auditors' Report

To the Board of Directors of Vermilion Energy Inc.

We have audited the balance sheet of Vermilion Energy Inc. (the "Company") as at July 27, 2010. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this balance sheet presents fairly, in all material respects, the financial position of the Company as at July 27, 2010 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
July 29, 2010

(Signed) *"Deloitte & Touche LLP"*
Chartered Accountants

VERMILION ENERGY INC.
BALANCE SHEET
As at July 27, 2010

	$
Assets	
Cash	100
Shareholder's Equity	
Common Shares (Note 2)	100

Approved by the Board of Directors

(Signed) *"Lorenzo Donadeo"*
Director

(Signed) *"Curtis Hicks"*
Director

VERMILION ENERGY INC.
NOTES TO THE BALANCE SHEET
As at July 27, 2010

1. Incorporation and Basis of Presentation

Vermilion Energy Inc. (the "Corporation") was incorporated under the provisions of the *Business Corporations Act* (Alberta) on July 21, 2010. Its purpose is to ultimately become the publicly traded parent company of Vermilion Resources Ltd ("VRL") pursuant to a Plan of Arrangement associated with the conversion of Vermilion Energy Trust (the "Trust") from a trust structure to a corporation (the "Arrangement").

The Corporation has issued 100 Common Shares to VRL for cash consideration of $100. Other than the issuance of the Common Shares, the Corporation has engaged in no other activities and it will remain inactive until the proposed Arrangement is completed. This balance sheet has been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

On July 27, 2010, the Board of Directors of VRL, on behalf of the Trust as administrator, and on behalf of VRL, approved the Arrangement. If the Arrangement is approved by the Trust's unitholders and holders of trust unit incentive plan awards and the holders of Series A exchangeable shares, voting together as a class, and the Court of Queen's Bench of Alberta, unitholders of the Trust will receive one common share of the Corporation for each trust unit held. Holders of Series A exchangeable shares of VRL will receive, for each Series A exchangeable share held, that number of Common Shares in the Corporation which is equal to the exchangeable share ratio as calculated on August 31, 2010. The Arrangement will be accounted as a continuity of interests. After the completion of the Arrangement, the consolidated financial statements of the Corporation will reflect the assets and liabilities of the Trust at their respective carrying amounts in the accounts of the Trust. It is expected that the Arrangement will be completed on or about September 1, 2010.

2. Share Capital

The Corporation is authorized to issue an unlimited number of voting Common Shares. As at July 27, 2010 there were 100 Common Shares outstanding.

APPENDIX "F"

VERMILION INCENTIVE PLAN

VERMILION ENERGY INC.

VERMILION INCENTIVE PLAN

The Board of Directors of Vermilion Energy Inc. (the "**Corporation**") has established this Vermilion Incentive Plan (the "**Award Plan**") governing the issuance of Common Shares of the Corporation to directors, officers, employees and consultants of the Corporation and its Affiliates (as defined herein).

1. **Purposes**

The principal purposes of the Award Plan are as follows:

(a) to strengthen the ability of the Corporation and its Affiliates to retain qualified directors, officers, employees and consultants which the Corporation and its Affiliates require;

(b) to provide a competitive long term incentive program to attract qualified directors, officers, employees and consultants which the Corporation and its Affiliates require; and

(c) to focus management of the Corporation and its Affiliates on operating and financial performance and total long-term shareholder return by providing an increased incentive to contribute to the Corporation's growth and profitability; and

(d) to promote a proprietary interest in the Corporation through share ownership thereby aligning the interests of directors, officers, employees, consultants with shareholders.

2. **Definitions**

As used in this Award Plan, the following words and phrases shall have the meanings indicated:

(a) "**Adjustment Ratio**" means, with respect to any Share Award, the ratio used to adjust the number of Common Shares to be issued on the applicable Issue Date pertaining to such Share Award determined in accordance with the terms of the Award Plan; and, in respect of each Share Award, the Adjustment Ratio shall initially be equal to one, and shall be cumulatively adjusted thereafter by increasing the Adjustment Ratio on each Dividend Payment Date by an amount, rounded to the nearest six decimal places, equal to a fraction having as its numerator the Dividend, expressed as an amount per Common Share, paid on that Dividend Payment Date, and having as its denominator the weighted average of the prices at which the Common Shares traded on the Exchange (or, if the Common Shares are not then listed and posted for trading on the Exchange, on such stock exchange in Canada on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Board) for the ten (10) trading days on which the Common Shares traded on the said Exchange immediately preceding that Dividend Payment Date;

(b) "**Affiliate**" has the meaning set forth in the *Securities Act* (Alberta) and shall also include Vermilion Resources partnership and any other partnership, corporation or other entity directly or indirectly controlled by the Corporation;

(c) "**Associate**" has the meaning set forth in the *Securities Act* (Alberta);

(d) "**Board**" means the board of directors of the Corporation as it may be constituted from time to time;

(e) "**Change of Control Transaction**" means the occurrence of any of:

(i) the purchase or acquisition of Common Shares of the Corporation and/or securities convertible into Common Shares of the Corporation or carrying the right to acquire Common Shares of the Corporation ("**Convertible Securities**") as a result of which a Person, group of Persons 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 Common Shares and/or Convertible Securities of the Corporation that, assuming 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 Common Shares of the Corporation; or

(ii) approval by the Shareholders of the Corporation of:

(i) an amalgamation, arrangement, merger or other consolidation or combination of the Corporation with another corporation or other entity pursuant to which the Shareholders of the Corporation immediately prior to such transaction own securities of the successor or continuing corporation or other entity following completion of such transaction that would entitle them to cast less than 50% of the votes attaching to all of the common shares or other voting shares in the capital of the successor or continuing corporation or other entity;

(ii) a liquidation, dissolution or winding-up of the Corporation; or

(iii) the sale, lease or other disposition of all or substantially all of the assets of the Corporation; or

(iii) the election at a meeting of the Corporation's Shareholders of a number of directors of the Corporation, who were not included in the slate for election as directors proposed to the Corporation's Shareholders by the Corporation'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 Common Shares of the Corporation or by any group of holders of Common Shares of the Corporation acting jointly or in concert and not approved by the Corporation's prior Board,

but for certainty shall not include an Unsolicited Bid;

(f) "**Committee**" has the meaning set forth in Section 3 hereof;

(g) "**Common Shares**" means common shares in the capital of the Corporation;

(h) "**Consultant**" means a person or company, other than an employee, senior officer or director of the Corporation that:

(i) is engaged to provide services to the Corporation or an Affiliate, other than services provided in relation to a distribution of securities;

(ii) provides the services under a written contract with the Corporation or an Affiliate; and

(iii) spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate;

and includes, for an individual Consultant, a company of which the individual Consultant is an employee or shareholder, and a partnership of which the individual Consultant is an employee or partner;

(i) "**Corporate Performance Measures**" for any fiscal year or other period that the Board in its sole discretion shall determine, means the performance measures to be taken into consideration in granting Share Awards under the Award Plan and determining the Performance Factor in respect of any Performance Based Award, which may include, without limitation, the following:

(i) Relative Total Shareholder Return over such fiscal year;

(ii) Recycle Ratio for such fiscal year;

(iii) activities related to growth of the Corporation and its Affiliates for such fiscal year;

(iv) average production volumes of the Corporation and its Affiliates for such fiscal year;

(v) unit costs of production of the Corporation and its Affiliates for such fiscal year;

(vi) total proved reserves (on a net basis) of the Corporation and its Affiliates for such fiscal year;

(vii) safety performance of the Corporation and its Affiliates for such fiscal year;

(viii) HSE Indicators;

(ix) the execution of the Corporation's strategic plan as determined by the Board; and

(x) such additional measures as the Committee or the Board, in its sole discretion, shall consider appropriate in the circumstances;

(j) "**Disability**" in respect of a Service Provider means that such Service Provider is receiving benefits under any long term disability plan of the Corporation or an Affiliate;

(k) "**Dividend**" means a dividend paid by the Corporation in respect of the Common Shares, expressed as an amount per Common Share;

(l) "**Dividend Payment Date**" means any date that a Dividend is paid to Shareholders;

(m) "**Dividend Record Date**" means the applicable record date in respect of any Dividend used to determine the Shareholders entitled to receive such Dividend;

(n) "**Exchange**" means the Toronto Stock Exchange or such other stock exchange on which the Common Shares are then listed and posted for trading from time to time;

(o) "**Executive**" means any of the President, Chief Executive Officer, Chief Financial Officer, Executive Vice-President, Vice President or any other executive of the Corporation or an Affiliate holding an employee position above Director level;

(p) "**Fair Market Value**" with respect to a Common Share, as at any date means the weighted average of the prices at which the Common Shares traded on the Exchange (or, if the Common Shares are not then listed and posted for trading on the Exchange, on such stock exchange in

Canada on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Board) for the five (5) trading days on which the Common Shares traded on the said Exchange immediately preceding such date. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Common Shares as determined by the Board in its discretion, acting reasonably and in good faith;

(q) "**Grantee**" has the meaning set forth in Section 4 hereof;

(r) "**HSE Indicators**" means key leading and lagging indicators of health, safety and environment performance;

(s) "**Issue Date**" means, with respect to any Share Award, the date upon which Common Shares awarded thereunder shall be issued to the Grantee of such Share Award determined in accordance with Section 6(d)(i);

(t) "**Leave of Absence**" means a voluntary and temporary absence from employment with the consent of the Corporation or an Affiliate, as applicable, during which the employment of the Grantee is continued but the Grantee does not receive employment earnings from the Corporation or any Affiliate, provided that a Leave of Absence shall not include a leave resulting from any Disability, maternity leave or parental leave;

(u) "**Peer Comparison Group**" means, generally, comparable public Canadian oil and gas issuers which are competitors of the Corporation and which shall be determined from time to time by the Committee or the Board;

(v) "**Performance Based Award**" means a Share Award under the Award Plan designated as a "**Performance Based Award**" in the Share Award Agreement (as defined herein) pertaining thereto, which Common Shares shall be issued on the Issue Date determined in accordance with Section 6(b) hereof, subject to adjustment pursuant to the provisions of such Section 6(b);

(w) "**Performance Factor**" means, the performance factor determined by the Board based on an assessment of the achievement of the pre-defined Corporate Performance Measures in respect of a particular fiscal year or, in respect of a Change of Control Transaction, a particular period;

(x) "**Person**" means any individual, corporation, limited liability corporation, limited or general partnership, joint venture, association, joint-stock corporation, trust, plan, unincorporated organization or government or any agency or political subdivisions thereof;

(y) "**Recycle Ratio**" means a measure of capital efficiency calculated by dividing the after-tax netback of production by the cost of adding reserves, or calculated in such other manner as may be determined by the Board in its sole discretion;

(z) "**Relative Total Shareholder Return**" means the percentile rank, expressed as a whole number, of Total Shareholder Return relative to returns calculated on a similar basis on securities of members of the Peer Comparison Group over the applicable fiscal year or, in the case of a Change of Control Transaction, over the applicable period;

(aa) "**Restricted Time Based Award**" means a Share Award under the Award Plan designed as a "**Restricted Time Based Award**" in the Share Award Agreement pertaining thereto, which Common Shares shall be issued on the Issue Date(s) determined in accordance with Section 6(b) hereof, subject to adjustment pursuant to provisions of such Section 6(b);

(bb) "**Retirement**" shall have such meaning as the Committee or the Board shall determine from time to time;

(cc) "**Return Date**" means the date on which the Grantee resumes employment with the Corporation or an Affiliate following a Leave of Absence and receives payment of employment earnings;

(dd) "**Security Based Compensation Arrangement**" shall have the meaning set forth in the Company Manual of the Exchange;

(ee) "**Service Provider**" has the meaning set forth in Section 4 hereof;

(ff) "**Share Award**" means the right of a Grantee to receive a Common Share, subject to adjustment pursuant to the provisions of Section 6, in the manner and subject to the terms and provisions set forth in the Award Plan;

(gg) "**Share Award Account**" means a bookkeeping account maintained by the Corporation in the name of each Grantee showing the number of underlying Common Shares covered by all Share Awards credited to such Grantee and whether such Share Awards are Performance Based Awards or Restricted Time Based Awards;

(hh) "**Shareholder**" means a holder of Common Shares;

(ii) "**Total Shareholder Return**" means, with respect to any period, the total return to Shareholders on the Common Shares calculated using cumulative Dividends and the change in the trading price of the Common Shares on the Exchange over such period;

(jj) "**Unsolicited Bid**" means those circumstances in which an offer is made generally to the holders of Common Shares in one or more jurisdictions to acquire directly or indirectly the Common Shares of the Corporation and which is in the nature of a "takeover bid" as defined in the *Securities Act* (Alberta) and, where the Common Shares are listed and posted for trading on a stock exchange, not exempt from the formal bid requirements of the *Securities Act* (Alberta), by a person who neither the Board nor management of the Corporation solicited, sought out or otherwise arranged for the offeror party to make such offer; and

(kk) "**Vesting Date**" means, with respect to any Share Award, the date upon which Common Shares to be received thereunder shall become deliverable to the Grantee of such Share Award.

3. **Administration**

The Award Plan shall be administered by the Board or such committee of the Board as the Board considers appropriate from time to time (the "**Committee**"). The composition of the Committee shall at all times comply with any applicable requirements of the Exchange.

The Committee shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Award Plan, to administer the Award Plan and to exercise all the powers and authorities either specifically granted to it under the Award Plan or necessary or advisable in the administration of the Award Plan, including, without limitation:

(a) the authority to recommend grants of Share Awards;

(b) to determine the Fair Market Value of the Common Shares on any date;

(c) to determine the Service Providers to whom, and the time or times at which, Share Awards shall be granted;

(d) to determine the number of Common Shares to be covered pursuant to each Share Award;

(e) to approve members of the Peer Comparison Group from time to time;

(f) to determine the Corporate Performance Measures and the Performance Factor in respect of a particular period;

(g) to prescribe, amend and rescind rules and regulations relating to the Award Plan;

(h) to interpret the Award Plan;

(i) to determine the terms and provisions of Share Award Agreements (which need not be identical) entered into in connection with Share Awards; and

(j) to make all other determinations deemed necessary or advisable for the administration of the Award Plan.

