Q2 2022

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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# Disclaimer

Certain statements included or incorporated by reference in this document may constitute forward-looking statements or financial outlooks under applicable securities legislation. Such 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 and Vermilion's ability to fund such expenditures; Vermilion's additional debt capacity providing it with additional working capital; the flexibility of Vermilion's capital program and operations; business strategies and objectives; operational and financial performance; sustainability (Environment, Social, and Governance or ESG) data and performance; estimated volumes of reserves and resources; petroleum and natural gas sales; future production levels and the timing thereof, including Vermilion's 2022 guidance, and rates of average annual production growth; the effect of changes in crude oil and natural gas prices, changes in exchange rates and significant declines in production or sales volumes due to unforeseen circumstances; the effect of possible changes in critical accounting estimates; statements regarding the growth and size of Vermilion's future project inventory, and the wells expected to be drilled in 2022; exploration and development plans and the timing thereof; Vermilion's ability to reduce its debt; statements regarding Vermilion's hedging program, its plans to add to its hedging positions, and the anticipated impact of Vermilion's hedging program on project economics and free cash flows; the potential financial impact of climate-related risks; acquisition and disposition plans and the timing thereof; operating and other expenses, including the payment and amount of future dividends; royalty and income tax rates and Vermilion's expectations regarding future taxes and taxability; and the timing of regulatory proceedings and approvals.

Such forward looking statements or information are based on a number of assumptions, all or any of 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 Vermilion to obtain equipment, services and supplies in a timely manner to carry out its activities in Canada and internationally; the ability of Vermilion to market crude oil, natural gas liquids, 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 Vermilion to obtain financing on acceptable terms; foreign currency exchange rates and interest rates; future crude oil, natural gas liquids, and natural gas prices; and management's expectations relating to the timing and results of exploration and development activities.

Although Vermilion 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 Vermilion can give no assurance that such expectations will prove to be correct. Financial outlooks are provided for the purpose of understanding Vermilion's financial position and business objectives, and the information may not be appropriate for other purposes. 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 Vermilion 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, natural gas liquids, and natural gas; risks and uncertainties involving geology of crude oil, natural gas liquids, and natural gas deposits; risks inherent in Vermilion's marketing operations, including credit risk; the uncertainty of reserves estimates and reserves life and estimates of resources and associated expenditures; the uncertainty of estimates and projections relating to production and associated expenditures; potential delays or changes in plans with respect to exploration or development projects; Vermilion's ability to enter into or renew leases on acceptable terms; fluctuations in crude oil, natural gas liquids, 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 Vermilion to add production and reserves through exploration and development activities; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; uncertainty and current evolutions with relation to sustainability/ESG reporting methodologies; uncertainty in amounts and timing of royalty payments; risks associated with existing and potential future law suits and regulatory actions against Vermilion; and other risks and uncertainties described elsewhere in this document or in Vermilion's other filings with Canadian securities regulatory authorities.

The forward looking statements or information contained in this document are made as of the date hereof and Vermilion 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.

This document contains metrics commonly used in the oil and gas industry. These oil and gas metrics do not have any standardized meaning or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies where similar terminology is used and should therefore not be used to make comparisons. Natural gas volumes have been converted on the basis of six thousand cubic feet of natural gas to one barrel of oil equivalent. 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.

This document may contain references to sustainability/ESG data and performance that reflect metrics and concepts that are commonly used in such frameworks as the Global Reporting Initiative, the Task Force on Climate-related Financial Disclosures, and the Value Reporting Foundation (Sustainability Accounting Standards Board). Vermilion has used best efforts to align with the most commonly accepted methodologies for ESG reporting, including with respect to climate data and information on potential future risks and opportunities, in order to provide a fuller context for our current and future operations. However, these methodologies are not yet standardized, are frequently based on calculation factors that change over time, and continue to evolve rapidly. Readers are particularly cautioned to evaluate the underlying definitions and measures used by other companies, as these may not be comparable to Vermilion's. While Vermilion will continue to monitor and adapt its reporting accordingly, the Company is not under any duty to update or revise the related sustainability/ESG data or statements except as required by applicable securities laws.

Financial data contained within this document are reported in Canadian dollars, unless otherwise stated.

# Abbreviations

| | |
|---|---|
| $M | thousand dollars |
| $MM | million dollars |
| AECO | the daily average benchmark price for natural gas at the AECO 'C' hub in Alberta |
| bbl(s) | barrel(s) |
| bbls/d | barrels per day |
| boe | barrel of oil equivalent, including: crude oil, condensate, natural gas liquids, and natural gas (converted on the basis of one boe for six mcf of natural gas) |
| boe/d | barrel of oil equivalent per day |
| GJ | gigajoules |
| LSB | light sour blend crude oil reference price |
| mbbls | thousand barrels |
| mcf | thousand cubic feet |
| mmcf/d | million cubic feet per day |
| NBP | the reference price paid for natural gas in the United Kingdom at the National Balancing Point Virtual Trading Point |
| NGLs | natural gas liquids, which includes butane, propane, and ethane |
| PRRT | Petroleum Resource Rent Tax, a profit based tax levied on petroleum projects in Australia |
| tCO2e | tonnes of carbon dioxide equivalent |
| TTF | the price for natural gas in the Netherlands, quoted in megawatt hours of natural gas, at the Title Transfer Facility Virtual Trading Point |
| WTI | West Texas Intermediate, the reference price paid for crude oil of standard grade in US dollars at Cushing, Oklahoma |

# Management's Discussion and Analysis

The following is Management's Discussion and Analysis ("MD&A"), dated August 11, 2022, of Vermilion Energy Inc.'s ("Vermilion", "we", "our", "us" or the "Company") operating and financial results as at and for the three and six months ended June 30, 2022 compared with the corresponding periods in the prior year.

This discussion should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and the audited consolidated financial statements for the years ended December 31, 2021 and 2020, together with the accompanying notes. Additional information relating to Vermilion, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Vermilion's website at www.vermilionenergy.com.

The unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and comparative information have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

This MD&A includes references to certain financial and performance measures which do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). These measures include:

- Fund flows from operations: Fund flows from operations (FFO) is a total of segments measure most directly comparable to net earnings and is comprised of sales excluding royalties, transportation, operating, G&A, corporate income tax, PRRT, interest expense, realized loss on derivatives, realized foreign exchange gain (loss), and realized other income. The measure is used to assess the contribution of each business unit to Vermilion's ability to generate income necessary to pay dividends, repay debt, fund asset retirement obligations and make capital investments. A reconciliation to Net Earnings can be found within the "Non-GAAP and Other Specified Financial Measures" section of this MD&A.
- Free cash flow: Free cash flow (FCF) is a non-GAAP financial measure most directly comparable to Cash flows used in investing activities and is comprised of FFO less drilling and development costs and exploration and evaluation costs. The measure is used to determine the funding available for investing and financing activities including payment of dividends, repayment of long-term debt, reallocation into existing business units and deployment into new ventures. A reconciliation to Cash flows used in investing activities can be found within the "Non-GAAP and Other Specified Financial Measures" section of this MD&A.
- Net debt: Net debt is a capital management measure in accordance with IAS 1 "Presentation of Financial Statements" and is most directly comparable to long-term debt. Net debt is comprised of long-term debt (excluding unrealized foreign exchange on swapped USD borrowings) plus adjusted working capital (defined as current assets less current liabilities, excluding current derivatives and current lease liabilities), and represents Vermilion's net financing obligations after adjusting for the timing of working capital fluctuations. Net debt excludes lease obligations which are secured by a corresponding right-of-use asset. A reconciliation to long term-debt can be found within the "Financial Position Review" section of this MD&A.
- Operating Netbacks: Operating Netbacks is a non-GAAP financial measure most directly comparable to net earnings and is calculated as sales less royalties, operating expense, transportation costs, PRRT, and realized hedging gains and losses presented on a per unit basis. Management assesses operating netback as a measure of the profitability and efficiency of our field operations. A reconciliation to primary financial statement measures can be found within "Supplemental Table 1: Netbacks" of this MD&A.
- Fund flows from operations per boe: Fund flows from operations per boe includes general and administration expense. Fund flows from operations netback is used by management to assess the profitability of our business units and Vermilion as a whole. A reconciliation to primary financial statement measures can be found within "Supplemental Table 1: Netbacks" of this MD&A.

In addition, this MD&A includes references to certain financial measures which are not specified, defined, or determined under IFRS and are therefore considered non-GAAP financial measures. These non-GAAP financial measures are unlikely to be comparable to similar financial measures presented by other issuers. For a full description of these non-GAAP financial measures and a reconciliation of these measures to their most directly comparable GAAP measures, please refer to the "Non-GAAP and Other Specified Financial Measures" section of this MD&A.

## Product Type Disclosure

Under National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities", disclosure of production volumes should include segmentation by product type as defined in the instrument. In this report, references to "crude oil" and "light and medium crude oil" mean "light crude oil and medium crude oil" and references to "natural gas" mean "conventional natural gas".

In addition, in Supplemental Table 4 "Production", Vermilion provides a reconciliation from total production volumes to product type and also a reconciliation of "crude oil and condensate" and "NGLs" to the product types "light crude oil and medium crude oil" and "natural gas liquids".

Production volumes reported are based on quantities as measured at the first point of sale.

# Guidance

On November 29, 2021, we released our 2022 capital budget and associated production guidance. On March 28, 2022, we increased our 2022 capital expenditure guidance to $500 million and our 2022 annual production guidance to 86,000 to 88,000 boe/d to reflect the post-closing impact of the acquisition of Leucrotta Exploration Inc. On August 11, 2022, as a result of forest fire related downtime in France, offshore drilling delays in Australia, combined with inflationary pressure, we increased our 2022 budget by $50 million to $550 million. 2022 guidance does not include contribution from the Corrib Acquisition and will be updated upon close.

