Q2 2010

VERMILION ENERGY TRUST

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2010

DISCLAIMER

Certain statements included or incorporated by reference in this document may constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward looking statements or information in this document may include, but are not limited to:

- capital expenditures;
- business strategy and objectives;
- reserve quantities and the discounted present value of future net cash flows from such reserves;
- net revenue;
- future production levels;
- exploration plans;
- development plans;
- acquisition and disposition plans and the timing thereof;
- operating and other costs;
- royalty rates and the expected impact of changes thereto on Vermilion;
- the timing of Vermilion's proposed conversion to a corporation and proposed dividend policy and the anticipated implications of such conversion to Vermilion or its Unitholders;
- Vermilion's additional future payment in connection with the Corrib acquisition;
- the timing of first commercial gas from the Corrib field;
- the decision of the Corrib joint venture consortium to drill an exploratory well at the Corrib field and the timing thereof; and
- estimate of Vermilion's share of the expected gas rates from the Corrib field.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to any other assumptions identified in this document, assumptions have been made regarding, among other things:

- the ability of the Trust to obtain equipment, services and supplies in a timely manner to carry out its activities in Canada and internationally;
- the ability of the Trust to market oil and natural gas successfully to current and new customers;
- the timing and costs of pipeline and storage facility construction and expansion and the ability to secure adequate product transportation;
- the timely receipt of required regulatory approvals;
- the ability of the Trust to obtain financing on acceptable terms;
- currency, exchange and interest rates; and
- future oil and natural gas prices

Although the Trust believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because the Trust can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Trust and described in the forward looking statements or information. These risks and uncertainties include but are not limited to:

- the ability of management to execute its business plan;
- the risks of the oil and gas industry, both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- risks and uncertainties involving geology of oil and natural gas deposits;
- risks inherent in the Trust's marketing operations, including credit risk;
- the uncertainty of reserves estimates and reserves life;
- the uncertainty of estimates and projections relating to production, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- the Trust's ability to enter into or renew leases;
- fluctuations in oil and natural gas prices, foreign currency exchange rates and interest rates;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing;
- the ability of the Trust to add production and reserves through development and exploration activities;
- general economic and business conditions;
- the possibility that government policies or laws may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments;
- risks associated with existing and potential future law suits and regulatory actions against the Trust; and
- other risks and uncertainties described elsewhere in this document or in the Trust's other filings with Canadian securities authorities.

The forward-looking statements or information contained in this document are made as of the date hereof and the Trust undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

Natural gas volumes have been converted on the basis of six thousand cubic feet of natural gas to one barrel equivalent of oil. Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF CANADIAN DOLLARS, UNAUDITED)

	June 30, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents (Note 10)	$ 31,845	$ 99,066
Short-term investments (Note 2)	82,044	15,895
Accounts receivable	93,207	117,051
Crude oil inventory	6,447	5,235
Derivative instruments (Note 8)	14,162	8,217
Prepaid expenses and other	12,765	11,422
	240,470	256,886
Derivative instruments (Note 8)	7,984	7,896
Future income taxes	131,439	119,714
Long-term investments	2,922	4,342
Goodwill	19,840	19,840
Reclamation fund (Note 2)	-	69,003
Capital assets	1,726,449	1,606,995
	$ 2,129,104	$ 2,084,676
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 153,185	$ 197,633
Distributions payable to unitholders	15,341	15,109
Derivative instruments (Note 8)	-	1,772
Income taxes payable	22,519	2,366
Future income taxes	2,846	683
	193,891	217,563
Long-term debt (Note 3)	229,588	159,723
Amount due pursuant to acquisition	117,420	111,402
Asset retirement obligations (Note 2)	227,418	237,110
Future income taxes	191,409	218,764
	959,726	944,562
Non-controlling interest - exchangeable shares (Note 5)	108,695	100,824
UNITHOLDERS’ EQUITY		
Unitholders’ capital (Note 4)	751,326	711,667
Contributed surplus (Note 4)	21,043	30,413
Retained earnings	288,314	297,210
	1,060,683	1,039,290
	$ 2,129,104	$ 2,084,676