The recommendations and determinations of the Committee shall be subject to review and approval by the Board. The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, including without limitation delegation to a third-party agent or trustee the authority to acquire Common Shares for delivery to Grantees in accordance with the Award Plan, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Award Plan.

For greater certainty and without limiting the discretion conferred on the Committee pursuant to this Section, the Committee's decision to approve the grant of a Share Award in any year shall not require the Committee to approve the grant of a Share Award to any Service Provider in any other year; nor shall the Committee's decision with respect to the size or terms and conditions of a Share Award in any year require it to approve the grant of a Share Award of the same size or with the same terms and conditions to any Service Provider in any other year. The Committee shall not be precluded from approving the grant of a Share Award to any Service Provider solely because such Service Provider may previously have been granted a Share Award under this Award Plan or any other similar compensation arrangement of the Corporation or an Affiliate. No Service Provider has any claim or right to be granted a Share Award.

4. **Eligibility and Award Determination**

Share Awards may only be granted to employees, senior officers, directors or Consultants of the Corporation or any Affiliate, who are providing services to the Corporation or any Affiliate on an on-going basis, or have provided or are expected to provide services to the Corporation or any Affiliate (individually, a "**Service Provider**" and collectively, "**Service Providers**"); provided, however, that the participation of a Service Provider in the Award Plan is voluntary. In determining the Service Providers to whom Share Awards may be granted (individually, a "**Grantee**" and collectively, "**Grantees**") and the number of underlying Common Shares to be covered by each Share Award, the Committee shall take into account such factors as it shall determine in its absolute discretion including, if so determined by the Committee, any one or more of the following factors:

(a) compensation data for comparable benchmark positions among the Peer Comparison Group;

(b) the duties and seniority of the Service Provider;

(c) Corporate Performance Measures of the Corporation for the most recently completed fiscal year compared with internally established performance measures approved by the Board and/or similar performance measures of members of the Peer Comparison Group for the most recently completed fiscal year, as applicable;

(d) individual and/or departmental contributions and potential contributions to the success of the Corporation;

(e) any cash bonus payments paid or to be paid to the Grantee in respect of his or her individual contributions and potential contributions to the success of the Corporation;

(f) the Fair Market Value of the Common Shares at the time of such Share Award; and

(g) such other factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Award Plan.

5. **Common Shares Subject to the Award Plan**

Common Shares to be delivered to Grantees of Share Awards granted pursuant to the Award Plan shall be, in the sole discretion of the Board, either:

(a) acquired through the facilities of the Exchange in accordance with the by-laws, regulations and policies of the Exchange; or

(b) subject to the prior approval of the Shareholders and the Exchange, as applicable, issued by the Corporation from treasury, in which case, subject to Section 6(g) of the Award Plan, the number of Common Shares reserved for issuance from time to time pursuant to Share Awards shall be equal to 10% of the aggregate number of outstanding Common Shares less any other Common Shares granted under any other security based compensation plans of the Corporation, calculated on an undiluted basis.

6. **Terms and Conditions of Share Awards**

Each Share Award granted under the Award Plan shall be subject to the terms and conditions of the Award Plan and evidenced by a written agreement between the Corporation and the Grantee (a "**Share Award Agreement**"), which agreement shall comply with, and be subject to, the requirements of the Exchange and the following terms and conditions (and with such other terms and conditions not inconsistent with the terms of this Award Plan as the Committee or the Board, in its discretion, shall establish):

(a) *Number of Common Shares Issuable Pursuant to Share Awards* – The Committee shall determine the number of underlying Common Shares to be awarded to a Grantee pursuant to the Share Award in accordance with the provisions set forth in Section 4 of the Award Plan and shall designate such award as either a "Restricted Time Based Award" or a "Performance Based Award", as applicable, in the Share Award Agreement relating thereto; provided however, that (i) no one Service Provider may be granted any Share Award which, together with all Share Awards then held by such Grantee, would entitle such Grantee to receive a number of Common Shares which is greater than 5% of the outstanding Common Shares, calculated on an undiluted basis; (ii) the number of Common Shares of the Corporation reserved for issuance at any time to insiders pursuant to Share Awards that, when combined with the number of Common Shares of the Corporation issuable pursuant to any other Security Based Compensation Arrangement, may not exceed 10% of the Corporation's total issued and outstanding Common Shares; and (iii) there may not be issued to insiders, within a one-year period, a number of Common Shares of the Corporation that, when combined with any other Security Based Compensation Arrangement, will exceed 10% of the Corporation's total issued and outstanding Common Shares. Share Awards granted to Executives shall at all times be designated as Performance Based Awards. Grantees of Share Awards, other than Executives, shall be permitted to allocate the applicable Share Award as between a Performance Based Award or a Restricted Time Based Award either: (i) 100% as a Performance Based Award; or (ii) 75% as a Performance Based Award and 25% as a Restricted Time Based Award, and such determination shall be reflected in the Share Award Agreement. Failure by a Grantee to elect a particular allocation shall result in the Grantee, other than Executives, being deemed to have selected the allocation in (ii) above. At the time of award, the Committee shall establish a Share Award Account for such Grantee and the number of underlying Common Shares subject to the Share Award will be credited to such account.

(b) *Vesting*

(i) Subject to Section 6(e), and except as provided in Section 6(b)(ii) hereunder, with respect to any Share Award, the Vesting Date for the Common Shares subject to either a Performance Based Award or a Restricted Time Based Award shall occur on April 1 of the third year following the date of the Share Award. Upon the vesting of a Share Award, all of the Common Shares subject to either a Performance Based Award or a Restricted Time Based Award credited to the Grantee's Share Award Account in respect of that Share Award shall be deliverable to the Grantee in accordance with Sections 6(c) and 6(d) hereunder, multiplied in the case of a Performance Based Award by the Performance Factor. In the event of the occurrence of a Change of Control Transaction prior to any Vesting Date, unless otherwise determined by the Board, that number of Common Shares subject to either a Performance Based Award or a Restricted Time Based Award equal to all Common Shares credited to the Grantee's Share Award Account shall vest immediately prior to the effective time of a Change of Control Transaction and in the case of a Performance Based Award, the Board shall in its sole discretion, determine the applicable Performance Factor for all Performance Based Awards. In the event of the occurrence of an Unsolicited Bid prior to any Vesting Date, that number of Common Shares subject to either a Performance Based Award or a Restricted Time Based Award equal to all Common Shares credited to the Grantee's Share Award Account, shall vest immediately prior to the effective time of an Unsolicited Bid and in the case of a Performance Based Award, the Board shall in its sole discretion, determine the applicable Performance Factor for all Performance Based Awards.

(ii) Subject to Section 6(e) hereunder, with respect to any Share Award granted to a Service Provider in the first year of service, or granted to a Service Provider from time to time as a result of a promotion, the Vesting Dates for the Common Shares subject to either a Performance Based Award or a Restricted Time Based Award thereunder shall be as determined by the Committee at the time of entering into of the Share Award Agreement, and in the absence of any other determination, the default Vesting Dates shall be as follows:

(A) as to 33 1/3% (or such other percentage pro rated to give effect to the date of the grant of the Share Award as set forth in the Service Provider's Share Award Agreement) of the Common Shares subject to either a Performance Based Award or a Restricted Time Based Award credited to the Grantee's Share Award Account with respect to such Share Award, multiplied in the case of a Performance Based Award by the Performance Factor on April 1 of the first year following the date of the Share Award shall be deliverable to the Grantee in accordance with Section 6(c) hereunder;

(B) as to 33 1/3% (or such other percentage pro rated to give effect to the date of the grant of the Share Award as set forth in the Service Provider's Share Award Agreement) of the Common Shares subject to either a Performance Based Award or a Restricted Time Based Award credited to the Grantee's Share Award Account with respect to such Share Award, multiplied in the case of a Performance Based Award by the Performance Factor, on April 1 of the second year following the date of the Share Award shall be deliverable to the Grantee in accordance with Section 6(c) hereunder;

(C) as to 33 1/3% (or such other percentage pro rated to give effect to the date of the grant of the Share Award as set forth in the Service Provider's Share Award Agreement) of the Common Shares subject to either a Performance Based Award or a Restricted Time Based Award credited to the Grantee's Share Award Account with respect to such Share Award, multiplied in the case of a Performance Based Award by the Performance Factor, on April 1 of the third

year of the date of the Share Award shall be deliverable to the Grantee in accordance with Section 6(c) hereunder;

provided, however: (1) that in the event of the occurrence of a Change of Control Transaction prior to any Vesting Date determined in accordance with provisions of this Section 6(b)(ii), unless otherwise determined by the Board, that number of Common Shares subject to either a Performance Based Award or a Restricted Time Based Award equal to all Common Shares credited to the Grantee's Share Award Account shall vest on the earlier of: (i) the next applicable Vesting Date determined in accordance with the above provisions, or (ii) immediately prior to the effective time of a Change of Control Transaction and in the case of a Performance Based Award, the Board shall in its sole discretion, determine the applicable Performance Factor for all Performance Based Awards; or (2) that in the event of the occurrence of an Unsolicited Bid prior to any Vesting Date determined in accordance with provisions of this Section 6(b)(ii), that number of Common Shares subject to either a Performance Based Award or a Restricted Time Based Award equal to all Common Shares credited to the Grantee's Share Award Account that have not yet vested at such time shall vest on the earlier of: (i) the next applicable Vesting Date determined in accordance with the above provisions, or (ii) immediately prior to the effective time of the Unsolicited Bid and in the case of a Performance Based Award, the Board shall in its sole discretion, determine the applicable Performance Factor for all Performance Based Awards.

(c) *Determination of Performance Factor*

(i) Annually prior to the Vesting Date in respect of any Performance Based Award, the Board shall assess the performance of the Corporation and determine the applicable Performance Factor for the applicable fiscal year or period. The weighting of the individual measures comprising the Corporate Performance Measures shall be determined by the Board in its sole discretion having regarding to the principal purposes of the Award Plan and, upon the assessment of all Corporate Performance Measures, the Board shall determine the ranking of the Corporation. The applicable Performance Factor in respect of this ranking shall be as set forth in Schedule "A" hereto.

(ii) A Performance Factor shall be established for each fiscal year or period in accordance with Section 6(c)(i).

(A) In respect of a Performance Based Award that vests in accordance with Section 6(b)(i), the Performance Factor determined in respect of each of the three fiscal years preceding the Vesting Date shall be averaged and the average Performance Factor shall be applied to such Share Awards to determine the number of Common Shares issuable pursuant to such Share Award on the Vesting Date. In the event of a Change of Control Transaction or an Unsolicited Bid in respect of a Performance Based Award that vests in accordance with Section 6(b)(i), the Performance Factor determined in respect of the fiscal years preceding the Vesting Date and the period prior to the Change of Control Transaction or an Unsolicited Bid shall be averaged and the average Performance Factor shall be applied to such Share Awards to determine the number of Common Shares issuable pursuant to such Share Award in connection with the Change of Control Transaction or an Unsolicited Bid.

(B) In respect of a Performance Based Award the vests in accordance with Section 6(b)(ii), the Performance Factor determined in respect of the fiscal year prior to the Vesting Date shall be applied to such Share Awards to determine the number of Common Shares issuable pursuant to such Share Award on the Vesting Date. In the event of a Change of Control Transaction or an Unsolicited Bid in respect of a Performance Based Award that vests in accordance with Section 6(b)(ii),

the Performance Factor determined in respect of the period prior to the Change of Control Transaction or an Unsolicited Bid shall be applied to such Share Awards to determine the number of Common Shares issuable pursuant to such Share Award in connection with the Change of Control Transaction or an Unsolicited Bid.

(d) *Payment in Respect of Share Awards*

(i) Payment in respect of Share Awards that have vested shall be made by delivering Common Shares to the Grantee as soon as practicable and in any event within 2.5 months after the Vesting Date; provided that in the event of an Unsolicited Bid or a Change of Control Transaction, as determined by the Board, in its sole discretion, Common Shares shall be delivered in payment of all Share Awards on the effective date of the Unsolicited Bid or Change of Control Transaction, as applicable, and, in all events, payment shall be made no later than December 31 of the third year following the year in which the Share Award was granted.

(ii) Subject to Section 10, the aggregate number of Common Shares to be delivered to a Grantee pursuant to a Share Award in respect of any Issue Date shall be equal to the whole number of underlying Common Shares subject to a Share Award that have vested under such Share Award adjusted by multiplying such number by the Adjustment Ratio.

(iii) Notwithstanding the foregoing provisions of this Section 6(d), the Board may elect in its sole discretion, on any Vesting Date pertaining to a Share Award, to pay on the Issue Date to the Grantee of such Share Award, in lieu of delivering all or any part of the Common Shares that would be otherwise delivered to the Grantee on such Issue Date, a cash amount equal to the aggregate Fair Market Value of such Common Shares that would otherwise be delivered in consideration for the surrender by the Grantee to the Corporation of the right to receive all or any part of the Common Shares under such Share Award. The Corporation shall withhold from the cash amount payable to a Grantee all amounts as may be required by law and in the manner contemplated by Section 10 hereof.

(e) *Termination of Relationship as Service Provider* – Unless otherwise provided in a Share Award Agreement pertaining to a particular Share Award or any written agreement governing a Grantee's role as a Service Provider, the following provisions shall apply in the event that a Grantee ceases to be a Service Provider:

(i) Voluntary Resignation or Retirement – If a Grantee voluntarily ceases to be a Service Provider for any reason other than due to the Disability or death of such Grantee, effective as of the last day of any notice period applicable in respect of such voluntary resignation or retirement, all outstanding Share Award Agreements and all unvested Share Awards credited to a Grantee's Share Award Account shall be terminated, and all rights to receive Common Shares thereunder shall be forfeited by the Grantee; provided, however, that notwithstanding the foregoing, unvested Share Awards credited to a Grantee's Share Award Account shall not be affected by a change of employment or term of office or appointment within or among the Corporation or an Affiliate so long as the Grantee continues to be a Service Provider.