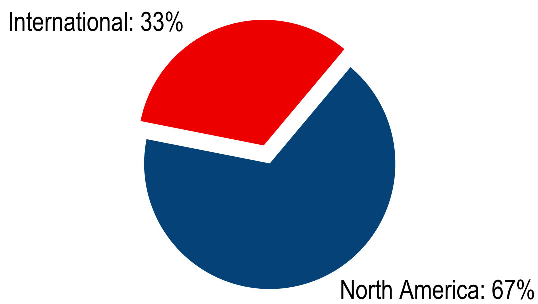
The following table summarizes our guidance:

| | Date | Capital Expenditures ($MM) | Production (boe/d) |
|---|---|---|---|
| **2022 Guidance** | | | |
| 2022 Guidance | November 29, 2021 | 425 | 83,000 to 85,000 |
| 2022 Guidance | March 28, 2022 | 500 | 86,000 to 88,000 |
| 2022 Guidance | August 11, 2022 | 550 | 86,000 to 88,000 |

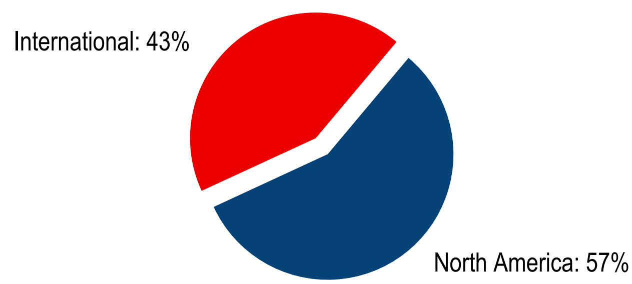
## Vermilion's Business

Vermilion is a Calgary, Alberta-based international oil and gas producer focused on the acquisition, exploration, development, and optimization of producing properties in North America, Europe, and Australia. We manage our business through our Calgary head office and our international business unit offices.

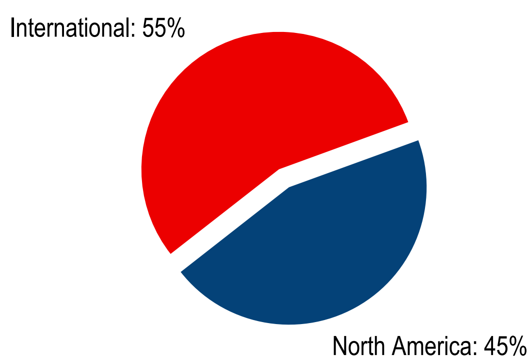
YTD 2022 production of 85,537 boe/d




YTD 2022 capital expenditures of $198.5MM




YTD 2022 fund flows from operations of $842.8MM



## Consolidated Results Overview

| | Q2 2022 | Q2 2021 | Q2/22 vs. Q2/21 | YTD 2022 | YTD 2021 | 2022 vs. 2021 |
|---|---|---|---|---|---|---|
| **Production** [1] | | | | | | |
| Crude oil and condensate (bbls/d) | **36,783** | 38,354 | (4)% | **36,936** | 38,777 | (5)% |
| NGLs (bbls/d) | **8,113** | 8,695 | (7)% | **8,227** | 8,386 | (2)% |
| Natural gas (mmcf/d) | **239.83** | 235.72 | 2% | **242.25** | 234.86 | 3% |
| Total (boe/d) | **84,868** | 86,335 | (2)% | **85,537** | 86,306 | (1)% |
| Build in inventory (mbbls) | **23** | 15 | | **104** | 299 | |
| **Financial metrics** | | | | | | |
| Fund flows from operations ($M) [2] | **452,901** | 172,942 | 162% | **842,769** | 334,993 | 152% |
| Per share ($/basic share) | **2.75** | 1.07 | 157% | **5.16** | 2.09 | 147% |
| Net earnings ($M) | **362,621** | 451,274 | (20)% | **646,575** | 951,238 | (32) |
| Per share ($/basic share) | **2.20** | 2.79 | (21)% | **3.96** | 5.94 | (33) |
| Cash flows from operating activities ($M) | **530,364** | 253,406 | 109% | **871,417** | 372,553 | 134% |
| Free cash flow ($M) [3] | **339,748** | 93,766 | 262% | **644,272** | 172,454 | 274% |
| Long-term debt ($M) | **1,527,217** | 1,769,866 | (14)% | **1,527,217** | 1,769,866 | (14)% |
| Net debt ($M) [4] | **1,588,668** | 1,854,195 | (14)% | **1,588,668** | 1,854,195 | (14)% |
| **Activity** | | | | | | |
| Capital expenditures ($M) [5] | **113,153** | 79,176 | 43% | **198,497** | 162,539 | 22% |
| Acquisitions ($M) [6] | **522,223** | 12,519 | | **528,935** | 12,912 | |

(1) Please refer to Supplemental Table 4 "Production" for disclosure by product type.

(2) Fund flows from operations (FFO) and FFO per share are a total of segments measure and supplementary financial measure respectively most directly comparable to net earnings and net earnings per share, the measures do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. FFO is comprised of sales excluding royalties, transportation, operating, G&A, corporate income tax, PRRT, interest expense, and realized loss on derivatives, plus realized gain on foreign exchange and realized other income. The measure is used to assess the contribution of each business unit to Vermilion's ability to generate income necessary to pay dividends, repay debt, fund asset retirement obligations and make capital investments. A reconciliation to primary financial statement measures can be found within the "Non-GAAP and Other Specified Financial Measures" section of this MD&A.

(3) Free cash flow (FCF) is a non-GAAP financial measure most directly comparable to cash flows from operating activities; it does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. FCF is comprised of funds flows from operations less drilling and development costs and exploration and evaluation costs. The measure is used to determine the funding available for investing and financing activities including payment of dividends, repayment of long-term debt, reallocation into existing business units and deployment into new ventures. A reconciliation to primary financial statement measures can be found within the "Non-GAAP and Other Specified Financial Measures" section of this MD&A.

(4) Net debt is a capital management measure in accordance with IAS 1 "Presentation of Financial Statements" and is most directly comparable to long-term debt. Net debt is comprised of long-term debt (excluding unrealized foreign exchange on swapped USD borrowings) plus adjusted working capital (defined as current assets less current liabilities, excluding current derivatives and current lease liabilities), and represents Vermilion's net financing obligations after adjusting for the timing of working capital fluctuations. Net debt excludes lease obligations which are secured by a corresponding right-of-use asset. A reconciliation to primary financial statement measures can be found within the "Financial Position Review" section of this MD&A.

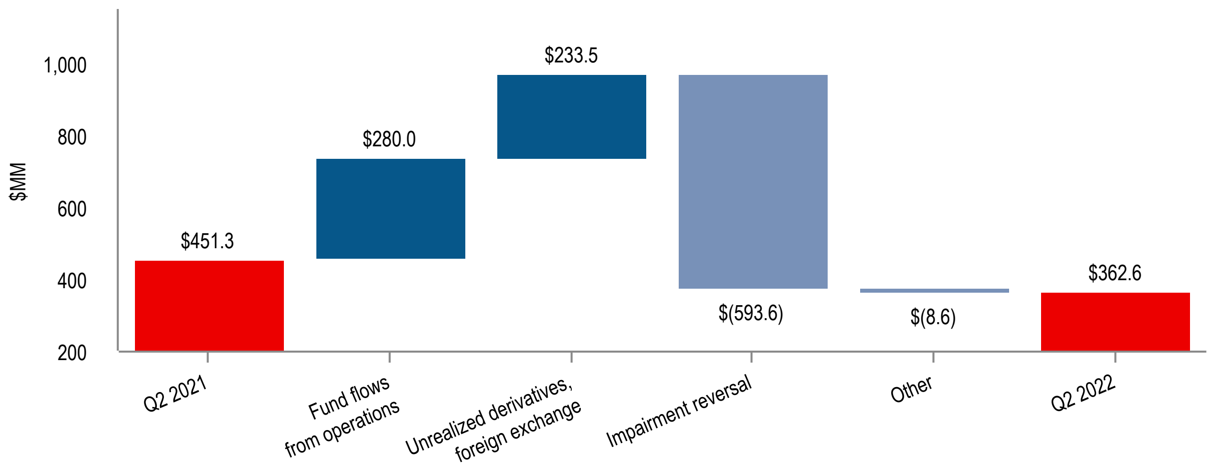
(5) Capital expenditures is a non-GAAP financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The measure is calculated as the sum of drilling and development costs and exploration and evaluation costs from the Consolidated Statements of Cash Flows. We consider capital expenditures to be a useful measure of our investment in our existing asset base. Capital expenditures are also referred to as E&D capital. A reconciliation to primary financial statement measures can be found within the "Non-GAAP and Other Specified Financial Measures" section of this MD&A.

(6) Acquisitions is a non-GAAP financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The measure is calculated as the sum of acquisitions from the Consolidated Statements of Cash Flows, Vermilion common shares issued as consideration, the estimated value of contingent consideration, the amount of acquiree's outstanding long-term debt assumed plus or net of acquired working capital deficit or surplus. We believe that including these components provides a useful measure of the economic investment associated with our acquisition activity. A reconciliation to the acquisitions line item in the Consolidated Statements of Cash Flows can be found in "Supplemental Table 3: Capital Expenditures and Acquisitions" section of this MD&A.

## Financial performance review

*Q2 2022 vs. Q2 2021*

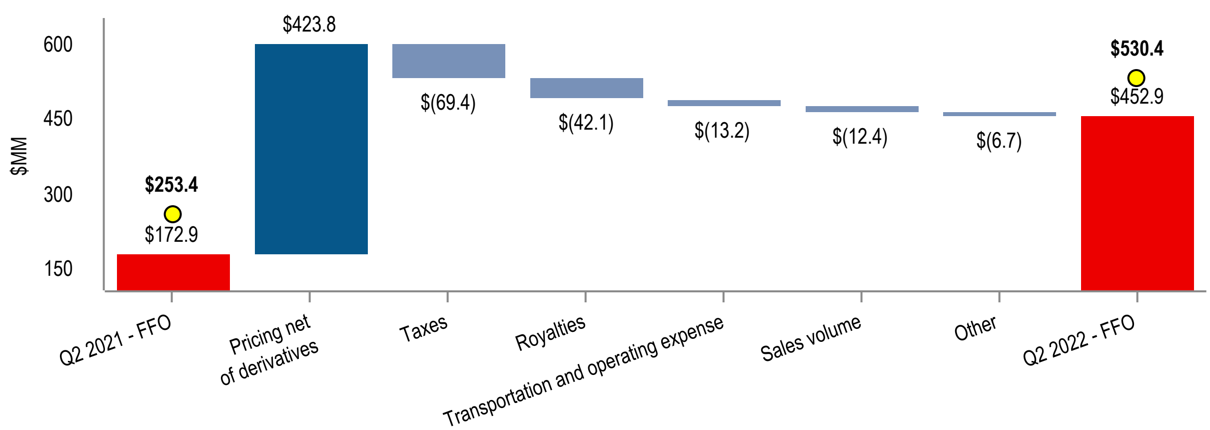
Net earnings of $362.6MM in Q2 2022 compared to net earnings of $451.3MM in Q2 2021




"Other" contains equity based compensation, accretion, depletion & depreciation, and unrealized other

- We recorded net earnings of $362.6 million ($2.20/basic share) for Q2 2022 compared to net earnings of $451.3 million ($2.79/basic share) in Q2 2021. The decrease in net earnings was primarily due to non-recurrence of impairment reversals, partially offset by increased FFO driven by higher revenue on strong commodity prices and unrealized derivative gains in Q2 2022 on our commodity hedges.