APPROVED BY THE BOARD

(Signed “Kenneth Davidson”)

W. Kenneth Davidson, Director

(Signed “Lorenzo Donadeo”)

Lorenzo Donadeo, Director

CONSOLIDATED STATEMENTS OF EARNINGS, COMPREHENSIVE INCOME AND RETAINED EARNINGS
(THOUSANDS OF CANADIAN DOLLARS, EXCEPT UNIT AND PER UNIT AMOUNTS, UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
REVENUE				
Petroleum and natural gas revenue	$ 169,545	$ 162,788	$ 339,126	$ 309,024
Royalties	(13,162)	(18,099)	(41,259)	(39,799)
	156,383	144,689	297,867	269,225
EXPENSES AND OTHER EXPENSE (INCOME)				
Operating	32,631	34,326	68,966	68,493
Transportation	6,901	4,432	13,850	8,783
Unit based compensation (Note 6)	4,064	4,606	9,371	8,970
(Gain) on derivative instruments (Note 8)	(7,586)	(3,861)	(12,795)	(4,289)
Interest	3,696	1,258	6,729	3,037
General and administration	9,621	7,467	19,774	14,253
Foreign exchange (gain)	(9,863)	(7,786)	(29,508)	(12,281)
Other expense (income)	2,871	(4,486)	4,405	(3,444)
Depletion, depreciation and accretion	61,352	65,336	118,415	128,254
	103,687	101,292	199,207	211,776
EARNINGS BEFORE INCOME TAXES AND OTHER ITEMS	52,696	43,397	98,660	57,449
INCOME TAXES				
Future	(13,423)	5,490	(23,823)	(12,704)
Current	18,040	9,971	28,013	19,289
	4,617	15,461	4,190	6,585
OTHER ITEMS				
Non-controlling interest – exchangeable shares (Note 5)	4,052	2,461	7,935	4,395
Loss related to equity method investment	-	595	-	1,705
	4,052	3,056	7,935	6,100
NET EARNINGS AND COMPREHENSIVE INCOME	44,027	24,880	86,535	44,764
Retained earnings, beginning of period	290,362	257,808	297,210	280,959
Distributions declared (Note 4)	(45,969)	(40,516)	(91,497)	(80,689)
Unit-settled distributions on vested unit based awards (Note 4)	(106)	-	(3,934)	(2,862)
RETAINED EARNINGS, END OF PERIOD	$ 288,314	$ 242,172	$ 288,314	$ 242,172
NET EARNINGS PER TRUST UNIT (Note 7)				
Basic	$ 0.55	$ 0.35	$ 1.08	$ 0.63
Diluted	$ 0.54	$ 0.35	$ 1.07	$ 0.63
WEIGHTED AVERAGE TRUST UNITS OUTSTANDING (Note 7)				
Basic	80,601,384	71,068,073	80,158,188	70,778,145
Diluted	88,911,757	79,054,232	88,268,855	78,541,327