(ii) Termination not for cause – If a Grantee ceases to be a Service Provider as a result of being terminated other than a termination for cause effective as of the last day of any notice period applicable in respect of such termination and notwithstanding any other severance entitlements or entitlement to notice or compensation in lieu thereof, all outstanding Share Award Agreements and all unvested Share Awards credited to a Grantee's Share Award Account shall be terminated and all rights to receive Common

Shares thereunder shall be forfeited by the Grantee, and the Grantee shall not be entitled to receive any Common Shares or compensation in lieu thereof after the Notice Date.

(iii) Termination for cause – If a Grantee ceases to be a Service Provider as a result of termination for cause, effective as of the date notice is given to the Grantee of such termination, all outstanding Share Award Agreements and unvested Share Awards held by such Grantee shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.

(iv) Disability – The cessation of a Grantee's relationship as a Service Provider as a result of such Grantee's Disability shall not affect any Share Awards granted to such Grantee under the Award Plan which will continue to vest in accordance with the terms of the Award Plan.

(v) Leave of Absence - If a Grantee takes a Leave of Absence the vesting of all Share Awards which are unvested as of the first day of such Leave of Absence shall be suspended until the Return Date. Following the Return Date, the terms of vesting pertaining to such Share Awards shall be amended such that the unvested Share Awards shall then become vested on a date which is calculated by taking the Vesting Date and extending such date by the period of the Leave of Absence.

(vi) Death – If a Grantee ceases to be a Service Provider as a result of such Grantee's death, the Vesting Date for Common Shares subject to all Share Awards credited to a Grantee's Share Award Account shall be as of the date of such Grantee's death, provided that the Board, taking into consideration the performance of such Grantee and the performance of the Corporation since the date of grant of the Share Award(s), may determine in their sole discretion the Performance Factor to be applied and the number of Common Shares subject to all Share Awards which will vest.

(f) *Rights as a Shareholder* – Until the Common Shares deliverable pursuant to any Share Award have been delivered in accordance with the terms of the Award Plan, the Grantee to whom such Share Award has been made shall not possess any incidents of ownership of such Common Shares including, for greater certainty and without limitation, the right to receive dividends on such Common Shares and the right to exercise voting rights in respect of such Common Shares. Such Grantee shall only be considered a Shareholder in respect of such Common Shares when such transfer has been entered upon the records of the duly authorized transfer agent of the Corporation.

(g) *Effect of Certain Changes* – In the event:

(i) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;

(ii) that any rights are granted to Shareholders to purchase Common Shares at prices substantially below Fair Market Value; or

(iii) that, as a result of any recapitalization, merger, consolidation or other transaction that is not a Change of Control Transaction or an Unsolicited Bid, the Common Shares are converted into or exchangeable for any other securities;

then, in any such case, the Board may make such adjustments to the Award Plan and to any Share Awards outstanding under the Award Plan as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent substantial dilution or enlargement of the rights granted to Grantees hereunder.

(h) *Fractions* - Where the determination of the number of Common Shares to be delivered to a Grantee pursuant to a Share Award in respect of a particular Issue Date would result in the issuance of a fractional Common Share, provided that such fractional Common Share as contained in a Share Award Account is transferred to a similar bookkeeping account maintained by the Corporation in the name of the Grantee or a trustee on behalf of such Grantee and other participants, the number of Common Shares deliverable on the Issue Date may be delivered as fractional Common Shares. Otherwise, the number of fractional Common Shares deliverable on the Issue Date shall be rounded down to the next whole number of Common Shares. No certificates representing fractional Common Shares shall be delivered pursuant to this Award Plan nor shall cash be paid at any time in lieu of any such fractional interest.

(i) *Black-Out Periods* - In the event that the date determined by the Board on which Share Awards will vest (the "**Fixed Vesting Date**") falls within a period of time imposed by the Corporation, pursuant to the Corporation's policies, upon certain designated persons during which those persons may not trade in any securities of the Corporation or the Corporation (a "**Black-Out Period**") (not including Black-Out Periods imposed due to a cease trade order), the vesting date of the Share Awards shall be ten (10) business days from the date any Black-Out Period ends.

7. Non-Transferability

Common Shares, or cash equivalents, delivered upon vesting of a Share Award shall only be delivered to a Grantee personally except that if a Grantee dies, Common Shares or cash may be delivered to the Grantee's estate or designated beneficiary to whom the Common Shares transfer by will or by the laws of descent and distribution. Except for the foregoing and as otherwise provided in this Award Plan, no assignment, sale, transfer, pledge or charge of a Share Award, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Share Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Share Award shall terminate and be of no further force or effect.

8. Amendment and Termination of Award Plan

The Corporation retains the right to amend from time to time or to suspend, terminate or discontinue the terms and conditions of the Award Plan and the Share Awards granted hereunder by resolution of the Board. Any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange, as may be required. Any amendment to the Award Plan shall take effect only with respect to Share Awards granted after the effective date of such amendment, provided that it may apply to any outstanding Share Awards with the mutual consent of the Corporation and the Service Providers to whom such Share Awards have been granted. The Board of Directors shall have the power and authority to approve amendments relating to the Award Plan or to Share Awards, without further approval of the Shareholders, to the extent that such amendment:

(a) is for the purpose of curing any ambiguity, error or omission in the Award Plan or to correct or supplement any provision of the Award Plan that is inconsistent with any other provision of the Award Plan;

(b) is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed;

(c) is an amendment to the Award Plan respecting administration and eligibility for participation under the Award Plan;

(d) changes the early termination provisions of a Share Award or the Award Plan which does not entail an extension beyond the original expiry date; or

(e) is an amendment to the Award Plan of a "housekeeping nature";

provided that in the case of any alteration, amendment or variance referred to in this section 8 the alteration, amendment or variance does not:

(i) amend the number of Common Shares issuable under the Award Plan;

(ii) result in a material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to an Service Provider;

(iii) change the class of eligible participants to the Award Plan which would have the potential of broadening or increasing participation by insiders of the Corporation;

(iv) amend the amendment provision of the Award Plan;

(v) amend the Award Plan to extend the expiry date of the Share Awards granted under the Award Plan beyond the expiry date of the Share Awards provided for under the terms and conditions of the Award Plan; or

(vi) make any amendment to the Plan that permits a Service Provider to transfer Share Awards to any person, other than in the case of the death of the Service Provider.

9. **Provisions for Foreign Participants**

The Corporation may, without amending the Award Plan, modify the terms of Share Awards granted to Service Providers who are foreign nationals or who provide services to the Corporation or any Affiliate from outside of Canada in order to comply with the applicable laws of such foreign jurisdictions. Any such modification to the Award Plan with respect to a particular Service Provider shall be reflected in the Share Award Agreement for such Service Provider.

10. **Withholding Taxes**

When a Grantee or other person becomes entitled to receive Common Shares under any Share Award Agreement, the Corporation shall have the right to withhold or require the Grantee or such other person to remit to the Corporation an amount sufficient to satisfy any withholding tax requirements relating thereto and the Corporation shall remit, on behalf of the Grantee, an amount of cash sufficient to satisfy any withholding tax requirements relating thereto. Unless otherwise prohibited by the Committee or by applicable law, satisfaction of the withholding tax obligation may be accomplished by the withholding by the Corporation from the Common Shares otherwise due to the Grantee such number of Common Shares having a Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation, provided, however, that the Fair Market Value of any Common Shares so withheld is sufficient to satisfy the total withholding tax obligation.

11. **Effective Date**

The Award Plan, as amended, shall become effective as and from September 1, 2010.

12. **Miscellaneous**

(a) *Effect of Headings* – The section and subsection heading contained herein are for convenience only and shall not affect the construction hereof.

(b) *Compliance with Legal Requirements* - The Corporation shall not be obliged to deliver any Common Shares if such delivery would violate any law or regulation or any rule of any government authority or stock exchange. The Corporation, in its sole discretion, may postpone the delivery of Common Shares under any Share Award as the Board may consider appropriate, and

may require any Grantee to make such representations and furnish such information as it may consider appropriate in connection with the delivery of Common Shares in compliance with applicable laws, rules and regulations. The Corporation shall not be required to qualify for resale pursuant to a prospectus or similar document any Common Shares delivered under the Award Plan, provided that, if required, the Corporation shall notify the Exchange and any other appropriate regulatory bodies in Canada of the existence of the Award Plan and the granting of Share Awards hereunder in accordance with any such requirements.

(c) *No Right to Continued Employment* – Nothing in the Award Plan or in any Share Award Agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ or service of the Corporation or an Affiliate, to be entitled to any remuneration or benefits not set forth in the Award Plan or a Share Award Agreement or to interfere with or limit in any way the right of the Corporation or an Affiliate to terminate any Grantee's employment or service.

(d) *Ceasing to be an Affiliate* – Except as otherwise provided in this Award Plan, Share Awards granted under this Award Plan shall not be affected by any change in the relationship between or ownership of the Corporation and an Affiliate. For greater certainty, all outstanding Share Awards shall remain valid in accordance with the terms and conditions of this Award Plan and are not affected by reason only that, at any time, any corporation, partnership or trust ceases to be an Affiliate.

(e) *Expenses* – All expenses in connection with the Award Plan shall be borne by the Corporation.

(f) *Unfunded Plan* –This Award Plan shall be unfunded. Although Share Award Accounts may be established with respect to Participants, any such accounts shall be used merely as a bookkeeping convenience. The Corporation shall not be required to segregate any assets that may at any time be represented by Common Shares, cash or rights thereto, nor shall this Award Plan be construed as providing for such segregation. Any liability or obligation of the Corporation to any Grantee with respect to a Share Award under this Award Plan shall be based solely upon any contractual obligations that may be created by this Award Plan and any Share Award Agreement, and no such liability or obligation of the Corporation shall be deemed to be secured by any pledge or other encumbrance on any property of the Corporation. Neither the Corporation nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Award Plan.

13. **Governing Law**

The Award Plan shall be governed by and construed in accordance with the laws in force in the Province of Alberta.

SCHEDULE "A"

TO THE SHARE AWARD INCENTIVE PLAN

Calculation of Performance Factor

Aggregate Assessment of Corporate Performance Measure	
Ranking	**Performance Factor**
1st Quartile	2.0
2nd Quartile	1.5
3rd Quartile	1.0
4th Quartile	0.0

APPENDIX "G"

SHAREHOLDER RIGHTS PLAN AGREEMENT

SHAREHOLDER RIGHTS PLAN AGREEMENT

DATED AS OF

September 1, 2010

BETWEEN

VERMILION ENERGY INC.

AND

COMPUTERSHARE TRUST COMPANY OF CANADA

AS RIGHTS AGENT

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SHAREHOLDER RIGHTS PLAN AGREEMENT

MEMORANDUM OF AGREEMENT, dated as of September 1, 2010, between Vermilion Energy Inc. (the "**Corporation**"), a corporation incorporated under the laws of the Province of Alberta and Computershare Trust Company of Canada, a trust company incorporated under the laws of Canada (the "**Rights Agent**");

WHEREAS the Corporation was formed for the purpose of facilitating the conversion of Vermilion Energy Trust (the "**Trust**") from a trust structure to a corporate structure by way of a plan of arrangement under the Alberta Business Corporations Act (as hereinafter defined) and certain related transactions (the "**Conversion**");

AND WHEREAS in connection with the Conversion, the holders of trust units of the Trust ("**Trust Units**") and the holders of Series A exchangeable shares of Vermilion Resources Ltd. approved the adoption of this shareholder rights plan (the "**Rights Plan**") to come into effect immediately upon the Conversion being effected;

AND WHEREAS the Conversion was completed effective September 1, 2010;

AND WHEREAS in order to implement the adoption of the Rights Plan, as established by this Agreement, the board of directors of the Corporation (the "**Board of Directors**") has:

(a) authorized the issuance, effective at the close of business (Calgary time) on the Effective Date (as hereinafter defined), of one Right (as hereinafter defined) in respect of each Common Share (as hereinafter defined) outstanding at the close of business (Calgary time) on the Effective Date (the "**Record Time**");

(b) authorized the issuance of one Right in respect of each Common Share of the Corporation issued after the Record Time and prior to the earlier of the Separation Time (as hereinafter defined) and the Expiration Time (as hereinafter defined); and

(c) authorized the issuance of Rights Certificates (as hereinafter defined) to holders of Rights pursuant to the terms and subject to the conditions set forth herein;

AND WHEREAS each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth herein;

AND WHEREAS the Corporation desires to appoint the Rights Agent to act on behalf of the Corporation and the holders of Rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to herein;

NOW THEREFORE, in consideration of the premises and the respective covenants and agreements set forth herein, and subject to such covenants and agreements, the parties hereby agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Certain Definitions

For purposes of this Agreement, the following terms have the meanings indicated:

(a) "**Acquiring Person**" shall mean any Person who is the Beneficial Owner of 20% or more of the outstanding Voting Shares; provided, however, that the term "**Acquiring Person**" shall not include:

(i) the Corporation or any Subsidiary of the Corporation;

(ii) any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or any combination of:

(A) a Voting Share Reduction;

(B) Permitted Bid Acquisitions;

(C) an Exempt Acquisition;

(D) Pro Rata Acquisitions; or

(E) a Convertible Security Acquisition;

provided, however, that if a Person becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares by reason of one or any combination of the operation of Paragraphs (A), (B), (C), (D) or (E) above and such Person's Beneficial Ownership of Voting Shares thereafter increases by more than 1% of the number of Voting Shares outstanding (other than pursuant to one or any combination of a Voting Shares Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition or a Convertible Security Acquisition), then as of the date such Person becomes the Beneficial Owner of such additional Voting Shares, such Person shall become an "**Acquiring Person**";