Increased cash flows from operating activities and FFO driven by stronger commodity prices

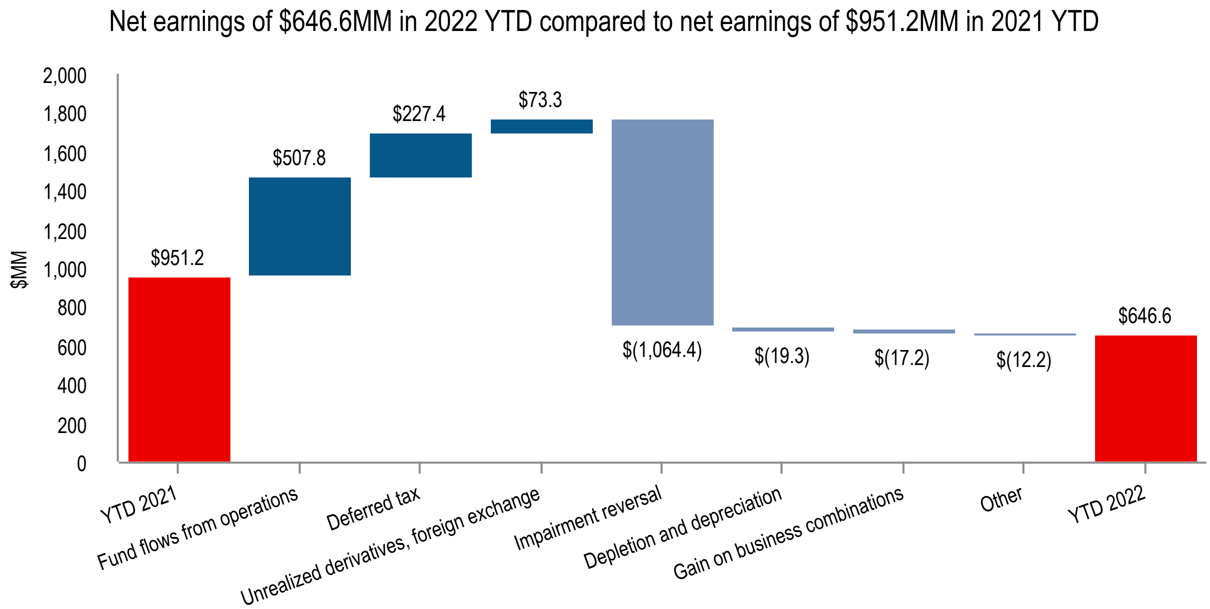



"Pricing net of derivatives" contains pricing variance on sales volumes (WTI, AECO, Dated Brent & TTF and NBP) and realized derivatives. "Sales volume" is the sum of sales volume variance in all regions. "Other" contains general and administration, interest, realized foreign exchange, and other realized income.

**Cash flows from operating activities**

- We generated cash flows from operating activities of $530.4 million in Q2 2022 compared to $253.4 million in Q2 2021 and fund flows from operations of $452.9 million in Q2 2022 compared to $172.9 million in Q2 2021. The increases were primarily due to higher commodity prices, which is reflected in our consolidated realized price per boe increasing from $51.93/boe in Q2 2021 to $111.55/boe in Q2 2022. This was partially offset by increased current taxes and royalties, driven by increased pricing. Variances between cash flows from operating activities and funds flow from operations are primarily driven by working capital timing differences.

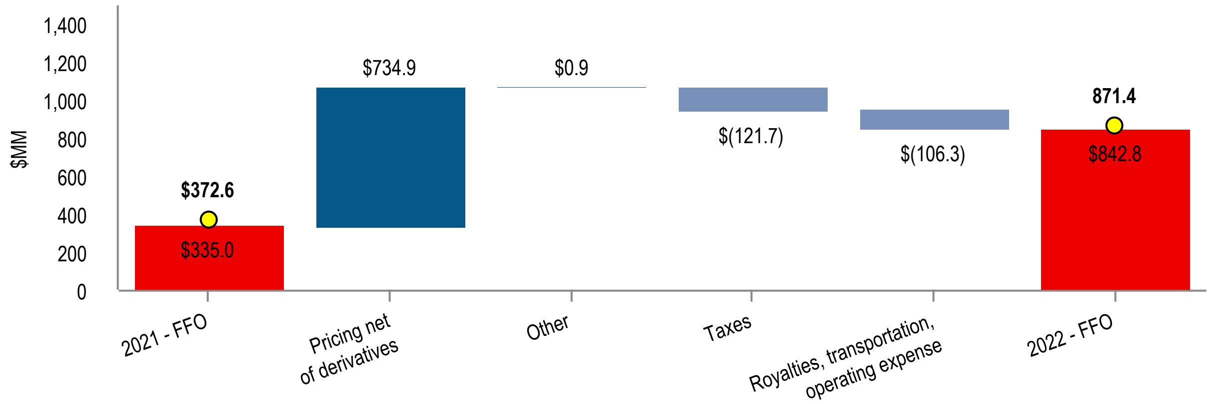
*YTD 2022 vs. YTD 2021*




"Other" contains equity based compensation, accretion, and unrealized other

- For the six months ended June 30, 2022, we recorded net earnings of $646.6 million compared to net earnings of $951.2 million for the comparable period in 2021. The decrease in net earnings was primarily due to a decrease in magnitude of the impairment reversals recorded in the first half of 2021 of $952.6 million (net of $303.9 million deferred income tax expense), compared to impairment reversals recorded in 2022 of $144.4 million (net of $47.7 million deferred income tax expense). This was partially offset by higher fund flows from operations driven by increased consolidated realized pricing and deferred tax recoveries primarily due to increased forecast commodity prices resulting in the recognition of non-expiring tax loss pools in Ireland.

Cash flows from operating activities and funds flow from operations increased on stronger commodity prices




"Pricing net of derivatives" contains pricing variance on sales volumes (WTI, AECO, Dated Brent & TTF and NBP) and realized derivatives. "Sales volume" is the sum of sales volume variance in all regions. "Other" contains general and administration, interest, realized foreign exchange, and other realized income.

**Cash flows from operating activities**

- Cash flows from operating activities increased by $498.9 million to $871.4 million for the six months ended June 30, 2022, and fund flows from operations increased by $507.8 million to $842.8 million for the six months ended June 30, 2022 versus the same period in 2021. These increases were primarily driven by a 115% increase in our consolidated realized price from $50.60/boe to $108.54/boe. This was partially offset by taxes and royalties which increased as a result of the increase in revenue, as well as higher operating expenses primarily due to increased power costs in Europe. Variances between cash flows from operating activities and funds flow from operations are primarily driven by working capital timing differences.

## Production review

*Q2 2022 vs. Q2 2021*

- Consolidated average production of 84,868 boe/d in Q2 2022 decreased slightly compared to Q2 2021 production of 86,335 boe/d. Production decreased in Canada, Australia, France, Ireland, and the Netherlands due to natural decline, this was partially offset by an increase in Germany of 1,864 boe/d and the United States by 1,231 boe/d due to 2021 acquisition and development activity.

*YTD 2022 vs. YTD 2021*

- Consolidated average production of 85,537 boe/d in the six months ended June 30, 2022 decreased slightly from the 86,306 boe/d in the prior year comparative period. Production decreased in Canada, Australia, France, Ireland, and the Netherlands due to natural decline, this was partially offset by an increase in Germany of 2,184 boe/d and the United States by 937 boe/d due to 2021 acquisition activity.

## Activity review

- For the three months ended June 30, 2022, capital expenditures of $113.2 million were incurred.
- In our North America core region, capital expenditures of $54.9 million were incurred during Q2 2022. In Canada, $30.8 million was incurred during the second quarter, we completed one (1.0 net) well and brought on production one (0.6 net) condensate-rich Mannville natural gas well in west-central Alberta, and we drilled one (1.0 net) well and completed two (2.0 net) wells in south-east Saskatchewan. Following the announcement of the Leucrotta acquisition in late March 2022, we assembled our Mica asset team and focused on integrating the assets and working closely with the Leucrotta team in drilling the first six (6.0 net) Montney gas well pad. Drilling was completed during the quarter and the team is now focused on completion activities. In the United States, $24.1 million was incurred primarily related to drilling four Turner locations as part of our planned six well program.
- In our International core region, capital expenditures of $58.2 million were incurred during Q2 2022. Our activities included $37.8 million incurred in Australia primarily related to drilling and facility activities for our 2022 two-well drilling campaign, and $11.9 million incurred in France on facilities and subsurface maintenance activities.

## Financial sustainability review

### *Cash flow from operations and free cash flow*

- Cash flows from operating activities increased by $498.9 million to $871.4 million for the six months ended June 30, 2022 compared to the prior year period which was primarily driven by a 115% increase in consolidated realized prices.
- Free cash flow of $644.3 million increased by $471.8 million for the six months ended June 30, 2022 compared to the prior year period which was primarily driven by an increase of fund flows from operations on higher realized prices, partially offset by higher expenditure on drilling and development activities.