CONSOLIDATED STATEMENTS OF CASH FLOWS

(THOUSANDS OF CANADIAN DOLLARS, UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
OPERATING				
Net earnings	$ 44,027	$ 24,880	$ 86,535	$ 44,764
Adjustments:				
Depletion, depreciation and accretion	61,352	65,336	118,415	128,254
Change in unrealized gains and losses and accruals relating to derivative contracts (Note 8)	(3,814)	(3,158)	(7,805)	(1,376)
Unit based compensation	4,064	4,606	9,371	8,970
Loss related to equity method investment	-	595	-	1,705
Unrealized foreign exchange (gain)	(8,727)	(10,228)	(26,273)	(16,658)
Non-controlling interest – exchangeable shares	4,052	2,461	7,935	4,395
Change in unrealized gains and losses and accruals included in other expense (income) relating to investments	2,876	(4,486)	4,413	(3,444)
Future income taxes	(13,423)	5,490	(23,823)	(12,704)
	90,407	85,496	168,768	153,906
Asset retirement costs incurred (Note 2)	(812)	(1,615)	(812)	(4,266)
Changes in non-cash operating working capital	17,684	(80,730)	19,560	(91,805)
Cash flows from operating activities	107,279	3,151	187,516	57,835
INVESTING				
Drilling and development of petroleum and natural gas properties	(99,858)	(28,509)	(219,754)	(68,427)
Acquisition of petroleum and natural gas properties	-	(12,502)	(2,897)	(17,548)
(Purchase of) proceeds from short-term investments	(4,150)	435	(4,070)	435
Withdrawals from the reclamation fund	812	-	812	-
Changes in non-cash investing working capital	(11,539)	(5,320)	(15,768)	(5,815)
Cash flows used in investing activities	(114,735)	(45,896)	(241,677)	(91,355)
FINANCING				
Increase in long-term debt	25,001	80,001	70,000	49,947
Issue of trust units for cash	-	625	-	857
Issue of trust units pursuant to the distribution reinvestment plan	9,453	-	16,833	-
Cash distributions	(45,906)	(40,476)	(91,265)	(80,501)
Cash flows (used in) from financing activities	(11,452)	40,150	(4,432)	(29,697)
Foreign exchange (loss) on cash held in foreign currencies	(2,683)	(1,380)	(8,628)	(1,576)
Net change in cash and cash equivalents	(21,591)	(3,975)	(67,221)	(64,793)
Cash and cash equivalents, beginning of period	53,436	6,413	99,066	67,231
Cash and cash equivalents, end of period	$ 31,845	$ 2,438	$ 31,845	$ 2,438
Supplementary information - cash payments				
Interest paid	$ 4,416	$ 1,160	$ 7,095	$ 2,422
Income taxes paid	$ 7,660	$ 64,620	$ 7,860	$ 75,305

(TABULAR AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT UNIT AND PER UNIT AMOUNTS, UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated financial statements of Vermilion Energy Trust (the "Trust" or "Vermilion") include the accounts of the Trust and its subsidiaries and have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") on a consistent basis with the audited consolidated financial statements for the year ended December 31, 2009. These interim consolidated financial statements do not include all disclosures required in annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2009 included in the Trust's 2009 Annual Report.

2. ASSET RETIREMENT OBLIGATIONS AND RECLAMATION FUND

The asset retirement obligations were determined based on the estimated future costs and timing to reclaim the Trust's net interest in all wells and facilities. The Trust has estimated the net present value of its asset retirement obligations to be $227.4 million as at June 30, 2010 (December 31, 2009 - $237.1 million) based on a total undiscounted future liability after inflation adjustment of $791.2 million (December 31, 2009 - $857.2 million).

The following table reconciles the change in the Trust's asset retirement obligations:

		Jun 30, 2010		Dec 31, 2009
Carrying amount, beginning of period	$	237,110	$	265,101
Liabilities incurred		656		10,173
Asset retirement costs incurred		(812)		(10,139)
Change in estimate		-		(24,456)
Accretion expense		9,063		20,255
Foreign exchange		(18,599)		(23,824)
Carrying amount, end of period	$	227,418	$	237,110

During the second quarter of 2010, the Trust approved a plan to wind up its reclamation fund. Vermilion had previously established the reclamation fund to provide for the ultimate payout of its environmental and site restoration costs on its asset base.

After an extensive review, the Trust concluded that the reclamation fund assets would be more effectively employed supporting Vermilion's operations. In July 2010, the reclamation fund assets were liquidated.

As a result, the Trust has included the reclamation fund assets with short-term investments on the consolidated balance sheet as at June 30, 2010.

3. LONG-TERM DEBT

As at June 30, 2010, the Trust had a syndicated revolving credit facility allowing for maximum borrowings of $675 million. The revolving period under the revolving credit facility is expected to expire in June 2011 and may be extended for an additional period of up to 364 days at the option of the lenders. If the lenders convert the revolving credit facility to a non-revolving credit facility, the amounts outstanding under the facility become repayable 24 months after the end of the revolving period. Various borrowing options are available under the facility including prime rate based advances and bankers' acceptance loans.