(iii) for a period of ten days after the Disqualification Date (as defined below), any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of such Person becoming disqualified from relying on Subclause 1.1(g)(B) because such Person is making or has announced a current intention to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person. For the purposes of this definition, "**Disqualification Date**" means the first date of public announcement that any Person is making or intends to make a Take-over Bid;

(iv) an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the Voting Shares in connection with a distribution of securities of the Corporation pursuant to an underwriting agreement with the Corporation; or

(v) a Person (a "**Grandfathered Person**") who is the Beneficial Owner of 20% or more of the outstanding Voting Shares determined as at the Record Time, provided, however, that this exception shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Record Time, become the Beneficial Owner of any additional Voting Shares that increases its Beneficial Ownership of Voting Shares by more than 1% of the number of Voting Shares outstanding, other than through one or any combination of a Permitted Bid Acquisition, an Exempt Acquisition, a Voting Share Reduction, a Pro Rata Acquisition or a Convertible Security Acquisition; and provided, further, that a Person shall cease to be a Grandfathered Person in the event that such Person ceases to Beneficially Own 20% or more of the then outstanding Voting Shares at any time after the Record Time;

(b) "**Affiliate**", when used to indicate a relationship with a specified Person, shall mean a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified Person;

(c) "**Agreement**" shall mean this shareholder rights plan agreement dated as of September 1, 2010 between the Corporation and the Rights Agent, as amended or supplemented from time to time; "hereof", "herein", "hereto" and similar expressions mean and refer to this Agreement as a whole and not to any particular part of this Agreement;

(d) "**Alberta Business Corporations Act**" shall mean the *Business Corporation Act* (Alberta), as amended, and the regulations made thereunder and any comparable or successor laws or regulations thereto;

(e) "**annual cash dividend**" shall mean cash dividends paid in any fiscal year to the extent that such cash dividends do not exceed, in the aggregate on a per share basis, in any fiscal year, the greatest of:

(i) 200% of the aggregate amount of cash dividends, on a per security basis, declared payable by Vermilion on the Vermilion Securities in its immediately preceding fiscal year;

(ii) 300% of the arithmetic mean of the aggregate amounts of the cash dividends, on a per security basis, declared payable by Vermilion on the Vermilion Securities in its three immediately preceding fiscal years;

(iii) 100% of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year divided by the number of Common Shares outstanding as at the end of such fiscal year; and

(iv) 100% of the aggregate consolidated net income of the Trust, before extraordinary items, for fiscal 2009 divided by the number of Common Shares outstanding as at the end of such fiscal year;

(f) "**Associate**" shall mean, when used to indicate a relationship with a specified Person, a spouse of that Person, any Person of the same or opposite sex with whom that Person is living in a conjugal relationship outside marriage, a child of that Person and a relative of that Person if that relative has the same residence as that Person;

(g) A Person shall be deemed the **"Beneficial Owner"** of, and to have **"Beneficial Ownership"** of, and to **"Beneficially Own"**:

(i) any securities as to which such Person or any of such Person's Affiliates or Associates is the owner at law or in equity;

(ii) any securities as to which such Person or any of such Person's Affiliates or Associates has the right to become the owner at law or in equity (where such right is exercisable within a period of 60 days, whether or not on condition or on the happening of any contingency) pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing or upon the exercise of any conversion exchange or purchase right (other than the Rights) attaching to a Convertible Security; other than pursuant: (x) customary agreements between the Corporation and underwriters or between underwriters and/or banking group members and/or selling group members with respect to a distribution of securities by the Corporation; (y) pledges of securities in the ordinary course of business), or upon the exercise of any conversion, exchange or purchase right (other than the Rights) attaching to a Convertible Security; and (z) any agreement between the Corporation and any Person or Persons relating to a plan of arrangement, amalgamation or other statutory procedure which is subject to the approval of the holders of Voting Shares;

(iii) any securities which are Beneficially Owned within the meaning of Subclauses 1.1(g)(i) or (ii) by any other Person with which such Person is acting jointly or in concert;

provided, however, that a Person shall not be deemed the **"Beneficial Owner"** of, or to have **"Beneficial Ownership"** of, or to **"Beneficially Own"**, any security:

(A) where such security has been deposited or tendered pursuant to any Take-over Bid or where the holder of such security has agreed pursuant to a Permitted Lock-Up Agreement to deposit or tender such security pursuant to a Take-Over Bid, in each case made by such Person, made by any of such Person's Affiliates or Associates or made by any other Person acting jointly or in concert with such Person, until such deposited or tendered security has been taken up or paid for, whichever shall first occur;

(B) where such Person, any of such Person's Affiliates or Associates or any other Person referred to in Subclause 1.1(g)(iii), holds such security provided that (1) the ordinary business of any such Person (the "**Investment Manager**") includes the management of mutual funds or investment funds for others (which others, for greater certainty, may include or be limited to one or more employee benefit plans or pension plans and/or includes the acquisition or holding of securities for a non-discretionary account of a Client (as defined below) by a dealer or broker registered under applicable securities laws to the extent required) and such security is held by the Investment Manager in the ordinary course of such business and in the performance of such Investment Manager's duties for the account of any other Person or Persons (a "**Client**"); or (2) such Person (the "**Trust Company**") is licensed to carry on the business of a trust company under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each an "**Estate Account**") or in relation to other accounts (each an "**Other Account**") and holds such security in the ordinary course of such duties for such Estate Accounts or for such Other Accounts or; (3) such Person is a pension plan or fund registered under the laws of Canada or any Province thereof or the laws of the United States of America (a "**Plan**") or is a Person established by statute for purposes that include, and the ordinary business or activity of such Person (the "**Statutory Body**") includes, the management of investment funds for employee benefit plans, pension plans, insurance plans of various public bodies; or (4) such Person (the "**Administrator**") is the administrator or trustee of one or more Plans and holds such security for the purposes of its activities as an Administrator; provided, in any of the above cases, that the Investment Manager, the Trust Company, the Statutory Body, the Administrator or the Plan, as the case may be, is not then making and has not then announced an intention to make a Take-over Bid (other than an Offer to Acquire Voting Shares or other securities by means of a distribution by the Corporation or by means of ordinary market transactions (including prearranged trades) executed through the facilities of a stock exchange or organized over-the-counter market), alone or by acting jointly or in concert with any other Person;

(C) only because such Person or any of such Person's Affiliates or Associates is: (1) a Client of the same Investment Manager as another Person on whose account the Investment Manager holds such security; (2) an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security; or (3) a Plan with the same Administrator as another Plan on whose account the Administrator holds such security;

(D) only because such Person is: (1) a Client of an Investment Manager and such security is owned at law or in equity by the Investment Manager; (2) an Estate Account or an Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company; or (3) a Plan and such security is owned at law or in equity by the Administrator of the Plan; or

(E) where such person is the registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository;

(h) "**Board of Directors**" shall mean the board of directors of the Corporation or any duly constituted and empowered committee thereof;

(i) "**Business Day**" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in Calgary, Alberta are authorized or obligated by law to close;

(j) "**Canadian Dollar Equivalent**" of any amount which is expressed in United States dollars shall mean on any day the Canadian dollar equivalent of such amount determined by reference to the U.S.-Canadian Exchange Rate in effect on such date;

(k) "**close of business**" on any given date shall mean the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the transfer office of the transfer agent for the Common Shares (or, after the Separation Time, the principal transfer office of the Rights Agent) is closed to the public in the city in which such transfer agent or rights agent has an office for the purposes of this Agreement;

(l) "**Common Shares**" shall mean the common shares in the capital of the Corporation as presently constituted, as such shares may be subdivided, consolidated, reclassified or otherwise changed from time to time;

(m) "**Competing Permitted Bid**" shall mean a Take-over Bid which also complies with the following additional provisions:

(i) the Take-over Bid is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry, termination or withdrawal of such Permitted Bid or Competing Permitted Bid;

(ii) the Take-over Bid complies with all of the provisions of a Permitted Bid other than the condition set forth in Subclause (iii) of the definition of a Permitted Bid; and

(iii) no Voting Shares are taken up or paid for pursuant to the Take-over Bid prior to the close of business on the date that is earlier than the later of: (A) 35 days after the date of the Take-over Bid constituting the Competing Permitted Bid; and (B) 60 days (or such shorter period of time as may be permitted by the Board of Directors from time to time) following the date on which the earliest Permitted Bid or Competing Permitted Bid which preceded the Competing Permitted Bid was made;

(n) "**controlled**": a body corporate is "controlled" by another Person or two or more Persons acting jointly or in concert if:

(i) securities entitled to vote in the election of directors carrying more than 50% of the votes for the election of directors are held, directly or indirectly, by or on behalf of the other Person or two or more Persons acting jointly or in concert; and

(ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such body corporate;

and "**controls**", "**controlling**" and "**under common control with**" shall be interpreted accordingly;

(o) "**Conversion**" means the conversion of the Trust from a trust structure to a corporate structure by way of a plan of arrangement pursuant to the Alberta Business Corporations Act and related transactions;

(p) "**Convertible Security**" shall mean a security convertible, exercisable or exchangeable into a Voting Share and a "**Convertible Security Acquisition**" shall mean an acquisition by a Person of Voting Shares upon the exercise, conversion or exchange of a Convertible Security received by a Person pursuant to a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition;

(q) "**Co-Rights Agents**" shall have the meaning ascribed thereto in Subclause 4.1(a);

(r) "**Disposition Date**" shall have the meaning ascribed thereto in Subclause 5.1(d);

(s) "**Dividend Reinvestment Acquisition**" shall mean an acquisition of Voting Shares of any class pursuant to a Dividend Reinvestment Plan;

(t) "**Dividend Reinvestment Plan**" shall mean a regular dividend reinvestment or other plan of the Corporation made available by the Corporation to holders of its securities where such plan permits the holder to direct that some or all of:

(i) dividends paid in respect of shares of any class of the Corporation;

(ii) proceeds of redemption of shares of the Corporation;

(iii) interest paid on evidences of indebtedness of the Corporation; or

(iv) optional cash payments;

be applied to the purchase from the Corporation of Voting Shares;

(u) "**early warning requirement**" shall have the meaning ascribed thereto under National Instrument 62-103 *The Early Warning System* promulgated under the *Securities Act*;

(v) "**Effective Date**" shall mean September 1, 2010;

(w) "**Election to Exercise**" shall have the meaning ascribed thereto in Subclause 2.2(d)(ii);

(x) "**Exempt Acquisition**" shall mean an acquisition by a Person of Voting Shares and/or Convertible Securities: (i) in respect of which the Board of Directors has waived the application of Clause 3.1 pursuant to the provisions of Subclause 5.1(b), (c) or (d); (ii) pursuant to a distribution of Voting Shares and/or Convertible Securities made by the Corporation: (A) to the public pursuant to a prospectus, provided that such Person does not thereby become the Beneficial Owner of a greater percentage of Voting Shares so offered than the percentage of Voting Shares Beneficially Owned by such Person immediately prior to such distribution; or (B) pursuant to a private placement provided that: (x) all necessary stock exchange approvals for such private placement have been obtained and such private placement complies with the terms and conditions of such approvals; and (y) such Person does not thereby become the Beneficial Owner of Voting Shares equal in number to more than 25% of the Voting Shares outstanding immediately prior to the private placement and, in making this determination, the securities to be issued to such Person on the private placement shall be deemed to be held by such Person but shall not be included in the aggregate number of Voting Shares outstanding immediately prior to the private placement; or (iii) pursuant to an amalgamation, merger, arrangement or other statutory procedure requiring shareholder approval;

(y) "**Exercise Price**" shall mean, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one whole Right which, until adjustment thereof in accordance with the terms hereof, shall be:

(i) until the Separation Time, an amount equal to three times the Market Price, from time to time, per Common Share; and

(ii) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Common Share;

(z) "**Expansion Factor**" shall have the meaning ascribed thereto in Subclause 2.3(a)(x);

(aa) "**Expiration Time**" shall have the meaning ascribed thereto in Subclause 5.15(b);

(bb) "**Flip-in Event**" shall mean a transaction in or pursuant to which any Person becomes an Acquiring Person;

(cc) "**holder**" shall have the meaning ascribed thereto in Clause 2.8;

(dd) "**Independent Shareholders**" shall mean holders of Voting Shares, other than:

(i) any Acquiring Person;

(ii) any Offeror, other than a Person referred to in Subclause 1.1(g)(B);

(iii) any Affiliate or Associate of such Acquiring Person or Offeror;

(iv) any Person acting jointly or in concert with such Acquiring Person or Offeror; and

(v) any employee benefit plan, deferred profit sharing plan, stock participation plan and any other similar plan or trust for the benefit of employees of the Corporation or a Subsidiary of the Corporation, unless the beneficiaries of the plan or trust direct the manner in which the Voting Shares are to be voted or direct whether the Voting Shares are to be tendered to a Take-over Bid;

(ee) "**Market Price**" per share of any securities on any date of determination shall mean the average of the daily closing prices per share of such securities (determined as described below) on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of the events described in Clause 2.3 hereof shall have caused the closing prices used to determine the Market Price on any Trading Days not to be fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day, each such closing price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Clause 2.3 hereof in order to make it fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The closing price per share of any securities on any date shall be:

(i) the closing board lot sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each of such securities as reported by the principal Canadian stock exchange on which such securities are listed or admitted to trading;

(ii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange, the last sale price or, in case no such sale takes place on such date, the average of the high bid and low asked prices for each of such securities in the over-the-counter market, as quoted by any reporting system then in use; or

(iii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange or quoted by any such reporting system, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected in good faith by the Board of Directors;

(ff) provided, however, that if for any reason none of such prices is available on such day, the closing price per share of such securities on such date means the fair value per share of such securities on such date as determined by a nationally or internationally recognized investment dealer or investment banker with respect to the fair value per share of such securities. The Market Price shall be expressed in Canadian dollars and, if initially determined in respect of any day forming part of the 20 consecutive Trading Day period in question in United States dollars, such amount shall be translated into Canadian dollars on such date at the Canadian Dollar Equivalent thereof;