### *Long-term debt and net debt*

- Long-term debt decreased to $1.5 billion as at June 30, 2022 from $1.7 billion as at December 31, 2021 as a result of net repayments made in the year on the revolving credit facility, driven by increased free cash flow. During Q2 2022, Vermilion closed a private offering of US $400.0 million 8-year senior unsecured notes in which proceeds were used to repay a portion of the revolving credit facility. Concurrent with the issuance of the 2030 senior unsecured notes and at Vermilion's election, the maturity date of the revolving credit facility was extended to May 29, 2026 and the total facility amount was reduced to $1.6 billion from $2.1 billion.
- Net debt at June 30, 2022 of $1.6 billion decreased slightly compared to December 31, 2021, mainly due to a decrease in long-term debt as a result of repayments of $633.1 million, partially offset by timing of working capital movements.
- The ratio of net debt to four quarter trailing fund flows from operations[1] decreased to 1.1 as at June 30, 2022 (December 31, 2021 - 1.2 ) mainly due to higher four quarter trailing fund flows from operations.

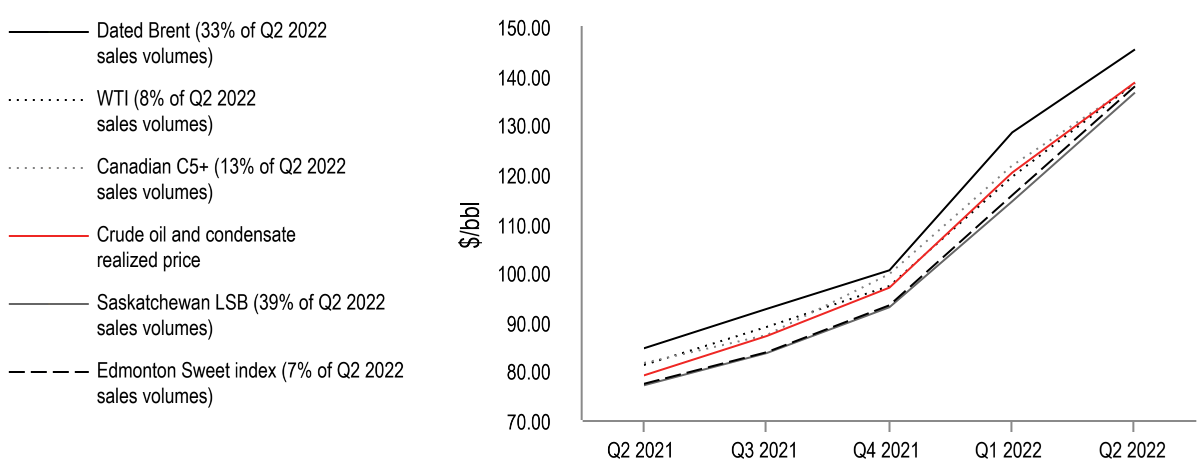
(1) Net debt to four quarter trailing fund flows from operations is a supplementary financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. It is calculated as net debt (capital measure) over the FFO from the preceding 4 quarters (total of segments measure). The measure is used to assess our ability to repay debt.

## Benchmark Commodity Prices

| | Q2 2022 | Q2 2021 | Q2/22 vs. Q2/21 | YTD 2022 | YTD 2021 | 2022 vs. 2021 |
|---|---|---|---|---|---|---|
| **Crude oil** | | | | | | |
| WTI ($/bbl) | **138.39** | 81.17 | 71% | **128.87** | 77.31 | 67% |
| WTI (US $/bbl) | **108.41** | 66.07 | 64% | **101.35** | 61.96 | 64% |
| Edmonton Sweet index ($/bbl) | **137.75** | 77.35 | 78% | **126.67** | 72.09 | 76% |
| Edmonton Sweet index (US $/bbl) | **107.91** | 62.96 | 71% | **99.62** | 57.78 | 72% |
| Saskatchewan LSB index ($/bbl) | **136.48** | 77.05 | 77% | **125.41** | 72.08 | 74% |
| Saskatchewan LSB index (US $/bbl) | **106.92** | 62.71 | 71% | **98.63** | 57.77 | 71% |
| Canadian C5+ Condensate index ($/bbl) | **138.30** | 81.58 | 70% | **129.97** | 77.63 | 67% |
| Canadian C5+ Condensate index (US $/bbl) | **108.34** | 66.40 | 63% | **102.22** | 62.22 | 64% |
| Dated Brent ($/bbl) | **145.24** | 84.56 | 72% | **136.80** | 80.93 | 69% |
| Dated Brent (US $/bbl) | **113.78** | 68.83 | 65% | **107.59** | 64.86 | 66% |
| **Natural gas** | | | | | | |
| AECO ($/mcf) | **7.24** | 3.09 | 134% | **5.99** | 3.12 | 92% |
| NBP ($/mcf) | **20.37** | 10.92 | 87% | **29.05** | 9.83 | 196% |
| NBP (€/mcf) | **14.99** | 7.37 | 103% | **20.91** | 6.53 | 220% |
| TTF ($/mcf) | **38.08** | 10.76 | 254% | **38.93** | 9.54 | 308% |
| TTF (€/mcf) | **28.02** | 7.27 | 285% | **28.02** | 6.34 | 342% |
| Henry Hub ($/mcf) | **9.16** | 3.48 | 163% | **7.72** | 3.45 | 124% |
| Henry Hub (US $/mcf) | **7.18** | 2.83 | 154% | **6.07** | 2.76 | 120% |
| **Average exchange rates** | | | | | | |
| CDN $/US $ | **1.28** | 1.23 | 4% | **1.27** | 1.25 | 2% |
| CDN $/Euro | **1.36** | 1.48 | (8)% | **1.39** | 1.50 | (7)% |
| **Realized prices** | | | | | | |
| Crude oil and condensate ($/bbl) | **138.55** | 79.06 | 75% | **129.48** | 75.21 | 72% |
| NGLs ($/bbl) | **51.86** | 25.43 | 104% | **49.38** | 27.32 | 81% |
| Natural gas ($/mcf) | **16.50** | 5.24 | 215% | **16.96** | 5.37 | 216% |
| Total ($/boe) | **111.55** | 51.93 | 115% | **108.54** | 50.60 | 115% |

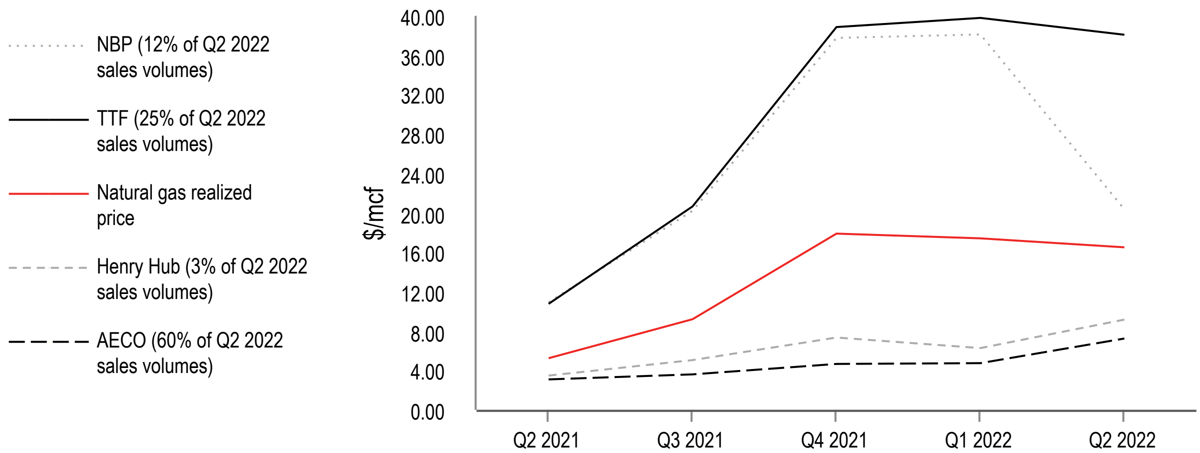
As an internationally diversified producer, we are exposed to a range of commodity prices. In our North America core region, our crude oil is sold at benchmarks linked to WTI (including the Edmonton Sweet index, the Saskatchewan LSB index, and the Canadian C5+ index) and our natural gas is sold at benchmarks linked to the AECO index (in Canada) or the Henry Hub index (in the United States). In our International core region, our crude oil is sold with reference to Dated Brent and our natural gas is sold with reference to NBP, TTF, or indices highly correlated to TTF.

Q2 2022 realized crude oil and condensate price was a $0.80/bbl premium to Edmonton Sweet Index



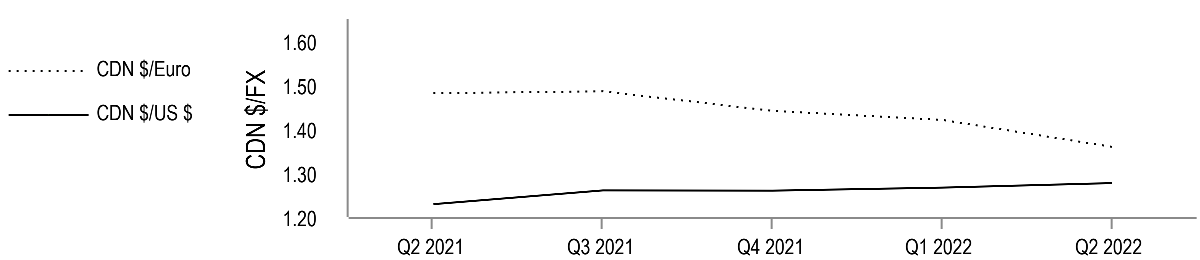
- Crude oil prices increased in Q2 2022 relative to Q2 2021. Global crude fundamentals continued to signal a tight market with continued geopolitical supply risks and disruptions. Year-over-year, Canadian dollar WTI and Brent prices rose 71% and 72%, respectively.
- In Canadian dollar terms, year-over-year, the Edmonton Sweet differential narrowed by $3.18/bbl to a discount of $0.64/bbl against WTI, and the Saskatchewan LSB differential narrowed by $2.21/bbl to a discount of $1.91/bbl against WTI.
- Approximately 33% of Vermilion's Q2 2022 crude oil and condensate production was priced at the Dated Brent index (which averaged a premium to WTI of US$5.37/bbl), while the remainder of our crude oil and condensate production was priced at the Saskatchewan LSB, Canadian C5+, Edmonton Sweet, and WTI indices.