The revolving credit facility is secured by various fixed and floating charges against subsidiaries of the Trust. Under the terms of the revolving credit facility, the Trust must maintain a ratio of total borrowings under the facility to consolidated earnings before interest, income taxes, depreciation, accretion and other certain non-cash items of not greater than 3.0.

The amount available to the Trust under the facility is reduced by outstanding letters of credit associated with the Trust's operations totalling $2.0 million as at June 30, 2010.

4. UNITHOLDERS' CAPITAL AND CONTRIBUTED SURPLUS

	Number of Units		Amount
Trust Units			
Unlimited number of trust units authorized to be issued			
Balance as at December 31, 2008	70,212,769	$	444,353
Issued on conversion of exchangeable shares (Note 5)	132,569		4,048
Unit rights exercised and issuance of units on vesting of trust unit award plan grants	945,982		2,817
Transfer from contributed surplus for unit based awards	-		16,846
Trust units issued for bonus plan	23,790		635
Unit-settled distributions on vested unit based awards	116,918		2,862
Unit issuance	8,091,000		240,106
Balance as at December 31, 2009	79,523,028	$	711,667
Distribution reinvestment plan	518,674		16,833
Issued on conversion of exchangeable shares (Note 5)	4,547		151
Issuance of units on vesting of trust unit award plan grants	555,459		-
Transfer from contributed surplus for unit based awards	-		17,733
Trust units issued for bonus plan	28,624		1,008
Unit-settled distributions on vested unit based awards	113,527		3,934
Balance as at June 30, 2010	80,743,859	$	751,326

		Jun 30, 2010		Dec 31, 2009
Contributed Surplus				
Opening balance	$	30,413	$	29,698
Unit compensation expense (excluding bonus plan)		8,363		17,561
Transfer to unitholders' capital for unit based awards		(17,733)		(16,846)
Ending balance	$	21,043	$	30,413

Cash distributions declared to unitholders for the three and six month periods ended June 30, 2010 were $46.0 million and $91.5 million, respectively (2009 - $40.5 million and $80.7 million, respectively). Distributions are determined by the Board of Directors in accordance with the Trust Indenture and are paid monthly.

In December 2009, Vermilion reinstated its distribution reinvestment plan beginning with the January 15, 2010 distribution. The plan allows eligible holders of trust units to purchase additional trust units at a 5% discount to market by reinvesting their cash distributions. The plan had previously been suspended in May 2008.

5. NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES

The following table summarizes the change in the outstanding exchangeable share balance:

	Jun 30, 2010	Dec 31, 2009
Exchangeable Shares		
Opening number of exchangeable shares	4,009,253	4,085,605
Exchanged for trust units	(2,500)	(76,352)
Ending balance	4,006,753	4,009,253
Ending exchange ratio	1.86190	1.80065
Trust units issuable upon conversion	7,460,173	7,219,261

5. NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES (Continued)

The following table summarizes the changes in the non-controlling interest as presented on the consolidated balance sheets:

		Jun 30, 2010		Dec 31, 2009
Non-controlling interest, beginning of period	$	100,824	$	84,523
Reduction of book value for conversion to trust units		(64)		(1,676)
Current period net earnings attributable to non-controlling interest		7,935		17,977
Non-controlling interest, end of period	$	108,695	$	100,824

6. UNIT COMPENSATION PLANS

Trust Unit Award Incentive Plan

The following table summarizes information about the Trust Unit Award Incentive Plan:

	Number of Awards
Balance as at December 31, 2009	1,417,314
Granted	715,900
Vested	(447,714)
Forfeited	(95,944)
Balance as at June 30, 2010	1,589,556

Compensation expense for the three and six month periods ended June 30, 2010 was $4.1 million and $8.4 million, respectively (2009 - $4.6 million and $8.3 million, respectively) related to the Trust Unit Award Incentive Plan.

Phantom Award Incentive Plan

Compensation expense for this cash settled plan of $0.5 million and $1.1 million has been recorded as general and administration expense during the three and six month periods ended June 30, 2010 (2009 - $0.3 million and $0.5 million, respectively).