(gg) "**Nominee**" shall have the meaning ascribed thereto in Subclause 2.2(c);

(hh) "**Offer to Acquire**" shall include:

(i) an offer to purchase or a solicitation of an offer to sell or a public announcement of an intention to make such an offer or solicitation; and

(ii) an acceptance of an offer to sell, whether or not such offer to sell has been solicited;

or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell;

(ii) "**Offeror**" shall mean a Person who has made a public announcement of a current intention to make or who is making a Take-over Bid but only so long as the Take-over Bid so announced or made has not been withdrawn or terminated or has not expired;

(jj) "**Permitted Bid**" shall mean a Take-over Bid made by an Offeror by way of take-over bid circular which also complies with the following additional provisions:

(i) the Take-over Bid is made to all holders of Voting Shares on the books of the Corporation, other than the Offeror;

(ii) no Voting Shares are taken up or paid for pursuant to the Take-over Bid unless more than 50% of the Voting Shares held by Independent Shareholders: (x) shall have been deposited or tendered pursuant to the Take-over Bid and not withdrawn; and (y) have previously been or are taken up at the same time;

(iii) no Voting Shares are taken up or paid for pursuant to the Take-over Bid prior to the close of business on the date that is no earlier than the later of: (A) 35 days after the date of the Take-over Bid; and (B) 60 days (or such shorter period of time as may be permitted by the Board of Directors from time to time) following the date of the Take-over Bid;

(iv) Voting Shares may be deposited pursuant to such Take-over Bid at any time during the period of time between the date of the Take-over Bid and the date on which Voting Shares may be taken up and paid for and that any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn until taken up and paid for; and

(v) if on the date on which Voting Shares may be taken up and paid for under the Take-over Bid, more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the Take-over Bid and not withdrawn, the Offeror makes a public announcement of that fact and the Take-over Bid is extended to remain open for deposits and tenders of Voting Shares for not less than ten Business Days from the date of such public announcement;

For purposes of this Agreement: (A) should a Take-over Bid which qualified as a Permitted Bid cease to be a Permitted Bid because it ceases to meet any or all of the requirements mentioned above prior to the time it expires (after giving effect to any extension) or is withdrawn, any acquisition of Voting Shares made pursuant to such Take-over Bid shall not be a Permitted Bid Acquisition; and (B) the term “Permitted Bid” shall include a Competing Permitted Bid.

(kk) "**Permitted Bid Acquisition**" shall mean an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;

(ll) "**Permitted Lock-Up Agreement**" shall mean an agreement between a Person and one or more holders of Voting Shares pursuant to which such holders (each a "**Locked-Up Person**") agree to deposit or tender Voting Shares to a Take-Over Bid (the "**Lock-Up Bid**") made or to be made by such Person or any of such Person's Affiliates or Associates or any other Person with which such Person is acting jointly or in concert, provided that:

(i) the terms of such agreement are publicly disclosed and a copy of such agreement is made available to the public (including the Corporation) not later than the date of the Lock-Up Bid or, if the Lock-Up Bid has been made prior to the date on which such agreement is entered into, not later than the first business day following the date of such agreement;

(ii) the agreement permits a Locked-Up Person to terminate its obligation to deposit or tender Voting Shares to or not to withdraw such Voting Shares from the Lock-Up Bid, and to terminate any obligation with respect to the voting of such Voting Shares, in order to tender or deposit the Voting Shares to another Take-over Bid or to support another transaction:

(A) where the price or value of the consideration per Voting Share offered under such other Take-over Bid or transaction:

(1) is greater than the price or value of the consideration per Voting Share at which the Locked-Up Person has agreed to deposit or tender Voting Shares to the Lock-Up Bid; or

(2) exceeds by as much as or more than a specified amount (the "**Specified Amount**") the price or value of the consideration per Voting Share at which the Locked-Up Person has agreed to deposit or tender Voting Shares to the Lock-Up Bid, provided that such Specified Amount is not greater than 7% of the price or value of the consideration per Voting Share at which the Locked-Up Person has agreed to deposit or tender Voting Shares to the Lock-Up Bid; and

(B) if the number of Voting Shares offered to be purchased under the Lock-Up Bid is less than 100% of the Voting Shares held by Independent Shareholders, where the number of Voting Shares to be purchased under such other Take-over Bid or transaction at a price or value per Voting Share that is not less than the price or value per Voting Share offered under the Lock-Up Bid:

(1) is greater than the number of Voting Shares that the Offeror has offered to purchase under the Lock-Up Bid; or

(2) exceeds by as much as or more than a specified number (the "**Specified Number**") the number of Voting Shares that the Offeror has offered to purchase under the Lock-Up Bid, provided that the Specified Number is not greater than 7% of the number of Voting Shares offered to purchased under the Lock-Up Bid,

and, for greater clarity, the agreement may contain a right of first refusal or require a period of delay to give such Person an opportunity to match a higher price in another Take-over Bid or transaction or other similar limitation on a Locked-up Person's right to withdraw Voting Shares from the agreement, so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares during the period of the other Take-over Bid or transaction; and

(iii) no "break-up" fees, "top-up" fees, penalties, expenses or other amounts that exceed in aggregate the greater of:

(A) 2.5% of the price or value of the consideration payable under the Lock-Up Bid to a Locked-Up Person; and

(B) 50% of the amount by which the price or value of the consideration received by a Locked-Up Person under another Take-over Bid or transaction exceeds the price or value of the consideration that the Locked-Up Person would have received under the Lock-Up Bid,

shall be payable by such Locked-Up Person pursuant to the agreement if the Locked-Up Person fails to deposit or tender Voting Shares to the Lock-Up Bid, withdraws Voting Shares previously tendered thereto or supports another transaction;

(mm) "**Person**" shall include an individual, body corporate, firm, partnership, syndicate or other form of unincorporated association, trust, trustee, executor, administrator, legal personal representative, group, unincorporated organization, a government and its agencies or instrumentalities, or other entity whether or not having legal personality;

(nn) "**Pro Rata Acquisition**" shall mean an acquisition by a Person of Voting Shares pursuant to:

(i) a Dividend Reinvestment Acquisition;

(ii) a stock dividend, share split or other event in respect of securities of the Corporation of one or more particular classes or series pursuant to which such Person becomes the Beneficial Owner of Voting Shares on the same pro rata basis as all other holders of securities of the particular class, classes or series; or

(iii) the acquisition or the exercise by the Person of rights to purchase Voting Shares issued by the Corporation to all holders of securities of the Corporation (other than holders resident in any jurisdiction where such issuance is restricted or impractical as a result of applicable law) of one or more particular classes or series pursuant to a rights offering or pursuant to a prospectus, provided that such rights are acquired directly from the Corporation and not from any other Person and the Person does not thereby acquire a greater percentage of such Voting Shares than the Person's percentage of Voting Shares Beneficially Owned immediately prior to such acquisition;

(oo) "**Record Time**" shall have the meaning set forth in the recitals hereto;

(pp) "**Redemption Price**" shall have the meaning attributed thereto in Subclause 5.1(a);

(qq) "**Right**" shall mean a right to purchase a Common Share of the Corporation, upon the terms and subject to the conditions set forth in this Agreement;

(rr) "**Rights Certificate**" shall mean a certificate representing the Rights after the Separation Time, which shall be substantially in the form attached hereto as Attachment 1;

(ss) "**Rights Register**" shall have the meaning ascribed thereto in Subclause 2.6(a);

(tt) "**Securities Act**" shall mean the *Securities Act* (Alberta), as amended, and the regulations thereunder, and any comparable or successor laws or regulations thereto;

(uu) "**Separation Time**" shall mean, subject to Subclause 5.1(d), the close of business on the tenth Trading Day after the earlier of:

(i) the Stock Acquisition Date; and

(ii) the date of the commencement of or first public announcement of the current intent of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid); and

(iii) the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such;

or such later time as may be determined by the Board of Directors, provided that, if any Take-over Bid referred to in Subclause (ii) above expires, is not made, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid shall be deemed, for the purposes of this definition, never to have been commenced, made or announced and further provided that if the Board of Directors determines, pursuant to Clause 5.1, to waive the application of Clause 3.1 to a Flip-In Event, then the Separation Time in respect of such Flip-In Event shall be deemed never to have occurred and further provided that if the foregoing results in the Separation Time being prior to the Record Time, the Separation Time shall be the Record Time;

(vv) "**Stock Acquisition Date**" shall mean the first date of public announcement (which, for purposes of this definition shall include, without limitation, a report filed pursuant to the early warning requirements under applicable securities laws) by the Corporation or an Acquiring Person of facts indicating that a Person has become an Acquiring Person;

(ww) "**Subsidiary**": a Person is a Subsidiary of another Person if:

(i) it is controlled by:

(A) that other; or

(B) that other and one or more Persons each of which is controlled by that other; or

(C) two or more Persons each of which is controlled by that other; or

(ii) it is a Subsidiary of a Person that is that other's Subsidiary;

(xx) "**Take-over Bid**" shall mean an Offer to Acquire Voting Shares or Convertible Securities, if, assuming that the Voting Shares or Convertible Securities subject to the Offer to Acquire are acquired and are Beneficially Owned at the date of such Offer to Acquire by the Person making such Offer to Acquire, the Voting Shares Beneficially Owned by the Person making the Offer to Acquire would constitute in the aggregate 20% or more of the outstanding Voting Shares at the date of the Offer to Acquire;

(yy) "**Termination Time**" shall mean the time at which the right to exercise Rights shall terminate pursuant to Subclause 5.1(g);

(zz) "**Trading Day**", when used with respect to any securities, shall mean a day on which the principal Canadian stock exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian stock exchange, a Business Day;

(aaa) "**Trust**" means Vermilion Energy Trust, an unincorporated open-ended trust established under the laws of the Province of Alberta which, pursuant to the Conversion, was replaced by the Corporation;

(bbb) "**Trust Units**" means the units of the Trust which, prior to the Conversion, represented an equal undivided beneficial interest in the Trust;

(ccc) "**U.S. – Canadian Exchange Rate**" on any date shall mean:

(i) if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and

(ii) in any other case, the rate for such date for the conversion of one United States dollar into Canadian dollars which is calculated in the manner which shall be determined by the Board of Directors from time to time acting in good faith;

(ddd) "**Vermilion**" means collectively, the Corporation and the Trust;

(eee) "**Vermilion Securities**" means collectively, the Trust Units and Common Shares;

(fff) "**Voting Share Reduction**" shall mean an acquisition or redemption by the Corporation of Voting Shares which, by reducing the number of Voting Shares outstanding, increases the percentage of outstanding Voting Shares Beneficially Owned by any Person to 20% or more of the Voting Shares then outstanding; and

(ggg) "**Voting Shares**" shall mean the Common Shares and any other shares in the capital of the Corporation entitled to vote generally in the election of all directors of the Corporation.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

1.3 Headings

The division of this Agreement into Articles, Sections, Subsections, Clauses, Subclauses Paragraphs, Subparagraphs or other portions hereof and the insertion of headings, subheadings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Shares

(a) For purposes of this Agreement, in determining the percentage of outstanding Voting Shares with respect to which a Person is or is deemed to be the Beneficial Owner, all unissued Voting Shares of which such Person is deemed to be the Beneficial Owner shall be deemed to be outstanding.

(b) For purposes of this Agreement, the percentage of Voting Shares Beneficially Owned by any Person shall be and be deemed to be the product (expressed as a percentage) determined by the formula:

100 x A/B

where:

A = the number of votes for the election of directors of the Corporation generally attaching to the Voting Shares Beneficially Owned by such Person; and

B = the number of votes for the election of directors of the Corporation generally attaching to all outstanding Voting Shares.

The percentage of outstanding Voting Shares represented by any particular group of Voting Shares acquired or held by any Person shall be determined in like manner *mutatis mutandis*.

1.5 Acting Jointly or in Concert

For purposes of this Agreement a Person is acting jointly or in concert with every Person who is a party to an agreement, commitment, arrangement or understanding, whether formal or informal or written or unwritten, with the first Person to acquire or Offer to Acquire any Voting Shares or Convertible Securities (other than (x) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a distribution of securities by the Corporation, (y) pledges of securities in the ordinary course of business, and (z) Permitted Lock-Up Agreements).

1.6 Generally Accepted Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the recommendations at the relevant time of the Canadian Institute of Chartered Accountants, or any successor institute, applicable on a consolidated basis (unless otherwise specifically provided herein to be applicable on an unconsolidated basis) as at the date on which a calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis. For greater certainty, and without limiting the generality of the foregoing, references to consolidated net income or any other financial statement line item shall be determined based on the generally accepted accounting principles used in connection with the preparation of the financial statements for the applicable period.

ARTICLE 2
THE RIGHTS

2.1 Legend on Share Certificates

Certificates representing Voting Shares which are issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time, shall also evidence one Right for each Voting Shares represented thereby until the earlier of the Separation Time or the Expiration Time and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

> Until the earlier of the Separation Time or the Expiration Time (as both terms are defined in the Shareholder Rights Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Shareholder Rights Plan Agreement dated as of September 1, 2010, as may be amended or supplemented from time to time (the "Shareholder Rights Agreement"), between Vermilion Energy Inc. (the "Corporation") and Computershare Trust Company of Canada, as Rights Agent, the terms of which are incorporated herein by reference and a copy of which is on file at the principal executive offices of the Corporation. Under certain circumstances set out in the Shareholder Rights Agreement, the rights may be amended or redeemed, may expire or may become void (if, in certain cases they are "Beneficially Owned" by an "Acquiring Person" as such terms are defined in the Shareholder Rights Agreement, whether currently held by or on behalf of such Person or a subsequent holder) or may be evidenced by separate certificates and no longer evidenced by this certificate. The Corporation will mail or arrange for the mailing of a copy of the Shareholder Rights Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request therefor.

Certificates representing Common Shares that are issued and outstanding at the Record Time shall also evidence one Right for each Common Shares represented thereby notwithstanding the absence of the foregoing legend, until the earlier of the Separation Time and the Expiration Time.