Q2 2022 realized natural gas price was a $9.26/mcf premium to AECO




- In Canadian dollar terms, prices for European natural gas linked to NBP and TTF rose by 87% and 254%, respectively, in Q2 2022 compared to Q2 2021. Russian supply decreases combined with an elevated risk of further Russian supply risk supported higher European gas prices. LNG competition with Asia and high global coal and European carbon prices have also been supportive to natural gas prices.
- Natural gas prices in Canadian dollar terms at AECO and NYMEX HH increased by 134% and 163% respectively in Q2 2022 compared to Q2 2021. NYMEX prices benefited from below average inventories driven by record LNG export demand, strong power demand from above average cooling degree days and a continued lack of production growth in Q2. AECO was supported by strong Alberta natural gas demand from permanent additions in the power sector and from oil sands production growth, combined with storage levels remaining below average despite high WCSB production growth and NGTL maintenance impacts.
- For Q2 2022, average European natural gas prices represented a $21.99/mcf premium to AECO. Approximately 37% of our natural gas production in Q2 2022 benefited from this premium European pricing.

The Canadian dollar strengthened slightly versus the Euro and remained relatively consistent versus the US Dollar in Q2 2022 compared to Q2 2021




- For the three months ended June 30, 2022, the Canadian dollar strengthened 8% against the Euro compared to Q2 2021.
- For the three months ended June 30, 2022, the Canadian dollar weakened 4% against the US Dollar compared to Q2 2021.

## North America

| | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|---|---|---|---|---|
| **Production** [1] | | | | |
| Crude oil and condensate (bbls/d) | **24,801** | 24,316 | **24,190** | 24,480 |
| NGLs (bbls/d) | **8,113** | 8,695 | **8,226** | 8,386 |
| Natural gas (mmcf/d) | **150.68** | 152.06 | **149.40** | 148.23 |
| Total production volume (boe/d) | **58,027** | 58,354 | **57,316** | 57,572 |

(1) Please refer to Supplemental Table 4 "Production" for disclosure by product type.

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Sales | **440,096** | **83.34** | 224,609 | 42.30 | **775,689** | **74.77** | 444,743 | 42.68 |
| Royalties | **(66,075)** | **(12.51)** | (31,755) | (5.98) | **(123,338)** | **(11.89)** | (59,835) | (5.74) |
| Transportation | **(11,340)** | **(2.15)** | (10,084) | (1.90) | **(21,081)** | **(2.03)** | (20,568) | (1.97) |
| Operating | **(61,142)** | **(11.58)** | (57,830) | (10.89) | **(121,994)** | **(11.76)** | (115,111) | (11.05) |
| General and administration [1] | **(8,043)** | **(1.52)** | (4,825) | (0.91) | **(14,468)** | **(1.39)** | (11,673) | (1.12) |
| Corporate income tax expense [1] | **(26)** | **—** | (199) | (0.04) | **(145)** | **(0.01)** | (413) | (0.04) |
| Fund flows from operations | **293,470** | **55.58** | 119,916 | 22.58 | **494,663** | **47.69** | 237,143 | 22.76 |
| Drilling and development | **(54,913)** | | (38,847) | | **(112,426)** | | (97,960) | |
| Free cash flow | **238,557** | | 81,069 | | **382,237** | | 139,183 | |

(1) Includes amounts from Corporate segment.

Production from our North American operations averaged 58,027 boe/d[1] in Q2 2022, an increase of 3% from the prior quarter primarily due to the Leucrotta acquisition which closed on May 31, 2022. Drilling and completion activity in west-central Alberta and south-east Saskatchewan was limited during the second quarter due to spring breakup. During the second quarter, we completed one (1.0 net) well and brought on production one (0.6 net) condensate-rich Mannville natural gas well in west-central Alberta, and we drilled one (1.0 net) well and completed two (2.0 net) wells in south-east Saskatchewan. Following the announcement of the Leucrotta acquisition in late March 2022, we assembled our Mica asset team and focused on integrating the assets and working closely with the Leucrotta team in drilling the first six (6.0 net) well Montney pad. Drilling was successfully completed during the second quarter and the team is now focused on completion activities.

In the United States, we drilled four (3.8 net) wells of our planned six (5.8 net) operated Turner wells and completed two (2.0 net) wells during the second quarter. Three (2.8 net) wells are two-mile lateral wells which are significantly more economic than one-mile laterals. One (1.0 net) well was brought on production during the second quarter while the remaining wells will be completed and brought on production during the third quarter. In addition, one (0.4 net) two-mile non-operated Turner well is planned for drilling in Q4 2022.

### Sales

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Canada | **394,604** | **81.72** | 206,848 | 41.62 | **695,469** | **73.43** | 402,656 | 41.57 |
| United States | **45,492** | **100.64** | 17,761 | 52.24 | **80,220** | **88.81** | 42,087 | 57.38 |
| **North America** | **440,096** | **83.34** | 224,609 | 42.30 | **775,689** | **74.77** | 444,743 | 42.68 |

Sales in North America increased on a dollar and per unit basis for the three and six months ended June 30, 2022 versus the comparable prior periods due to significantly higher realized benchmark prices across all products and relatively consistent production volumes with the comparable period.

## Royalties

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Canada | **(54,090)** | **(11.20)** | (27,001) | (5.43) | **(102,339)** | **(10.81)** | (48,775) | (5.04) |
| United States | **(11,985)** | **(26.51)** | (4,754) | (13.98) | **(20,999)** | **(23.25)** | (11,060) | (15.08) |
| **North America** | **(66,075)** | **(12.51)** | (31,755) | (5.98) | **(123,338)** | **(11.89)** | (59,835) | (5.74) |

Royalties in North America increased on a dollar and per unit basis for the three and six months ended June 30, 2022 versus the comparable prior periods primarily due to higher commodity prices. Royalties as a percentage of sales for the three and six months ended June 30, 2022 of 15.0% and 14.1% respectively increased versus the comparable prior periods primarily due to the effect of higher commodity prices on sliding scale royalties.

## Transportation

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Canada | **(11,177)** | **(2.31)** | (9,868) | (1.99) | **(20,631)** | **(2.18)** | (20,104) | (2.08) |
| United States | **(163)** | **(0.36)** | (216) | (0.64) | **(450)** | **(0.50)** | (464) | (0.63) |
| **North America** | **(11,340)** | **(2.15)** | (10,084) | (1.90) | **(21,081)** | **(2.03)** | (20,568) | (1.97) |

Transportation expense in North America increased on a dollar and per boe basis for the three months ended June 30, 2022 versus the comparable prior period primarily due to increased tariffs in Saskatchewan beginning in April 2022. For the six months ended June 30, 2022, transportation expense remained relatively flat versus the comparable prior period on a dollar and per boe basis.

## Operating expense

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Canada | **(55,583)** | **(11.51)** | (54,441) | (10.95) | **(111,349)** | **(11.76)** | (107,607) | (11.11) |
| United States | **(5,559)** | **(12.30)** | (3,389) | (9.97) | **(10,645)** | **(11.79)** | (7,504) | (10.23) |
| **North America** | **(61,142)** | **(11.58)** | (57,830) | (10.89) | **(121,994)** | **(11.76)** | (115,111) | (11.05) |

Operating expenses in North America for the three and six months ended June 30, 2022 increased on a dollar basis and per boe basis versus the comparable periods. In Canada, increases in both the three and six month periods ended June 30, 2022 were primarily the result of an increase in planned maintenance activity and inflationary pressure. In the United States, increases in both the three and six month periods ended June 30, 2022 were primarily the result of Wyoming assets acquired in July 2021.

# International

| | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|---|---|---|---|---|
| **Production** [1] | | | | |
| Crude oil and condensate (bbls/d) | **11,983** | 14,037 | **12,746** | 14,298 |
| Natural gas (mmcf/d) | **89.15** | 83.66 | **92.84** | 86.62 |
| Total production volume (boe/d) | **26,840** | 27,981 | **28,220** | 28,734 |
| Total sales volume (boe/d) | **26,578** | 27,802 | **27,639** | 27,084 |

(1) Please refer to Supplemental Table 4 "Production" for disclosure by product type.

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Sales | **418,748** | **173.14** | 182,570 | 72.16 | **893,334** | **178.57** | 330,573 | 67.43 |
| Royalties | **(17,478)** | **(7.23)** | (9,701) | (3.83) | **(31,522)** | **(6.30)** | (18,067) | (3.69) |
| Transportation | **(8,813)** | **(3.64)** | (11,750) | (4.64) | **(16,341)** | **(3.27)** | (18,287) | (3.73) |
| Operating | **(53,475)** | **(22.11)** | (41,907) | (16.56) | **(104,806)** | **(20.95)** | (80,867) | (16.50) |
| General and administration | **(7,648)** | **(3.16)** | (6,607) | (2.61) | **(15,443)** | **(3.09)** | (11,489) | (2.34) |
| Corporate income tax (expense) recovery | **(69,475)** | **(28.73)** | (492) | (0.19) | **(115,028)** | **(22.99)** | 1,067 | 0.22 |
| PRRT | **(2,019)** | **(0.83)** | (1,459) | (0.58) | **(8,728)** | **(1.74)** | (2,873) | (0.59) |
| Fund flows from operations | **259,840** | **107.44** | 110,654 | 43.73 | **601,466** | **120.23** | 200,057 | 40.81 |
| Drilling and development | **(54,575)** | | (38,856) | | **(79,903)** | | (59,255) | |
| Exploration and evaluation | **(3,665)** | | (1,473) | | **(6,168)** | | (5,324) | |
| Free cash flow | **201,600** | | 70,325 | | **515,395** | | 135,478 | |

Production from our International operations averaged 26,840 boe/d[1] in Q2 2022, a decrease of 9% from the prior quarter primarily due to natural decline and offshore drilling delays in Australia. In Australia, the drilling of our two-well program was delayed by approximately one month due to unexpected maintenance and repairs on the third-party contracted rig. Drilling commenced late in the second quarter and is expected to finish in early September with production to start shortly thereafter. In Europe, much of our activity during the second quarter was focused on preparing for our 2H 2022 drilling campaign which will include two (1.1 net) wells in Netherlands, three (3.0 net) wells in Hungary and two (2.0 net wells) in Croatia.