7. PER UNIT AMOUNTS

Basic and diluted net earnings per trust unit have been determined based on the following:

		Three Months Ended				Six Months Ended		
		Jun 30, 2010		Jun 30, 2009		Jun 30, 2010		Jun 30, 2009
Net earnings	$	44,027	$	24,880	$	86,535	$	44,764
Non-controlling interest - exchangeable shares		4,052		2,461		7,935		4,395
Net earnings for diluted net earnings per trust unit calculation	$	48,079	$	27,341	$	94,470	$	49,159
Basic weighted average trust units outstanding		80,601,384		71,068,073		80,158,188		70,778,145
Dilutive impact of trust units issuable on conversion of exchangeable shares		7,460,148		7,039,682		7,460,772		7,060,018
Dilutive impact of unit rights incentive and trust unit award plans		850,225		946,477		649,895		703,164
Diluted weighted average trust units outstanding		88,911,757		79,054,232		88,268,855		78,541,327

Basic net earnings per trust unit has been calculated based on net earnings divided by the basic weighted average trust units outstanding. Earnings attributable to the non-controlling interest related to the exchangeable shares are added back to net earnings in calculating diluted net earnings per trust unit. All outstanding potential units related to incentive plans were dilutive and therefore have been included in the calculation of the diluted trust units for all periods presented.

8. DERIVATIVE INSTRUMENTS

Risk Management Activities

The nature of the Trust's operations results in exposure to fluctuations in commodity prices, interest rates and foreign currency exchange rates. The Trust monitors and, when appropriate, uses derivative financial instruments to manage its exposure to these risks. All transactions of this nature entered into by the Trust are related to an underlying financial position or to future petroleum and natural gas production. The Trust does not use derivative financial instruments for speculative purposes. The Trust has elected to not designate any of its price risk management activities as accounting hedges and thus accounts for changes to fair value in net earnings for the period. During the normal course of business, the Trust enters into fixed price arrangements to sell a portion of its production. The Trust has elected to exempt these contracts from fair value accounting through the use of the normal purchase and sales exemption. The Trust does not obtain collateral or other security to support its financial derivatives as management reviews the creditworthiness of the counterparty prior to entering into a derivative contract.

The following table summarizes the Trust's outstanding financial derivative positions as at June 30, 2010.

Risk Management: Oil	Funded Cost	bbls/d	US $/bbl
Collar - WTI			
April 2010 - December 2010	US $0.00/bbl	750	$ 72.00 - $ 95.00
April 2010 - December 2010	US $0.00/bbl	750	$ 72.00 - $ 95.00
2010	US $0.00/bbl	1,500	$ 70.00 - $ 97.80
2010	US $1.00/bbl	1,500	$ 72.00 - $ 99.00
2010	US $1.00/bbl	1,500	$ 72.00 - $100.65
2010	US $1.50/bbl	750	$ 70.00 - $ 97.40
2010	US $1.50/bbl	750	$ 69.00 - $ 90.15
January 2010 to June 2011	US $1.00/bbl	2,400	$ 80.00 - $107.60
July 2010 to December 2011	US $1.00/bbl	2,400	$ 80.00 - $110.00
Call Spread - BRENT			
2010	US $4.94/bbl	1,100	$ 65.00 - $ 85.00
2011	US $6.08/bbl	960	$ 65.00 - $ 85.00
2010	US $5.64/bbl	700	$ 65.00 - $ 85.00
2011	US $5.15/bbl	600	$ 65.00 - $ 85.00
Risk Management: Natural Gas	**Funded Cost**	**GJ/d**	**$/GJ**
SWAP - AECO			
April 2010 to October 2010	$0.00/GJ	5,000	$5.28
April 2010 to October 2010	$0.00/GJ	5,000	$5.30
January 2010 to October 2011	$0.00/GJ	700	$5.13
Put – AECO			
April 2010 to October 2010	$0.35/GJ	10,000	$4.50

The following table reconciles the change in the fair value of the Trust's derivative contracts:

	Jun 30, 2010	Dec 31, 2009
Fair value of contracts, beginning of period	$ 14,341	$ 15,204
Opening unrealized (gain) on contracts settled during the period	(4,312)	(11,959)
Realized gain on contracts settled during the period	4,990	5,389
Unrealized gain during the period on contracts outstanding at the end of the period	12,117	11,096
Net (receipt from) counterparties on contract settlements during the period	(4,990)	(5,389)
Fair value of contracts, end of period	22,146	14,341
Comprised of:		
Current derivative asset	14,162	8,217
Current derivative liability	-	(1,772)
Non-current derivative asset	7,984	7,896
Fair value of contracts, end of period	$ 22,146	$ 14,341

8. DERIVATIVE INSTRUMENTS (Continued)

The (gain) on derivative instruments for the periods is comprised of the following:

	Three Months Ended		Six Months Ended	
	Jun 30, 2010	Jun 30, 2009	Jun 30, 2010	Jun 30, 2009
Realized (gain) on contracts settled during the period	$ (3,772)	$ (703)	$ (4,990)	$ (2,913)
Opening unrealized gain on contracts settled during the period	2,915	2,990	4,312	5,980
Unrealized (gain) during the period on contracts outstanding at the end of the period	(6,729)	(6,148)	(12,117)	(7,356)
(Gain) on derivative instruments for the period	$ (7,586)	$ (3,861)	$ (12,795)	$ (4,289)

9. SEGMENTED INFORMATION

	Three Months Ended		Six Months Ended	
	Jun 30, 2010	Jun 30, 2009	Jun 30, 2010	Jun 30, 2009
Petroleum and natural gas revenue				
Canada	$ 44,009	$ 37,293	$ 91,937	$ 76,237
France	61,442	52,669	117,711	89,464
Netherlands	17,947	16,074	30,250	41,940
Australia	46,147	56,752	99,228	101,383
Ireland	-	-	-	-
	$ 169,545	$ 162,788	$ 339,126	$ 309,024
Net earnings (loss)				
Canada	$ 12,323	$ (19,006)	$ 12,579	$ (30,045)
France	34,078	18,959	60,947	25,112
Netherlands	4,637	5,310	8,694	16,772
Australia	13,144	19,617	20,788	32,925
Ireland	(20,155)	-	(16,473)	-
	$ 44,027	$ 24,880	$ 86,535	$ 44,764
Capital expenditures				
Canada	$ 56,493	$ 6,935	$ 144,182	$ 26,979
France	9,218	28,096	23,145	49,967
Netherlands	1,711	3,529	5,120	4,598
Australia	12,796	2,451	14,691	4,431
Ireland	19,640	-	35,513	-
	$ 99,858	$ 41,011	$ 222,651	$ 85,975

	Jun 30, 2010	Dec 31, 2009
Total assets		
Canada	$ 838,790	$ 711,435
France	543,963	575,426
Netherlands	115,485	180,803
Australia	234,145	250,780
Ireland	396,721	366,232
	$ 2,129,104	$ 2,084,676

10. COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at June 30, 2010 and December 31, 2009 was comprised solely of monies on deposit with banks.

11. CAPITAL DISCLOSURES

The Trust's manner of managing capital has not changed from the prior year. The following table calculates the Trust's ratio of net debt to annualized fund flows from operations (both non-GAAP measures) for the three and six month periods ended June 30, 2010:

		Three Months Ended Jun 30, 2010		Six Months Ended Jun 30, 2010
Long-term debt	$	229,588	$	229,588
Current liabilities		193,891		193,891
Current assets		(240,470)		(240,470)
Net debt [1]	$	183,009	$	183,009
Cash flows from operating activities	$	107,279	$	187,516
Changes in non-cash operating working capital		(17,684)		(19,560)
Asset retirement costs incurred		812		812
Fund flows from operations	$	90,407	$	168,768
Annualized fund flows from operations [2]		361,628		337,536
Ratio of net debt to annualized fund flows from operations ([1] / [2])		0.51		0.54

For the three and six month periods ended June 30, 2010, the ratio of net debt to annualized fund flows from operations was 0.51 and 0.54 respectively. As a result of expected capital spending associated with the Corrib project, the Trust expects that its ratio of net debt to fund flows from operations will increase until first gas in achieved on the Corrib project.