2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

(a) Subject to adjustment as herein set forth, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price as at the Business Day immediately preceding the day of exercise of the Right (which Exercise Price and number of Common Shares are subject to adjustment as set forth below). Notwithstanding any other provision of this Agreement, any Rights held by the Corporation or any of its Subsidiaries shall be void.

(b) Until the Separation Time:

(i) the Rights shall not be exercisable and no Right may be exercised; and

(ii) each Right will be evidenced by the certificate for the associated Common Share registered in the name of the holder thereof (which certificate shall also be deemed to represent a Rights Certificate) and will be transferable only together with, and will be transferred by a transfer of, such associated Common Share.

(c) From and after the Separation Time and prior to the Expiration Time:

(i) the Rights shall be exercisable; and

(ii) the registration and transfer of Rights shall be separate from and independent of Common Shares.

Promptly following the Separation Time, the Corporation will prepare or cause to be prepared and the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time and, in respect of each Convertible Security converted into Common Shares after the Separation Time and

prior to the Expiration Time, promptly after such conversion, the Corporation will prepare or cause to be prepared and the Rights Agent will mail to the holder so converting (other than in either case an Acquiring Person and any Transferee whose rights are or become null and void pursuant to Subclause 3.1(b) and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person or Transferee, the holder of record of such Rights (a "**Nominee**")), at such holder's address as shown by the records of the Corporation (the Corporation hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

(x) a Rights Certificate appropriately completed, representing the number of Rights held by such holder at the Separation Time or at the time of conversion, as applicable, and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or judicial or administrative order made pursuant thereto or with any rule or regulation of any self-regulatory organization, stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage; and

(y) a disclosure statement prepared by the Corporation describing the Rights,

provided that a Nominee shall be sent the materials provided for in (x) and (y) only in respect of all Common Shares held of record by it which are not Beneficially Owned by an Acquiring Person. In order for the Corporation to determine whether any Person is holding Common Shares which are Beneficially Owned by another Person, the Corporation may require such first Person to furnish such information and documentation as the Corporation deems necessary.

(d) Rights may be exercised, in whole or in part, on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent at its office in Calgary, Canada or any other office of the Rights Agent in cities designated from time to time for that purpose by the Corporation with the approval of the Rights Agent:

(i) the Rights Certificate evidencing such Rights;

(ii) an election to exercise such Rights (an "**Election to Exercise**") substantially in the form attached to the Rights Certificate appropriately completed and duly executed by the holder or such holder's executors or administrators or other personal representatives or such holder's or their legal attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and

(iii) payment by certified cheque, banker's draft, money order or wire transfer payable to the order of the Rights Agent, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being exercised.

(e) Upon receipt of a Rights Certificate, together with a completed Election to Exercise executed in accordance with Subclause 2.2(d)(ii), which does not indicate that such Right is null and void as provided by Subclause 3.1(b), and payment as set forth in Subclause 2.2(d)(iii), the Rights Agent (unless otherwise instructed by the Corporation in the event that the Corporation is of the opinion that the Rights cannot be exercised in accordance with this Agreement) will thereupon as soon as practicable:

(i) requisition from the transfer agent certificates representing the number of such Common Shares to be purchased (the Corporation hereby irrevocably authorizing its transfer agent to comply with all such requisitions);

(ii) when appropriate, requisition from the Corporation the amount of cash to be paid in lieu of issuing fractional Common Shares;

(iii) after receipt of the certificates referred to in Subclause 2.2(e)(i), deliver the same to or upon the order of the registered holder of such Rights Certificates, registered in such name or names as may be designated by such holder;

(iv) when appropriate, after receipt, deliver the cash referred to in Subclause 2.2(e)(ii) to or to the order of the registered holder of such Rights Certificate; and

(v) remit to the Corporation all payments received on the exercise of Rights.

(f) In case the holder of any Rights shall exercise less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised (subject to the provisions of Subclause 5.5(a)) will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.

(g) The Corporation covenants and agrees that it will:

(i) take all such action as may be necessary and within its power to ensure that all Common Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Common Shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered as fully paid and non-assessable;

(ii) take all such action as may be necessary and within its power to comply with the requirements of the Alberta Business Corporations Act, the Securities Act and the securities laws or comparable legislation of each of the provinces of Canada, and any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights Certificates and the issuance of any Common Shares upon exercise of Rights;

(iii) use reasonable efforts to cause all Common Shares issued upon exercise of Rights to be listed on the stock exchanges and markets on which such Common Shares were traded immediately prior to the Stock Acquisition Date;

(iv) pay when due and payable, if applicable, any and all federal, provincial and municipal transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of the Corporation to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, or certificates for Common Shares to be issued upon exercise of any Rights, provided that the Corporation shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being transferred or exercised; and

(v) after the Separation Time, except as permitted by Clauses 5.1 and 5.4, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

2.3 Adjustments to Exercise Price; Number of Rights

The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Clause 2.3.

(a) In the event the Corporation shall at any time after the date of this Agreement:

(i) declare or pay a dividend on Common Shares payable in Common Shares or Convertible Securities in respect thereof other than pursuant to any Dividend Reinvestment Plan;

(ii) subdivide or change the then outstanding Common Shares into a greater number of Common Shares;

(iii) consolidate or change the then outstanding Common Shares into a smaller number of Common Shares; or

(iv) issue any Common Shares (or Convertible Securities in respect thereof) in respect of, in lieu of or in exchange for existing Common Shares except as otherwise provided in this Clause 2.3,

then the Exercise Price and the number of Rights outstanding (or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon exercise of Rights) shall be adjusted as of the payment or effective date in the manner set forth below.

If the Exercise Price and number of Rights outstanding are to be adjusted:

(x) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other capital stock) (the "**Expansion Factor**") that a holder of one Common Share immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof; and

(y) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor,

and the adjusted number of Rights will be deemed to be distributed among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such distribution, subdivision, change, consolidation or issuance, so that each such Common Share (or other capital stock) will have exactly one Right associated with it.

For greater certainty, if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result of such distribution, subdivision, change, consolidation or issuance.

If, after the Record Time and prior to the Expiration Time, the Corporation shall issue any shares of capital stock other than Common Shares in a transaction of a type described in Subclause 2.3(a)(i) or (iv), shares of such capital stock shall be treated herein as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and the Corporation and the Rights Agent agree to amend this Agreement in order to effect such treatment.

If an event occurs which would require an adjustment under both this Clause 2.3 and Clause 3.1, the adjustment provided for in this Clause 2.3 shall be in addition to, and shall be made prior to, any adjustment required under Clause 3.1.

In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any Common Shares otherwise than in a transaction referred to in this Subclause 2.3(a), each such Common Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such associated Common Share.

(b) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the issuance of rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Common Shares (or Convertible Securities in respect of Common Shares) at a price per Common Share (or, in the case of a Convertible Security, having a conversion, exchange or exercise price per share, including the price required to be paid to purchase such Convertible Security) less than

the Market Price per Common Share on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

(i) the numerator of which shall be the number of Common Shares outstanding on such record date plus the number of Common Shares that the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the Convertible Securities, including the price required to be paid to purchase such Convertible Securities) would purchase at such Market Price per Common Share; and

(ii) the denominator of which shall be the number of Common Shares outstanding on such record date plus the number of additional Common Shares to be offered for subscription or purchase (or into which the Convertible Securities so to be offered are initially convertible, exchangeable or exercisable).

In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, or if issued, are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed, or to the Exercise Price which would be in effect based upon the number of Common Shares (or securities convertible into, or exchangeable or exercisable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to any Dividend Reinvestment Plan or any employee benefit plan, stock option plan, deferred or restricted stock unit plan or any similar plan shall be deemed not to constitute an issue of rights, options or warrants by the Corporation; provided, however, that, in the case of any Dividend Reinvestment Plan or share purchase plan, the right to purchase Common Shares is at a price per share of not less than 90% of the current market price per share (determined as provided in such plans) of the Common Shares.

(c) In the event the Corporation shall, at any time after the Record Time and prior to the Separation Time, fix a record date for the making of a distribution to all holders of Common Shares (including any such distribution made in connection with a merger or amalgamation) of evidences of indebtedness, cash (other than an annual cash dividend or a dividend paid in Common Shares, but including any dividend payable in securities other than Common Shares), assets or rights, options or warrants (excluding rights, options or warrants expiring within 45 calendar days after such record date) to purchase Common Shares or Convertible Securities in respect of Common Shares, the Exercise Price in effect after such record date shall be equal to the Exercise Price in effect immediately prior to such record date less the fair market value (as determined in good faith by the Board of Directors) of the portion of the evidences of indebtedness, cash, assets, rights, options or warrants so to be distributed applicable to the securities purchasable upon exercise of one Right.

(d) Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one per cent in the Exercise Price; provided, however, that any adjustments which by reason of this Subclause 2.3(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under Clause 2.3 shall be made to the nearest cent or to the nearest ten-thousandth of a share. Any adjustment required by Clause 2.3 shall be made as of:

(i) the payment or effective date for the applicable dividend, subdivision, change, combination or issuance, in the case of an adjustment made pursuant to Subclause 2.3(a); or

(ii) the record date for the applicable dividend or distribution, the case of an adjustment made pursuant to Subclause 2.3(c) or (d), subject to readjustment to reverse the same if such distribution shall not be made.

(e) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any shares of capital stock (other than Common Shares), or rights, options or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock, in a transaction referred to in Subclause 2.3(a)(i) or (iv) or Subclauses 2.3(b) or (c), if the Board of Directors acting in good faith determines that the adjustments contemplated by Subclauses 2.3(a), (b) and (c) in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Board of Directors may determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Subclauses 2.3(a), (b) and (c), such adjustments, rather than the adjustments contemplated by Subclauses 2.3(a), (b) and (c), shall be made. Subject to Subclause 5.4(b) and (c), the Corporation and the Rights Agent may, with the prior approval of the holders of the Common Shares amend this Agreement as appropriate to provide for such adjustments.

(f) Each Right originally issued by the Corporation subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of a Right immediately prior to such issue, all subject to further adjustment as provided herein.

(g) Irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per Common Share and the number of Common Shares which were expressed in the initial Rights Certificates issued hereunder.

(h) In any case in which this Clause 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.

(i) Notwithstanding anything contained in this Clause 2.3 to the contrary, the Corporation shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Clause 2.3, as and to the extent that in their good faith judgment the Board of Directors shall determine to be advisable, in order that any:

(i) consolidation or subdivision of Common Shares;

(ii) issuance (wholly or in part for cash) of Common Shares or securities that by their terms are convertible into or exchangeable for Common Shares;

(iii) stock dividends; or

(iv) issuance of rights, options or warrants referred to in this Clause 2.3,

hereafter made by the Corporation to holders of its Common Shares, subject to applicable taxation laws, shall not be taxable to such Shareholders or shall subject such Shareholders to a lesser amount of tax.

(j) Whenever an adjustment to the Exercise Price is made pursuant to this Clause 2.3, the Corporation shall:

(i) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment; and

(ii) promptly file with the Rights Agent and with each transfer agent for the Common Shares a copy of such certificate and mail a brief summary thereof to each holder of Rights who requests a copy.

Failure to file such certificate or to cause such notice to be given as aforesaid, or any defect therein, shall not affect the validity of any such adjustment or change.

2.4 Date on Which Exercise Is Effective

Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the absolute holder of record of the Common Shares or other securities, if applicable, represented thereon, and such certificate shall be dated the date upon which the Rights Certificate evidencing such Rights was duly surrendered in accordance with Subclause 2.2(d) (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Share transfer books of the Corporation are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Share transfer books of the Corporation are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

(a) The Rights Certificates shall be executed on behalf of the Corporation by any of its Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer or any Vice-President, its Corporate Secretary or any Assistant Secretary. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices either before or after the countersignature and delivery of such Rights Certificates.

(b) Promptly after the Corporation learns of the Separation Time, the Corporation will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Corporation to the Rights Agent for countersignature, and the Rights Agent shall countersign (manually or by facsimile signature in a manner satisfactory to the Corporation) and send such Rights Certificates to the holders of the Rights pursuant to Subclause 2.2(c) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.

(c) Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Transfer and Exchange

(a) The Corporation will cause to be kept a register (the "**Rights Register**") in which, subject to such reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent, at its office in the City of Calgary, is hereby appointed registrar for the Rights (the "**Rights Registrar**") for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subclause 2.6(c), the Corporation will execute, and the Rights Agent will countersign and deliver, in the name of the holder

or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

(b) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Corporation, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.

(c) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Clause 2.6, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.

2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates

(a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.

(b) If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time:

(i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate; and

(ii) such security or indemnity as may be reasonably required by them to save each of them and any of their agents harmless,

then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a *bona fide* purchaser, the Corporation shall execute and upon the Corporation's request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

(c) As a condition to the issuance of any new Rights Certificate under this Clause 2.7, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.

(d) Every new Rights Certificate issued pursuant to this Clause 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence the contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

2.8 Persons Deemed Owners of Rights

The Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name a Rights Certificate (or, prior to the Separation Time, the associated share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term "holder" of any Right shall mean the registered holder of such Right (or, prior to the Separation Time, of the associated Common Share).

2.9 Delivery and Cancellation of Certificates

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Clause 2.9, except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable laws, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation.

2.10 Agreement of Rights Holders

Every holder of Rights, by accepting the same, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights:

(a) to be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;

(b) that prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Common Share certificate representing such Right;

(c) that after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;

(d) that prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Common Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary;

(e) that such holder of Rights has waived his right to receive any fractional Rights or any fractional shares or other securities upon exercise of a Right (except as provided herein);

(f) that, subject to the provisions of Clause 5.4, without the approval of any holder of Rights or Voting Shares and upon the sole authority of the Board of Directors, acting in good faith, this Agreement may be supplemented or amended from time to time pursuant to and as provided herein; and

(g) that notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent shall have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of preliminary or permanent injunctions or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulations or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligation.