## Sales

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Australia | **36,966** | **166.75** | 31,256 | 97.49 | **86,547** | **154.94** | 58,638 | 96.07 |
| France | **103,798** | **141.80** | 68,108 | 81.80 | **196,696** | **137.71** | 119,637 | 79.75 |
| Netherlands | **125,321** | **232.23** | 32,555 | 56.23 | **257,893** | **227.70** | 61,106 | 50.52 |
| Germany | **96,879** | **196.88** | 20,274 | 60.36 | **191,437** | **193.19** | 33,369 | 55.73 |
| Ireland | **53,277** | **125.76** | 30,188 | 65.93 | **157,306** | **179.27** | 57,256 | 59.03 |
| Central and Eastern Europe | **2,507** | **259.90** | 189 | 45.15 | **3,455** | **232.79** | 567 | 41.77 |
| **International** | **418,748** | **173.14** | 182,570 | 72.16 | **893,334** | **178.57** | 330,573 | 67.43 |

As a result of changes in inventory levels, our sales volumes for crude oil in Australia, France, and Germany may differ from our production volumes in those business units. The following table provides the crude oil sales volumes (consisting entirely of "light crude oil and medium crude oil") for those jurisdictions.

| Crude oil sales volumes (bbls/d) | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|---|---|---|---|---|
| Australia | **2,436** | 3,523 | **3,086** | 3,372 |
| France | **8,044** | 9,149 | **7,891** | 8,288 |
| Germany | **1,180** | 1,091 | **1,116** | 890 |
| **International** | **11,660** | 13,763 | **12,093** | 12,550 |

Sales increased on a dollar and per boe basis for the three and six months ended June 30, 2022 versus the prior year comparable periods due to higher realized prices across all business units as a result of significant increases in the commodity markets combined with increased production volumes due to prior year acquisitions in Germany. These increases were partially offset by lower sales volumes across multiple business units due to natural decline combined with the timing of liftings in Australia.

## Royalties

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| France | **(11,933)** | **(16.30)** | (9,167) | (11.01) | **(20,657)** | **(14.46)** | (16,403) | (10.93) |
| Netherlands | **—** | **—** | (128) | (0.22) | **—** | **—** | (225) | (0.19) |
| Germany | **(5,073)** | **(10.31)** | (367) | (1.09) | **(10,116)** | **(10.21)** | (1,322) | (2.21) |
| Central and Eastern Europe | **(472)** | **(48.93)** | (39) | (9.32) | **(749)** | **(50.46)** | (117) | (8.62) |
| **International** | **(17,478)** | **(7.23)** | (9,701) | (3.83) | **(31,522)** | **(6.30)** | (18,067) | (3.69) |

Royalties in our International core region are primarily incurred in France, where royalties include charges based on a percentage of sales and fixed per boe charges. Our production in Australia and Ireland is not subject to royalties.

Royalties increased on a dollar and per unit basis for the three and six months ended June 30, 2022 versus the comparable prior year periods primarily due to higher sales prices combined with an increase in royalty rates in Germany.

Royalties as a percentage of sales for the three and six months ended June 30, 2022 decreased to 4.2% compared to 5.3% in the prior year comparative periods primarily due to higher sales in business units that are not subject to royalties combined with the impact of RCDM royalties in France, which are levied on units of production and not subject to changes in commodity prices. This was partially offset by an increase in royalty rates in Germany.

## Transportation

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| France | **(5,868)** | **(8.02)** | (9,118) | (10.95) | **(10,634)** | **(7.44)** | (13,523) | (9.01) |
| Germany | **(2,007)** | **(4.08)** | (1,554) | (4.63) | **(3,788)** | **(3.82)** | (2,575) | (4.30) |
| Ireland | **(938)** | **(2.21)** | (1,078) | (2.35) | **(1,919)** | **(2.19)** | (2,189) | (2.26) |
| **International** | **(8,813)** | **(3.64)** | (11,750) | (4.64) | **(16,341)** | **(3.27)** | (18,287) | (3.73) |

Transportation expense decreased for the three and six months ended June 30, 2022 versus the comparable prior year periods primarily due to the volume of liftings in France, partially offset by 2021 acquisition activity in Germany resulting in higher volumes produced and sold requiring transportation in this region. On a per unit basis, transportation expense decreased primarily due to one-time expenses incurred in 2021 subsequent to the conversion of the Grandpuits refinery.

Our production in Australia, Netherlands and Central and Eastern Europe is not subject to transportation expense.

## Operating expense

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Australia | **(12,498)** | **(56.38)** | (10,408) | (32.46) | **(25,838)** | **(46.26)** | (20,146) | (33.01) |
| France | **(15,459)** | **(21.12)** | (12,591) | (15.12) | **(30,489)** | **(21.35)** | (24,382) | (16.25) |
| Netherlands | **(11,004)** | **(20.39)** | (7,895) | (13.64) | **(21,474)** | **(18.96)** | (15,306) | (12.66) |
| Germany | **(10,750)** | **(21.85)** | (6,807) | (20.27) | **(19,043)** | **(19.22)** | (13,109) | (21.89) |
| Ireland | **(3,325)** | **(7.85)** | (4,157) | (9.08) | **(7,178)** | **(8.18)** | (7,814) | (8.06) |
| Central and Eastern Europe | **(439)** | **(45.51)** | (49) | (11.71) | **(784)** | **(52.82)** | (110) | (8.10) |
| **International** | **(53,475)** | **(22.11)** | (41,907) | (16.56) | **(104,806)** | **(20.95)** | (80,867) | (16.50) |

Operating expense increased on a dollar and per boe basis for the three and six months ended June 30, 2022 versus the prior year comparable periods primarily due to the impact of higher fuel and electricity prices in Europe. This was partially offset by lower maintenance activity in Ireland.

# Consolidated Financial Performance Review

## Financial performance

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Sales | **858,844** | **111.55** | 407,179 | 51.93 | **1,669,023** | **108.54** | 775,316 | 50.60 |
| Royalties | **(83,553)** | **(10.85)** | (41,456) | (5.29) | **(154,860)** | **(10.07)** | (77,902) | (5.08) |
| Transportation | **(20,153)** | **(2.62)** | (21,834) | (2.78) | **(37,422)** | **(2.43)** | (38,855) | (2.54) |
| Operating | **(114,617)** | **(14.89)** | (99,737) | (12.72) | **(226,800)** | **(14.75)** | (195,978) | (12.79) |
| General and administration | **(15,691)** | **(2.04)** | (11,432) | (1.46) | **(29,911)** | **(1.95)** | (23,162) | (1.51) |
| Corporate income tax (expense) recovery | **(69,501)** | **(9.03)** | (691) | (0.09) | **(115,173)** | **(7.49)** | 654 | 0.04 |
| PRRT | **(2,019)** | **(0.26)** | (1,459) | (0.19) | **(8,728)** | **(0.57)** | (2,873) | (0.19) |
| Interest expense | **(21,074)** | **(2.74)** | (18,862) | (2.41) | **(35,897)** | **(2.33)** | (38,097) | (2.49) |
| Realized loss on derivatives | **(79,778)** | **(10.36)** | (39,574) | (5.05) | **(224,001)** | **(14.57)** | (65,207) | (4.26) |
| Realized foreign exchange loss | **(2,297)** | **(0.30)** | (1,958) | (0.25) | **(1,547)** | **(0.10)** | (7,139) | (0.47) |
| Realized other income | **2,740** | **0.36** | 2,766 | 0.35 | **8,085** | **0.53** | 8,236 | 0.54 |
| **Fund flows from operations** | **452,901** | **58.82** | 172,942 | 22.04 | **842,769** | **54.81** | 334,993 | 21.85 |
| Equity based compensation | **(7,499)** | | (10,536) | | **(32,868)** | | (27,076) | |
| Unrealized gain (loss) on derivative instruments [1] | **168,058** | | (79,408) | | **(52,736)** | | (73,966) | |
| Unrealized foreign exchange (loss) gain [1] | **(32,267)** | | (18,298) | | **7,870** | | (44,208) | |
| Accretion | **(13,746)** | | (10,863) | | **(27,384)** | | (21,370) | |
| Depletion and depreciation | **(140,763)** | | (149,651) | | **(275,003)** | | (255,664) | |
| Deferred tax (expense) recovery | **(63,497)** | | (63,526) | | **(7,404)** | | (234,754) | |
| Gain on business combinations | **—** | | 17,198 | | **—** | | 17,198 | |
| Impairment reversal | **—** | | 593,606 | | **192,094** | | 1,256,472 | |
| Unrealized other expense [1] | **(566)** | | (190) | | **(763)** | | (387) | |
| **Net earnings** | **362,621** | | 451,274 | | **646,575** | | 951,238 | |

(1) Unrealized gain (loss) on derivative instruments, Unrealized foreign exchange (loss) gain, and Unrealized other expense are line items from the respective Consolidated Statements of Cash Flows.

Fluctuations in fund flows from operations may occur as a result of changes in production levels, commodity prices, and costs to produce petroleum and natural gas. In addition, fund flows from operations may be affected by the timing of crude oil shipments in Australia and France. When crude oil inventory is built up, the related operating expense, royalties, and depletion expense are deferred and carried as inventory on the consolidated balance sheet. When the crude oil inventory is subsequently drawn down, the related expenses are recognized within profit or loss.

### *General and administration*

- General and administration expense increased for the three and six months ended June 30, 2022 versus the prior year comparable periods primarily due to higher legal, tax, and financial advisory costs.

### *PRRT and corporate income taxes*

- PRRT increased for the three and six months ended June 30, 2022 versus the prior year comparable periods primarily due to higher sales in Australia, partially offset by higher capital expenditures.
- Corporate income taxes for the three and six months ended June 30, 2022 increased versus the prior year comparable period primarily due to higher taxable income as a result of improvements in realized commodity prices in 2022.