In relation to its long-term debt, the Trust is subject to a debt to EBITDA ratio test (where debt is defined as long-term debt as presented on the consolidated balance sheet and EBITDA is defined as earnings before interest, income taxes, depreciation, amortization and other certain non-cash items). During the periods covered by these financial statements, the Trust continued to comply with this externally imposed capital requirement.

12. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

Cash, short-term investments, derivative assets and liabilities, the reclamation fund and long-term investments are recorded at fair value which is determined with reference to published price quotations in active markets or accepted pricing models which are adjusted for credit risk. The carrying value of accounts receivable, accounts payable and distributions payable approximates fair value due to the short maturities of these instruments. The carrying value of long-term debt approximates its fair value due to the use of short-term borrowing instruments at market rates of interest.

Summarized Quantitative Data Associated with the Risks Arising from Financial Instruments

Credit risk:
As at June 30, 2010 Vermilion's maximum exposure to receivable credit risk was $115.4 million which is the aggregate value of receivables and derivative assets at the balance sheet date. Vermilion's receivables are due from counterparties that have investment grade third party credit ratings or, in the absence of the availability of such ratings, Vermilion has satisfactorily reviewed the counterparty for creditworthiness.

12. FINANCIAL INSTRUMENTS (Continued)

As at the balance sheet date the amount of financial assets that were past due or impaired was not material.

Liquidity risk:
The following table summarizes Vermilion's undiscounted financial liabilities and their contractual maturities as at June 30, 2010 and December 31, 2009:

Due in (from balance sheet date)	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
June 30, 2010: Non-derivative financial liabilities	67,102	88,194	13,231	374,581
December 31, 2009: Non-derivative financial liabilities	117,911	84,911	9,920	302,691

The Trust's derivative liabilities settle on a monthly basis.

Market risk:
The Trust is exposed to currency risk related to changes in foreign currency denominated financial instruments, commodity price risk related to outstanding derivative positions, interest rate risk related to its long-term debt and investments in debt securities and equity price risk related to investments in equity securities. The following table summarizes what the impact on net earnings before tax would be for the six month periods ended June 30, 2010 and 2009 given changes in the relevant risk variables that the Trust considers were reasonably possible at the balance sheet date. The impact on net earnings before tax associated with changes in these risk variables for liabilities that are not considered financial instruments is excluded from this analysis. This analysis does not attempt to reflect any interdependencies between the relevant risk variables.

Six months ended June 30, 2010:

Risk	Description of change in risk variable	Effect on net earnings before tax increase (decrease)
Currency risk – Euro to Canadian	Increase in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates on June 30, 2010.	$ (587)
	Decrease in strength of the Canadian dollar against the Euro by 10% over the relevant closing rates on June 30, 2010.	$ 1,174
Currency risk – US$ to Canadian	Increase in strength of the Canadian dollar against the US$ by 5% over the relevant closing rates on June 30, 2010.	$ 2,308
	Decrease in strength of the Canadian dollar against the US$ by 5% over the relevant closing rates on June 30, 2010.	$ (2,308)
Currency risk – AUD$ to Canadian	Increase in strength of the Canadian dollar against the AUD$ by 5% over the relevant closing rates on June 30, 2010.	$ (1,053)
	Decrease in strength of the Canadian dollar against the AUD$ by 5% over the relevant closing rates on June 30, 2010.	$ 1,053
Commodity price risk	Increase in relevant oil reference price at June 30, 2010 by US$5.00/bbl within option pricing models used to determine the fair value of derivative positions.	$ (4,562)
	Decrease in relevant oil reference price at June 30, 2010 by US$5.00/bbl within option pricing models used to determine the fair value of derivative positions.	$ 6,214

12. FINANCIAL INSTRUMENTS (Continued)

Six months ended June 30, 2009:

Risk	Description of change in risk variable	Effect on net earnings before tax increase (decrease)
Currency risk – Euro to Canadian	Increase in strength of the Canadian dollar against the Euro by 10% over the relevant closing rates on June 30, 2009.	$ (4,659)
	Decrease in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates on June 30, 2009.	$ 2,330
Currency risk – US$ to Canadian	Increase in strength of the Canadian dollar against the US$ by 10% over the relevant closing rates on June 30, 2009.	$ (5,681)
	Decrease in strength of the Canadian dollar against the US$ by 5% over the relevant closing rates on June 30, 2009.	$ 2,840
Currency risk – AUD$ to Canadian	Increase in strength of the Canadian dollar against the AUD$ by 10% over the relevant closing rates on June 30, 2009.	$ (931)
	Decrease in strength of the Canadian dollar against the AUD$ by 5% over the relevant closing rates on June 30, 2009.	$ 465
Commodity price risk	Increase in relevant oil reference price at June 30, 2009 by US$5.00/bbl within option pricing models used to determine the fair value of derivative positions.	$ 2,320
	Decrease in relevant oil reference price at June 30, 2009 by US$5.00/bbl within option pricing models used to determine the fair value of derivative positions.	$ (2,672)

Reasonably possible changes in the relevant variables associated with interest rate risk and equity price risk would not have had a material impact on net earnings for the periods ended June 30, 2010 or 2009.

Trust Information

DIRECTORS

Larry J. Macdonald [1, 2, 3, 4, 5]
Chairman & CEO, Point Energy Ltd.
Calgary, Alberta

W. Kenneth Davidson [2, 3]
Toronto, Ontario

Lorenzo Donadeo
Calgary, Alberta

Claudio A. Ghersinich [2, 4, 5]
Executive Director, Carrera Investments Corp.
Calgary, Alberta

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

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

Timothy R. Marchant [3, 4, 5]
Calgary, Alberta

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

ABBREVIATIONS

bbl(s)	barrel(s)
mbbls	thousand barrels
bbls/d	barrels per day
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day
boe	barrels of oil equivalent of natural gas and crude oil on the basis of one boe for six mcf of natural gas
mboe	thousand barrels of oil equivalent
mmboe	million barrels of oil equivalent
boe/d	barrels of oil equivalent per day
CBM	coalbed methane
NGLs	natural gas liquids
GJ/d	Gigajoules per day
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
$M	thousand dollars
$MM	million dollars

OFFICERS AND KEY PERSONNEL

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

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

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

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

Paul L. Beique
Vice President Capital Markets

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

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

Daniel Goulet, P.Eng.
Director Production and Operations

Cameron A. Hercus, MSc
Director Exploitation and New Growth

Dean N. Morrison, CFA
Director Investor Relations

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

EUROPE
Peter Sider, P.Eng.
Vice President European Operations

David Burghardt, P.Eng.
Director Exploitation

Scott Ferguson, P.Eng.
Director European Operations

AUSTRALIA
Bruce D. Lake, P.Eng.
Managing Director
Vermilion Oil & Gas Australia Pty Ltd.

AUDITORS
Deloitte & Touche LLP
Calgary, Alberta

BANKERS
The Toronto-Dominion Bank
Calgary, Alberta

Bank of Montreal
Calgary, Alberta

BNP Paribas (Canada)
Toronto, Ontario

Royal Bank of Canada
Calgary, Alberta

The Bank of Nova Scotia
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

Citibank N.A., Canadian Branch
Calgary, Alberta

EVALUATION ENGINEERS
GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL
Macleod Dixon LLP
Calgary, Alberta

TRANSFER AGENT
Computershare Trust Company of Canada

STOCK EXCHANGE LISTING
The Toronto Stock Exchange
Symbol: VET.UN
US OTC
Symbol: VETMF

INVESTOR RELATIONS CONTACT
Paul L. Beique, VP Capital Markets
Dean Morrison, Director Investor Relations
403.269.4884 TEL
403.264.6306 FAX
1.866.895.8101 IR TOLL FREE
investor_relations@vermilionenergy.com