2.11 Rights Certificate Holder Not Deemed a Shareholder

No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Common Share or any other share or security of the Corporation which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed or confer upon the holder of any Right or Rights Certificate, as such, any right, title, benefit or privilege of a holder of Common Shares or any other shares or securities of the Corporation or any right to vote at any meeting of shareholders of the Corporation whether for the election of directors or otherwise or

upon any matter submitted to holders of Common Shares or any other shares of the Corporation at any meeting thereof, or to give or withhold consent to any action of the Corporation, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other shares of the Corporation except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Right or Rights evidenced by Rights Certificates shall have been duly exercised in accordance with the terms and provisions hereof.

ARTICLE 3
ADJUSTMENTS TO THE RIGHTS

3.1 Flip-in Event

(a) Subject to Subclause 3.1(b) and Clause 5.1, in the event that prior to the Expiration Time a Flip-in Event shall occur, each Right shall constitute, effective at the close of business on the tenth Trading Day after the Stock Acquisition Date, the right to purchase from the Corporation, upon exercise thereof in accordance with the terms hereof, that number of Common Shares having an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Clause 2.3 in the event that after such consummation or occurrence, an event of a type analogous to any of the events described in Clause 2.3 shall have occurred).

(b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time or the Stock Acquisition Date by:

(i) an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such other Person); or

(ii) a transferee or other successor in title, directly or indirectly, (a "**Transferee**") of Rights held by an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such other Person), where such Transferee becomes a transferee concurrently with or subsequent to the Acquiring Person becoming such in a transfer that the Board of Directors acting in good faith has determined is part of a plan, arrangement or scheme of an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any other Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such other Person), that has the purpose or effect of avoiding Subclause 3.1(b)(i),

shall become null and void without any further action, and any holder of such Rights (including any Transferee) shall thereafter have no right to exercise such Rights under any provision of this Agreement and further shall thereafter not have any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The holder of any Rights represented by a Rights Certificate which is submitted to the Rights Agent upon exercise or for registration or transfer or exchange which does not contain the necessary certifications set forth in the Rights Certificate establishing that such Rights are not null and void under this Subclause 3.1(b), shall be deemed to be an Acquiring Person for the purposes of this Clause 3.1 and such Rights shall become null and void.

(c) From and after the Separation Time, the Corporation shall do all such acts and things as shall be necessary and within its power to ensure compliance with the provisions of this Clause 3.1, including without limitation, all such acts and things as may be required to satisfy the requirements of the Alberta Business Corporations Act, the Securities Act and the securities laws or comparable legislation of each of the provinces of Canada in respect of the issue of Common Shares upon the exercise of Rights in accordance with this Agreement.

(d) Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either Subclause 3.1(b)(i) or (ii) or transferred to any nominee of any such Person, and any Rights Certificate

issued upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain the following legend:

> The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Agreement) or a Person who was acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of such Person. This Rights Certificate and the Rights represented hereby are void or shall become void in the circumstances specified in Subclause 3.1(b) of the Shareholder Rights Agreement.

provided, however, that the Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall impose such legend only if instructed to do so by the Corporation in writing or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend and provided further that the fact that such legend does not appear on a certificate is not determinative of whether any Rights represented thereby are void under this Clause.

ARTICLE 4
THE RIGHTS AGENT

4.1 General

(a) The Corporation hereby appoints the Rights Agent to act as agent for the Corporation in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint such co-Rights Agents ("**Co-Rights Agents**") as it may deem necessary or desirable. In the event the Corporation appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents shall be as the Corporation may determine with the approval of the Rights Agent and the Co-Rights Agent. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder (including the fees and disbursements of any expert or advisor retained by the Rights Agent). The Corporation also agrees to indemnify the Rights Agent, and its officers, directors, employees and agents for, and to hold it and them harmless against, any loss, liability or expense, incurred without gross negligence, bad faith or wilful misconduct on the part of the Rights Agent or such persons, for anything done or omitted by the Rights Agent or such persons in connection with the acceptance and administration of this Agreement, including legal costs and expenses, which right to indemnification will survive the termination of this Agreement and the resignation or removal of the Rights Agent.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares, Rights Certificate, certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

(c) The Corporation shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon request, shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Corporation provided that failure to inform the Rights Agent of any such events, or any defect therein, shall not affect the validity of any action taken hereunder in relation to such events.

4.2 Merger, Amalgamation or Consolidation or Change of Name of Rights Agent

(a) Any corporation into which the Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement or

consolidation to which the Rights Agent is a party, or any corporation succeeding to the shareholder or stockholder services business of the Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Clause 4.4 hereof. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights have not been countersigned, any successor Rights Agent may countersign such Rights Certificates in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, all of which the Corporation and the holders of certificates for Common Shares and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) the Rights Agent may retain and consult with legal counsel (who may be legal counsel for the Corporation) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion and the Rights Agent may also consult with such other experts as the Rights Agent may reasonably consider necessary or appropriate to properly carry out the duties and obligations imposed under this Agreement (at the expense of the Corporation) and the Rights Agent shall be entitled to act and rely in good faith on the advice of any such expert;

(b) whenever in the performance of its duties under this Agreement, the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a Person believed by the Rights Agent to be the Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer, any Vice-President, Treasurer, Corporate Secretary or any Assistant Secretary of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate;

(c) the Rights Agent will be liable hereunder only for its own gross negligence, bad faith or wilful misconduct;

(d) the Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares, or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Corporation only;

(e) the Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate for a Common Share or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor

will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Subclause 3.1(b) hereof) or any adjustment required under the provisions of Clause 2.3 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Clause 2.3 describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable;

(f) the Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement;

(g) the Rights Agent is hereby authorized and directed to accept instructions in writing with respect to the performance of its duties hereunder from any individual believed by the Rights Agent to be the Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer, any Vice-President, Treasurer, Corporate Secretary or any Assistant Secretary of the Corporation, and to apply to such individuals for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such individual. It is understood that instructions to the Rights Agent shall, except where circumstances make it impractical or the Rights Agent otherwise agrees, be given in writing and, where not in writing, such instructions shall be confirmed in writing as soon as practicable after the giving of such instructions;

(h) the Rights Agent and any shareholder or stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity; and

(i) the Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement upon 60 days notice (or such lesser notice as is acceptable to the Corporation) in writing mailed to the Corporation and to each transfer agent of Common Shares by registered or certified mail and to the holders of Rights in accordance with Clause 5.9. The Corporation may remove the Rights Agent upon 30 days notice in writing, mailed to the Rights Agent and to each transfer agent of the Common Shares by registered or certified mail and to the holders of Rights in accordance with Clause 5.9. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent, then by prior written notice to the Corporation the resigning Rights Agent or the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate, if any, for inspection by the Corporation), may apply, at the Corporation's expense, to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Corporation or by such a court, shall be a corporation incorporated under the laws of Canada or a province thereof authorized to carry on the business of a trust company in the Province of Alberta. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall, upon payment in full of any outstanding amounts owing by the Corporation to the Rights Agent under this Agreement, deliver and transfer to the successor Rights Agent any property at the time held by it

hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares, and mail a notice thereof in writing to the holders of the Rights in accordance with Clause 5.9. Failure to give any notice provided for in this Clause 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of any successor Rights Agent, as the case may be.

ARTICLE 5
MISCELLANEOUS

5.1 Redemption and Waiver

(a) The Board of Directors acting in good faith may, with the prior approval of the holders of Voting Shares or of the holders of Rights given in accordance with Subclause 5.1(i) or (j), as the case may be, at any time prior to the occurrence of a Flip-in Event as to which the application of Clause 3.1 has not been waived pursuant to the provisions of this Clause 5.1, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of $0.00001 per Right appropriately adjusted in a manner analogous to the applicable adjustment provided for in Clause 2.3 in the event that an event of the type analogous to any of the events described in Clause 2.3 shall have occurred (such redemption price being herein referred to as the "**Redemption Price**").

(b) The Board of Directors acting in good faith may, with the prior approval of the holders of Voting Shares given in accordance with Subclause 5.1(i), determine, at any time prior to the occurrence of a Flip-in Event as to which the application of Clause 3.1 has not been waived pursuant to this Clause 5.1, if such Flip-in Event would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a Take-over Bid made by means of a take-over bid circular to all holders of record of Voting Shares and otherwise than in the circumstances set forth in Subclause 5.1(d), to waive the application of Clause 3.1 to such Flip-in Event. In the event that the Board of Directors proposes such a waiver, the Board of Directors shall extend the Separation Time to a date subsequent to and not more than ten Business Days following the meeting of shareholders called to approve such waiver.

(c) The Board of Directors acting in good faith may, until the occurrence of a Flip-in Event upon prior written notice delivered to the Rights Agent, determine to waive the application of Clause 3.1 to such particular Flip-in Event provided that the Flip-in Event would occur by reason of a Take-over Bid made by way of take-over bid circular sent to all holders of Voting Shares (which for greater certainty shall not include the circumstances described in Subclause 5.1(d)); provided that if the Board of Directors waives the application of Clause 3.1 to a particular Flip-in Event pursuant to this Subclause 5.1(c), the Board of Directors shall be deemed to have waived the application of Clause 3.1 to any other Flip-in Event subsequently occurring by reason of any Take-over Bid which is made by means of a take-over bid circular to all holders of Voting Shares prior to the expiry of any Take-over Bid in respect of which a waiver is, or is deemed to have been, granted under this Subclause 5.1(c).

(d) Notwithstanding the provisions of Subclauses 5.1(b) and (c) hereof, the Board of Directors may waive the application of Clause 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined within ten Trading Days following a Stock Acquisition Date that a Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person under this Agreement, and in the event such waiver is granted by the Board of Directors, such Stock Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to this Subclause 5.1(d) must be on the condition that such Person, within 14 days after the foregoing determination by the Board of Directors or such earlier or later date as the Board of Directors may determine (the "**Disposition Date**"), has reduced its Beneficial Ownership of Voting Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the close of business on the Disposition Date, the Disposition Date shall be deemed to be the date of occurrence of a further Stock Acquisition Date and Clause 3.1 shall apply thereto.

(e) The Board of Directors, shall, without further formality, be deemed to have elected to redeem the Rights at the Redemption Price on the date that a Person which has made a Permitted Bid, a Competing Permitted Bid, a Take-Over Bid in respect of which the Board of Directors has waived, or

is deemed to have waived, pursuant to Subclause 5.1(c) the application of Clause 3.1, takes up and pays for Voting Shares in connection with such Permitted Bid, Competing Permitted Bid or Take-over bid, as the case may be.

(f) Where a Take-over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price. Upon the Rights being redeemed pursuant to this Subclause 5.1(f), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred.

(g) If the Board of Directors elects or is deemed to have elected to redeem the Rights, and, in circumstances in which Subclause 5.1(a) is applicable, such redemption is approved by the holders of Voting Shares or the holders of Rights in accordance with Subclause 5.1(i) or (j), as the case may be, the right to exercise the Rights, will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.

(h) Within 10 Business Days after the Board of Directors elects or is deemed to elect, to redeem the Rights or if Subclause 5.1(a) is applicable within 10 Business Days after the holders of Common Shares of the holders of Rights have approved a redemption of Rights in accordance with Subclause 5.1(i) or (j), as the case may be, the Corporation shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the transfer agent for the Voting Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. The Corporation may not redeem, acquire or purchase for value any Rights at any time in any manner other than specifically set forth in this Clause 5.1 or in connection with the purchase of Common Shares prior to the Separation Time.

(i) If a redemption of Rights pursuant to Subclause 5.1(a) or a waiver of a Flip-in Event pursuant to Subclause 5.1(b) is proposed at any time prior to the Separation Time, such redemption or waiver shall be submitted for approval to the holders of Voting Common Shares. Such approval shall be deemed to have been given if the redemption or waiver is approved by the affirmative vote of a majority of the votes cast by Independent Shareholders represented in person or by proxy at a meeting of such holders duly held in accordance with applicable laws and the Corporation's by-laws.

(j) If a redemption of Rights pursuant to Subclause 5.1(a) is proposed at any time after the Separation Time, such redemption shall be submitted for approval to the holders of Rights. Such approval shall be deemed to have been given if the redemption is approved by holders of Rights by a majority of the votes cast by the holders of Rights represented in person or by proxy at and entitled to vote at a meeting of such holders. For the purposes hereof, each outstanding Right (other than Rights which are Beneficially Owned by any Person referred to in Subclauses (i) to (v) inclusive of the definition of Independent Shareholders) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Corporation's by-laws and the Alberta Business Corporations Act, with respect to meetings of shareholders of the Corporation.

5.2 Expiration

No Person shall have any rights whatsoever pursuant to this Agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in Clause 4.1 of this Agreement.

5.3 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind or class of securities purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.4 Supplements and Amendments

(a) The Corporation may make amendments to this Agreement to correct any clerical or typographical error or which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulations or rules thereunder. The Corporation may, prior to the date of the meeting of unitholders of the Trust to be held on August 31, 2010 (or such other date as may be determined by the chairman of the meeting or the Board of Directors of the Corporation), supplement or amend any of the provisions of this Agreement and the Rights without the approval of any Holders of Rights or Common Shares in order to make any changes which the Board of Directors acting in good faith may deem necessary or desirable. Notwithstanding anything in this Clause 5.4 to the contrary, no such supplement or amendment shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent thereto.

(b) Subject to Subclause 5.4(a), the Corporation may, with the prior approval of the holders of Voting Shares obtained as set forth below, at any time before the Separation Time, supplement, amend, vary, rescind or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented at and entitled to be voted at a meeting of the holders of Voting Shares duly called and held in compliance with applicable laws and the articles and by-laws of the Corporation.

(c) Subject to Subclause 5.4(a), the Corporation may, with the prior approval of the holders of Rights, at any time on or after the Separation Time, supplement, amend, vary, rescind or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally), provided that no such amendment, variation or deletion shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent thereto.

(d) Any approval of the holders of Rights shall be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Corporation's by-laws and the Alberta Business Corporations Act, with respect to meetings of shareholders of the Corporation.