### *Interest expense*

- Interest expense increased for the three months ended June 30, 2022 versus the prior year comparable period primarily due to the higher interest rate on the new 2030 senior unsecured notes.
- Interest expense decreased for the six months ended June 30, 2022 versus the prior year comparable period primarily due to lower average drawn balances and a lower pricing grid level on the revolving credit facility partially offset by interest on the new 2030 senior unsecured notes.

*Realized gain or loss on derivatives*

- For the three and six months ended June 30, 2022, we recorded realized losses on our crude oil and natural gas hedges due to higher commodity pricing compared to the strike prices on our hedges.
- A listing of derivative positions as at June 30, 2022 is included in "Supplemental Table 2" of this MD&A.

*Realized other income*

- Realized other income for the three and six months ended June 30, 2022 primarily relates to amounts for funding under the Saskatchewan Accelerated Site Closure program to complete abandonment and reclamation on inactive oil and gas wells and facilities.

## Net earnings

Fluctuations in net earnings from period-to-period are caused by changes in both cash and non-cash based income and charges. Cash based items are reflected in fund flows from operations. Non-cash items include: equity based compensation expense, unrealized gains and losses on derivative instruments, unrealized foreign exchange gains and losses, accretion, depletion and depreciation expense, and deferred taxes. In addition, non-cash items may also include gains resulting from business combinations or charges resulting from impairment or impairment reversals.

*Equity based compensation*

Equity based compensation expense relates primarily to non-cash compensation expense attributable to long-term incentives granted to directors, officers, and employees under security-based arrangements. Equity based compensation expense decreased for the three months ended June 30, 2022 versus the prior year comparable period primarily due to the lower value of VIP awards outstanding in the current period. For the six months ended June 30, 2022, equity based compensation expense increased primarily due to higher bonuses under the employee bonus plan in the current year.

*Unrealized gain or loss on derivative instruments*

Unrealized gain or loss on derivative instruments arises as a result of changes in forecasts for future prices and rates. As Vermilion uses derivative instruments to manage the commodity price exposure of our future crude oil and natural gas production, we will normally recognize unrealized gains on derivative instruments when future commodity price forecasts decline and vice-versa. As derivative instruments are settled, the unrealized gain or loss previously recognized is reversed, and the settlement results in a realized gain or loss on derivative instruments.

USD-to-CAD cross currency interest rate swaps and foreign exchange swaps may be entered into to hedge the foreign exchange movements on USD borrowings on our revolving credit facility. As such, unrealized gains and losses on our cross currency interest swaps are offset by unrealized losses and gains on foreign exchange relating to the underlying USD borrowings from our revolving credit facility.

For the three months ended June 30, 2022, we recognized a net unrealized gain on derivative instruments of $168.1 million. This consists of unrealized gains of $109.5 million on our European natural gas commodity derivative instruments, $30.9 million on our crude oil commodity derivative instruments, $9.1 million on our North American natural gas commodity derivative instruments, and $25.2 million on our USD-to-CAD foreign exchange swaps, partially offset by unrealized losses of $6.6 million on our equity swaps.

For the six months ended June 30, 2022, we recognized a net unrealized loss on derivative instruments of $52.7 million. This consists of unrealized losses of $33.1 million on our European natural gas commodity derivative instruments, $31.8 million on our crude oil commodity derivative instruments, $8.1 million on our North American natural gas commodity derivative instruments, and $12.1 million on our USD-to-CAD foreign exchange swaps, partially offset by unrealized gains of $32.4 million on our equity swaps.

*Unrealized foreign exchange gains or losses*

As a result of Vermilion's international operations, Vermilion has monetary assets and liabilities denominated in currencies other than the Canadian dollar. These monetary assets and liabilities include cash, receivables, payables, long-term debt, derivative instruments and intercompany loans. Unrealized foreign exchange gains and losses result from translating these monetary assets and liabilities from their underlying currency to the Canadian dollar.

In 2022, unrealized foreign exchange gains and losses primarily resulted from:

- The translation of Euro denominated intercompany loans from our international subsidiaries to Vermilion Energy Inc.. An appreciation in the Euro against the Canadian dollar will result in an unrealized foreign exchange loss (and vice-versa). Under IFRS, the offsetting foreign exchange loss or gain is recorded as a currency translation adjustment within other comprehensive income. As a result, consolidated comprehensive income reflects the offsetting of these translation adjustments while net earnings reflects only the parent company's side of the translation.

- The translation of USD borrowings on our revolving credit facility. The unrealized foreign exchange gains or losses on these borrowings are offset by unrealized derivative gains or losses on associated USD-to-CAD cross currency interest rate swaps (discussed further below).
- The translation of our USD denominated senior unsecured notes prior to June 12, 2019 and from May 5, 2020 onward. During the period between June 12, 2019 and May 5, 2020 the USD senior notes were hedged by a USD-to-CAD cross currency interest rate swap. Subsequent to the termination of these instruments, amounts previously recognized in the hedge accounting reserve will be recognized into earnings through unrealized foreign exchange loss over the period of the hedged cash flows.

For the three months ended June 30, 2022, we recognized a net unrealized foreign exchange loss of $32.3 million, driven by unrealized losses of $38.4 million on our USD borrowings from our revolving credit facility, as well as an unrealized loss of $15.1 million on our senior unsecured notes resulting from the US dollar strengthening 3.1% against the Canadian dollar in Q2 2022. This was partially offset by an unrealized gain of $23.3 million on intercompany loans due to the Euro weakening 2.8% against the Canadian dollar in Q2 2022.

For the six months ended June 30, 2022, we recognized a net unrealized foreign exchange gain of $7.9 million, driven by unrealized gains of $22.1 million on intercompany loans due to the Euro weakening 6.4% against the Canadian dollar in 2022. This was partially offset by an unrealized loss of $9.7 million on our senior unsecured notes resulting from the US dollar strengthening 1.6% against the Canadian dollar in 2022.

As at June 30, 2022, a $0.01 appreciation of the Euro against the Canadian dollar would result in a $4.8 million decrease to net earnings as a result of an unrealized loss on foreign exchange, while a $0.01 appreciation of the US dollar against the Canadian dollar would result in a $5.8 million decrease to net earnings as a result of an unrealized loss on foreign exchange.

### *Accretion*

Accretion expense is recognized to update the present value of the asset retirement obligation balance. For the three and six months ended June 30, 2022, accretion expense increased versus the comparable period primarily due to the impact of a higher asset retirement obligation balance at the end of 2021 compared to 2020, partially offset by the weakening of the Euro against the Canadian dollar.

### *Depletion and depreciation*

Depletion and depreciation expense is recognized to allocate the cost of capital assets over the useful life of the respective assets. Depletion and depreciation expense per unit of production is determined for each depletion unit (which are groups of assets within a specific production area that have similar economic lives) by dividing the sum of the net book value of capital assets and future development costs by total proved plus probable reserves.

Fluctuations in depletion and depreciation expense are primarily the result of changes in produced crude oil and natural gas volumes, and changes in depletion and depreciation per unit. Fluctuations in depletion and depreciation per unit are the result of changes in reserves, depletable base (net book value of capital assets and future development costs), and relative production mix.

Depletion and depreciation on a per boe basis for the three months ended June 30, 2022 of $18.28 decreased from $19.09 in the comparable prior year period primarily due to lower exploration and evaluation write-offs and downhole depreciation, as well as the weakening of the Euro against the Canadian dollar, partially offset by increased reserves depletion on a higher depletable base.

Depletion and depreciation on a per boe basis for the six months ended June 30, 2022 of $17.88 increased from $16.69 in the comparable prior year period primarily due to a higher depletable base on impairment reversals in Q1 2022 and throughout 2021, as well increases in asset retirement obligation assets recorded at the end of 2021.

### *Deferred tax*

Deferred tax assets arise when the tax basis of an asset exceeds its accounting basis (known as a deductible temporary difference). Conversely, deferred tax liabilities arise when the tax basis of an asset is less than its accounting basis (known as a taxable temporary difference). Deferred tax assets are recognized only to the extent that it is probable that there are future taxable profits against which the deductible temporary difference can be utilized. Deferred tax assets and liabilities are measured at the enacted or substantively enacted tax rate that is expected to apply when the asset is realized, or the liability is settled.

As such, fluctuations in deferred tax expenses and recoveries primarily arise as a result of: changes in the accounting basis of an asset or liability without a corresponding tax basis change (e.g. when derivative assets and liabilities are marked-to-market or when accounting depletion differs from tax depletion), changes in available tax losses (e.g. if they are utilized to offset taxable income), changes in estimated future taxable profits resulting in a derecognition or recognition of deferred tax assets, and changes in enacted or substantively enacted tax rates.

For the three and six months ended June 30, 2022, the Company recorded a deferred tax expense of $63.5 million and $7.4 million compared to deferred tax expense of $63.5 million and $234.8 million for the prior year comparable periods. The deferred tax expense for the three months ended June 30, 2022 is primarily due to the deferred tax impact on unrealized derivative movement, as well as the reduction of deductible temporary differences relating to asset retirement obligations. The deferred tax expense for the six months ended June 30, 2022 is comprised of the expense from the second quarter of 2022, partially offset by the recognition of non-expiring tax loss pools in Ireland in the first quarter of 2022.

### *Impairment*

Impairment losses or reversals of losses are recognized when indicators of impairment or impairment reversal arise and the carrying amount of a cash generating unit ("CGU") is greater than (impairment) or less than (impairment reversal) its recoverable amount, determined as the higher of fair value less costs of disposal or value-in-use. In the second quarter of 2022 there were no indicators of impairment and no amounts relating to previous impairments remaining to be reversed.

In the first quarter of 2022, indicators of impairment reversal were present in our Canada - Saskatchewan and France - Neocomian CGUs due to an increase in forecast oil prices. As a result of the indicators of impairment reversal, the Company performed impairment reversal calculations on the identified CGUs and the recoverable amounts were determined using fair value less costs to sell, which considered future after-tax cash flows from proved plus probable reserves and an after-tax discount rate of 12.0%. Based on the results of the impairment reversal calculations completed, recoverable amounts were determined to be greater than the carrying values of the CGUs tested and $144.4 million (net of $47.7 million deferred income tax expense) of impairment reversal was recorded.