(e) Any amendments made by the Corporation to this Agreement pursuant to Subclause 5.4(a) which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulations or rules thereunder shall:

(i) if made before the Separation Time, be submitted to the shareholders of the Corporation at the next meeting of shareholders and the shareholders may, by the majority referred to in Subclause 5.4(b), confirm or reject such amendment;

(ii) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for on a date not later than immediately following the next meeting of shareholders of the Corporation and the holders of Rights may, by resolution passed by the majority referred to in Subclause 5.4(d), confirm or reject such amendment.

Any such amendment shall be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed, it continues in effect in the form so confirmed. If such amendment is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such amendment shall cease to be effective from and after the termination of the meeting (or any adjournment of such meeting) at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board of Directors to amend this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights as the case may be.

(f) The Corporation shall provide the Rights Agent with notice in writing of any amendment, variation or deletion to this Agreement referred to in this Section 5.4 within five Business Days of effecting such amendment, variation or deletion.

5.5 Fractional Rights and Fractional Shares

(a) The Corporation shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. After the Separation Time, in lieu of issuing fractional Rights, the Corporation shall pay to the holders of record of the Rights Certificates (provided the Rights represented by such Rights Certificates are not void pursuant to the provisions of Subclause 3.1(b), at the time such fractional Rights would otherwise be issuable), an amount in cash equal to the fraction of the Market Price of one whole Right that the fraction of a Right that would otherwise be issuable is of one whole Right.

(b) The Corporation shall not be required to issue fractions of Common Shares upon exercise of Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Corporation shall pay to the registered holders of Rights Certificates, at the time such Rights are exercised as herein provided, an amount in cash equal to the fraction of the Market Price of one Common Share that the fraction of a Common Share that would otherwise be issuable upon the exercise of such Right is of one whole Common Share at the date of such exercise.

(c) The Rights Agent shall have no obligation to make any payments in lieu of issuing fractions of Rights or Common Shares pursuant to Subsection 5.5(a) or (b), respectively, unless and until the Corporation shall have provided to the Rights Agent the amount of cash to be paid in lieu of issuing such fractional Rights or Common Shares, as the case may be.

5.6 Rights of Action

Subject to the terms of this Agreement, all rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights. Any holder of Rights, without the consent of the Rights Agent or of the holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce such holder's right to exercise such holder's Rights, or Rights to which such holder is entitled, in the manner provided in such holder's Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

5.7 Regulatory Approvals

Any obligation of the Corporation or action or event contemplated by this Agreement shall be subject to the receipt of any requisite approval or consent from any governmental or regulatory authority, including without limiting the generality of the foregoing, any necessary approvals of The Toronto Stock Exchange, or any other applicable stock exchange or market.

5.8 Notice of Proposed Actions

In case the Corporation shall propose after the Separation Time and prior to the Expiration Time to effect the liquidation, dissolution or winding up of the Corporation or the sale of all or substantially all of the Corporation's assets, then, in each such case, the Corporation shall give to each holder of a Right, in accordance with Clause 5.9 hereof, a notice of such proposed action, which shall specify the date on which such Flip-in Event, liquidation, dissolution, or winding up is to take place, and such notice shall be so given at least 20 Business Days prior to the date of taking of such proposed action by the Corporation.

5.9 Notices

(a) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Corporation shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Rights Agent), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Vermilion Energy Inc.
3500, 520 - 3 Avenue S.W.
Calgary, Alberta T2P 0R3

Attention: Chief Financial Officer
Facsimile: (403) 269-4880

(b) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Corporation), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Computershare Trust Company of Canada
600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8

Attention: General Manager,
Client Services
Facsimile: (403) 267-6529

(c) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the register of the Rights Agent or, prior to the Separation Time, on the register of the Corporation for its Common Shares. Any notice which is mailed or sent in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

(d) Any notice given or made in accordance with this Clause 5.9 shall be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of telegraphing, telecopying or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter). Each of the Corporation and the Rights Agent may from time to time change its address for notice by notice to the other given in the manner aforesaid.

5.10 Costs of Enforcement

The Corporation agrees that if the Corporation fails to fulfil any of its obligations pursuant to this Agreement, then the Corporation will reimburse the holder of any Rights for the costs and expenses (including legal fees)

incurred by such holder, on a solicitor and his own client basis, to enforce his rights pursuant to any Rights or this Agreement.

5.11 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and enure to the benefit of their respective successors and assigns hereunder.

5.12 Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; further, this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

5.13 Governing Law

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of the Province of Alberta and for all purposes shall be governed by and construed in accordance with the laws of such Province applicable to contracts to be made and performed entirely within such Province.

5.14 Severability

If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective only as to such jurisdiction and to the extent of such invalidity or unenforceability in such jurisdiction without invalidating or rendering unenforceable or ineffective the remaining terms and provisions hereof in such jurisdiction or the application of such term or provision in any other jurisdiction or to circumstances other than those as to which it is specifically held invalid or unenforceable.

5.15 Effective Date and Expiration Time

(a) This Agreement is effective from the Record Time.

(b) At or prior to the annual meeting of shareholders of the Corporation in the year 2013, provided that a Flip-in Event has not occurred prior to such time, the Board of Directors shall submit a resolution ratifying the continued existence of this Agreement to the Independent Shareholders for their consideration and, if thought desirable, approval. Unless a majority of the votes cast by the Independent Shareholders who vote in respect of such resolution are voted in favour of the continued existence of this Agreement, the Board of Directors shall, immediately upon the confirmation of the results of the votes on such resolution and without further formality, be deemed to elect to redeem the rights at the Redemption Price.

5.16 Determinations and Actions by the Board of Directors

All actions, calculations and determinations (including all omissions with respect to the foregoing) which are done or made or approved by the Board of Directors in connection herewith, in good faith, shall not subject the Board of Directors or any director of the Corporation to any liability to the holders of the Rights.

5.17 Declaration as to Non-Canadian Holders

If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance by the Corporation with the securities laws or comparable legislation of a jurisdiction outside Canada or the United States, the Board of Directors acting in good faith shall take such actions as it may deem appropriate to ensure such compliance. In no event shall the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to persons who are citizens, residents or nationals of any jurisdiction other than Canada or the United States, in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

5.18 Time of the Essence

Time shall be of the essence in this Agreement.

5.19 Execution in Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

VERMILION ENERGY INC.

By: _____

COMPUTERSHARE TRUST COMPANY OF CANADA

By: _____

By: _____

ATTACHMENT 1

VERMILION ENERGY INC.

SHAREHOLDER RIGHTS PLAN AGREEMENT

[Form of Rights Certificate]

Certificate No. _____ **_____Rights**

THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE CORPORATION, AND AMENDMENT OR TERMINATION ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SUBCLAUSE 3.1(b) OF THE SHAREHOLDER RIGHTS PLAN AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, OR TRANSFEREES OF AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, MAY BECOME VOID.

Rights Certificate

This certifies that _____, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Shareholder Rights Plan Agreement, dated as of September 1, 2010, as the same may be amended or supplemented from time to time (the "Shareholder Rights Agreement"), between Vermilion Energy Inc., a corporation duly organized under the *Business Corporations Act* (Alberta), (the "Corporation") and Computershare Trust Company of Canada, a trust company incorporated under the laws of Canada (the "Rights Agent") (which term shall include any successor Rights Agent under the Shareholder Rights Agreement), to purchase from the Corporation at any time after the Separation Time (as such term is defined in the Shareholder Rights Agreement) and prior to the Expiration Time (as such term is defined in the Shareholder Rights Agreement), one fully paid common share of the Corporation (a "Common Share") at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise (in the form provided hereinafter) duly executed and submitted to the Rights Agent at its principal office in any of the cities of Calgary and Toronto. Until adjustment thereof in certain events as provided in the Shareholder Rights Agreement, the Exercise Price shall be:

(a) until the Separation Time, an amount equal to three times the Market Price (as such term is defined in the Shareholder Rights Agreement), from time to time, per Common Share; and

(b) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Common Share.

In certain circumstances described in the Shareholder Rights Agreement, each Right evidenced hereby may entitle the registered holder thereof to purchase or receive assets, debt securities or shares in the capital of the Corporation other than Common Shares, or more or less than one Common Share, all as provided in the Shareholder Rights Agreement.

This Rights Certificate is subject to all of the terms and provisions of the Shareholder Rights Agreement, which terms and provisions are incorporated herein by reference and made a part hereof and to which Shareholder Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holders of the Rights Certificates. Copies of the Shareholder Rights Agreement are on file at the head office of the Corporation and are available upon request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Shareholder Rights Agreement, the Rights evidenced by this Rights Certificate may be, and under certain circumstances are required to be, redeemed by the Corporation at a redemption price of $0.00001 per Right.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby, but in lieu thereof a cash payment will be made, as provided in the Shareholder Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Shareholder Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the Rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Shareholder Rights Agreement), or to receive distributions or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Shareholder Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officer of the Corporation and its corporate seal.

Date: _____

VERMILION ENERGY INC.

By: _____

Countersigned:

COMPUTERSHARE TRUST COMPANY OF CANADA

By: _____
Authorized Signature

By: _____
Authorized Signature

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns

and transfers unto _____

_____

(Please print name and address of transferee.)

the Rights represented by this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____, as attorney, to transfer the within Rights on the books of the Corporation, with full power of substitution.

Dated: _____ _____

Signature

_____

(Please print name of Signatory)

Signature Guarantee:

The signature on this assignment must correspond with the name as written upon the face of the certificate(s), in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a major Canadian Schedule 1 chartered bank or a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, MSP). The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed"

In the USA, signature guarantees must be done by members of a "Medallion Signature Guarantee Program" only.

Signature guarantees are not accepted from Treasury Branches, Credit Union or Caisses Populaires unless they are members of the Stamp Medallion Program.

. . . . . .

CERTIFICATE

(To be completed if true.)

The undersigned party transferring Rights hereunder, hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with any of the foregoing. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

_____

Signature

_____

(Please print name of Signatory)

. . . . . .

(To be attached to each Rights Certificate.)

FORM OF ELECTION TO EXERCISE

(To be executed by the registered holder if such holder desires to exercise the Rights Certificate.)

TO: _____

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the Common Shares or other securities, if applicable, issuable upon the exercise of such Rights and requests that certificates for such securities be issued in the name of:

_____

(Name)

_____

(Address)

_____

(City and Province)

_____

Social Insurance Number or other taxpayer identification number.

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

_____

(Name)

_____

(Address)

_____

(City and Province)

_____

Social Insurance Number or other taxpayer identification number.

Dated: _____ _____

Signature

_____

(Please print name of Signatory)

Signature Guaranteed: (Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a Canadian chartered bank or trust company, a member firm of a recognized stock exchange in Canada a registered national securities exchange in the United States, a member of the Investment Dealers Association of Canada or National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in Canada or the United States or a member of the Securities Transfer Association Medallion (Stamp) Program.

. . . . . .

CERTIFICATE

(To be completed if true.)

The undersigned party exercising Rights hereunder, hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with any of the foregoing. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

_____

Signature

_____

(Please print name of Signatory)

. . . . . .

(To be attached to each Rights Certificate.)

NOTICE

In the event the certification set forth above in the Forms of Assignment and Election to Exercise is not completed, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Shareholder Rights Agreement). No Rights Certificates shall be issued in exchange for a Rights Certificate owned or deemed to have been owned by an Acquiring Person or an Affiliate or Associate thereof, or by a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof.

APPENDIX "H"

SECTION 191 OF THE ABCA

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,

(b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,

(c) amalgamate with another corporation, otherwise than under section 184 or 187,

(d) be continued under the laws of another jurisdiction under section 189, or

(e) sell, lease or exchange all or substantially all its property under section 190.

(2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right he may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

a. at or before any meeting of shareholders at which the resolution is to be voted on, or

b. if the corporation did not send notice to the shareholder of the purpose of the meeting or of his right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of his right to dissent.

(6) An application may be made to the Court by originating notice after the adoption of a resolution referred to in subsection (1) or (2),

a. by the corporation, or

b. by a shareholder if the shareholder has sent an objection to the corporation under subsection (5)

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

(8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder

a. at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or

b. within 10 days after the corporation is served with a copy of the originating notice, if a shareholder is the applicant.

(9) Every offer made under subsection (7) shall

a. be made on the same terms, and

b. contain or be accompanied with a statement showing how the fair value was determined.

(10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

(11) A dissenting shareholder

a. is not required to give security for costs in respect of an application under subsection (6), and

b. except in special circumstances must not be required to pay the costs of the application or appraisal.

(12) In connection with an application under subsection (6), the Court may give directions for

a. joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,

b. the trial of issues and interlocutory matters, including pleadings and examinations for discovery,

c. the payment to the shareholder of all or part of the sum offered by the corporation for the shares,

d. the deposit of the share certificates with the Court or with the corporation or its transfer agent,

e. the appointment and payment of independent appraisers, and the procedures to be followed by them,

f. the service of documents, and

g. the burden of proof on the parties.

(13) On an application under subsection (6), the Court shall make an order

a. fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,

b. giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders, and

c. fixing the time within which the corporation must pay that amount to a shareholder.

(14) On:

a. the action approved by the resolution from which the shareholder dissents becoming effective,

b. the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or

c. the pronouncement of an order under subsection (13);

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs,

a. the shareholder may withdraw the shareholder's dissent, or

b. the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

a. the pronouncement of an order under subsection (13), or

b. the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

a. the corporation is or would after the payment be unable to pay its liabilities as they become due, or

b. the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

Any questions and requests for assistance may be directed to the
Proxy Solicitation Agent:

The Exchange Tower
130 King Street West, Suite 2950, P.O. Box 361
Toronto, Ontario
M5X 1E2

North American Toll Free Phone:

1-800-775-4067

Email: contactus@kingsdaleshareholder.com

Facsimile: 416-867-2271

Toll Free Facsimile: 1-866-545-5580

Outside North America, Banks and Brokers Call Collect: 416-867-2272

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