Inputs used in the measurement of capital assets are not based on observable market data and fall within level 3 of the fair value hierarchy.

# Financial Position Review

## Balance sheet strategy

We regularly review whether our forecast of fund flows from operations is sufficient to finance planned capital expenditures, dividends, share buy-backs, and abandonment and reclamation expenditures. To the extent that fund flows from operations forecasts are not expected to be sufficient to fulfill such expenditures, we will evaluate our ability to finance any shortfall by reducing some or all categories of expenditures, with issuances of equity, and/or with debt (including borrowing using the unutilized capacity of our existing revolving credit facility). We have a long-term goal of achieving and maintaining a ratio of net debt to fund flows from operations of approximately 1.0.

As at June 30, 2022, we have a ratio of net debt to fund flows from operations of 1.1. We will continue to monitor for changes in forecasted fund flows from operations and, as appropriate, will adjust our exploration and development capital plans (and associated production targets) to target optimal debt levels.

Maintaining a strong balance sheet is a core principle of Vermilion and will remain a focus going forward. As debt reduction continues, we will plan to increase the amount of free cash flow that is available for Return of Capital, while taking into account other capital requirements. Based on current internal estimates, we anticipate allocating up to 25% of free cash flow in the second half of 2022 to Return of Capital.

## Net debt

Net debt is reconciled to long-term debt, as follows:

| | As at | |
|---|---|---|
| ($M) | Jun 30, 2022 | Dec 31, 2021 |
| Long-term debt | **1,527,217** | 1,651,569 |
| Adjusted working capital deficit [1] | **65,394** | 9,284 |
| Unrealized FX on swapped USD borrowings | **(3,943)** | (16,067) |
| **Net debt** | **1,588,668** | 1,644,786 |
| | | |
| **Ratio of net debt to four quarter trailing fund flows from operations** | **1.1** | 1.8 |

(1) Adjusted working capital is a non-GAAP financial measure that is not standardized under IFRS and may not be comparable to similar measures disclosed by other issuers. It is defined as current assets less current liabilities, excluding current derivatives and current lease liabilities. The measure is used to calculate net debt capital measure disclosed above. Reconciliation to primary financial statement measures can be found in the "Non-GAAP and Other Specified Financial Measures" section of this document.

As at June 30, 2022, net debt decreased slightly to $1.6 billion (December 31, 2021 - $1.6 billion), primarily as a result of debt repayments of $633.1 million, funded by the $644.3 million of free cash flow generated during 2022. This was partially offset by borrowings made to fund the Leucrotta acquisition and working capital movements. The ratio of net debt to four quarter trailing fund flows from operations decreased to 1.1 (December 31, 2021 - 1.8) due to higher four quarter trailing fund flows from operations, driven by strong commodity prices.

## Long-term debt

The balances recognized on our balance sheet are as follows:

| | As at | |
|---|---|---|
| | Jun 30, 2022 | Dec 31, 2021 |
| Revolving credit facility | **639,927** | 1,273,755 |
| 2025 senior unsecured notes | **384,413** | 377,814 |
| 2030 senior unsecured notes | **502,877** | — |
| **Long-term debt** | **1,527,217** | 1,651,569 |

### *Revolving Credit Facility*

As at June 30, 2022, Vermilion had in place a bank revolving credit facility maturing May 29, 2026 with terms and outstanding positions as follows:

| | As at | |
|---|---|---|
| ($M) | Jun 30, 2022 | Dec 31, 2021 |
| Total facility amount | **1,600,000** | 2,100,000 |
| Amount drawn | **(639,927)** | (1,273,755) |
| Letters of credit outstanding | **(8,184)** | (11,035) |
| **Unutilized capacity** | **951,889** | 815,210 |

On April 26, 2022, contemporaneous with the issuance of the 2030 senior unsecured notes and at Vermilion's election, the maturity date of the facility was extended to May 29, 2026 (previously May 31, 2024) and the total facility amount was reduced to $1.6 billion (previously $2.1 billion).

As at June 30, 2022, the revolving credit facility was subject to the following financial covenants:

| | | As at | |
|---|---|---|---|
| Financial covenant | Limit | Jun 30, 2022 | Dec 31, 2021 |
| Consolidated total debt to consolidated EBITDA | Less than 4.0 | **0.93** | 1.61 |
| Consolidated total senior debt to consolidated EBITDA | Less than 3.5 | **0.39** | 1.24 |
| Consolidated EBITDA to consolidated interest expense | Greater than 2.5 | **24.50** | 14.78 |

Our financial covenants include financial measures defined within our revolving credit facility agreement that are not defined under IFRS. These financial measures are defined by our revolving credit facility agreement as follows:

- Consolidated total debt: Includes all amounts classified as “Long-term debt”, “Current portion of long-term debt”, and “Lease obligations” (including the current portion included within "Accounts payable and accrued liabilities" but excluding operating leases as defined under IAS 17) on our consolidated balance sheet.
- Consolidated total senior debt: Consolidated total debt excluding unsecured and subordinated debt.
- Consolidated EBITDA: Consolidated net earnings before interest, income taxes, depreciation, accretion and certain other non-cash items, adjusted for the impact of the acquisition of a material subsidiary.
- Total interest expense: Includes all amounts classified as "Interest expense", but excludes interest on operating leases as defined under IAS 17.

In addition, our revolving credit facility has provisions relating to our liability management ratings in Alberta and Saskatchewan whereby if our security adjusted liability management ratings fall below specified limits in a province, a portion of the asset retirement obligations are included in the definitions of consolidated total debt and consolidated total senior debt. An event of default occurs if our security adjusted liability management ratings breach additional lower limits for a period greater than 90 days. As of June 30, 2022, Vermilion's liability management ratings were higher than the specified levels, and as such, no amounts relating to asset retirement obligations were included in the calculation of consolidated total debt and consolidated total senior debt.

As at June 30, 2022 and December 31, 2021, Vermilion was in compliance with the above covenants.

### *2025 senior unsecured notes*

On March 13, 2017, Vermilion issued US $300.0 million of senior unsecured notes at par. The notes bear interest at a rate of 5.625% per annum, paid semi-annually on March 15 and September 15, and mature on March 15, 2025. As direct senior unsecured obligations of Vermilion, the notes rank equally in right of payment with existing and future senior indebtedness of the Company.

The senior unsecured notes were recognized at amortized cost and include the transaction costs directly related to the issuance.

Vermilion may redeem some or all of the senior unsecured notes at the redemption prices set forth in the following table plus any accrued and unpaid interest, if redeemed during the twelve-month period beginning on March 15 of each of the years indicated below:

| Year | Redemption price |
|---|---|
| 2022 | 101.406 % |
| 2023 and thereafter | 100.000 % |

*2030 senior unsecured notes*

On April 26, 2022, Vermilion closed a private offering of US $400.0 million 8-year senior unsecured notes. The notes were priced at 99.241% of par, mature on May 1, 2030, and bear interest at a rate of 6.875% per annum. Interest is to be paid semi-annually on May 1 and November 1, commencing on November 1, 2022. The notes are senior unsecured obligations of Vermilion and rank equally with existing and future senior unsecured indebtedness.

The senior unsecured notes were recognized at amortized cost and include the transaction costs directly related to the issuance.

Vermilion may, at its option, redeem the notes prior to maturity as follows:

- On or after May 1, 2025, Vermilion may redeem some or all of the senior unsecured notes at the redemption prices set forth below, together with accrued and unpaid interest.
- Prior to May 1, 2025, Vermilion may redeem up to 35% of the original principal amount of the notes with an amount of cash not greater than the net cash proceeds of certain equity offerings at a redemption price of 106.875% of the principal amount of the notes, together with accrued and unpaid interest.
- Prior to May 1, 2025, Vermilion may also redeem some or all of the notes at a price equal to 100% of the principal amount of the notes, plus a “make-whole premium,” together with applicable premium, accrued and unpaid interest.

| Year | Redemption price |
|---|---|
| 2025 | 103.438 % |
| 2026 | 102.292 % |
| 2027 | 101.146 % |
| 2028 and thereafter | 100.000 % |

## Shareholders' capital

The following table outlines our dividend payment history:

| Date | Frequency | Dividend per unit or share |
|---|---|---|
| January 2003 to December 2007 | Monthly | $0.170 |
| January 2008 to December 2012 | Monthly | $0.190 |
| January 2013 to December 2013 | Monthly | $0.200 |
| January 2014 to March 2018 | Monthly | $0.215 |
| April 2018 to February 2020 | Monthly | $0.230 |
| March 2020 | Monthly | $0.115 |
| April 2022 to July 2022 | Quarterly | $0.060 |
| August 2022 onwards | Quarterly | $0.080 |

In the first quarter of 2022, we announced our plan to distribute a fixed quarterly dividend due to stronger commodity prices and a strengthened balance sheet. In August 2022, we announced a 33% increase to our quarterly cash dividend effective for the Q3 2022 distribution.

The following table reconciles the change in shareholders’ capital:

| Shareholders’ Capital | Number of Shares ('000s) | Amount ($M) |
|---|---|---|
| **Balance at December 31, 2021** | **162,261** | **4,241,773** |
| Vesting of equity based awards | **2,270** | **41,193** |
| Equity based compensation | **526** | **13,123** |
| Share-settled dividends on vested equity based awards | **165** | **4,185** |
| **Balance at June 30, 2022** | **165,222** | **4,300,274** |

As at June 30, 2022, there were approximately 5.8 million equity based compensation awards outstanding. As at August 11, 2022, there were approximately 164.0 million common shares issued and outstanding.

On July 4, 2022, the Toronto Stock Exchange approved our notice of intention to commence a normal course issuer bid ("the NCIB"). The NCIB allows Vermilion to purchase up to 16,076,666 common shares (representing approximately 10% of outstanding common shares) beginning July 6, 2022 and ending July 5, 2023. Common shares purchased under the NCIB will be cancelled.

Subsequent to the end of the second quarter of 2022, Vermilion purchased 1.25 million common shares under the NCIB for total consideration of $35.0 million. The common shares purchased under the NCIB were cancelled.

# Asset Retirement Obligations

As at June 30, 2022, asset retirement obligations were $721.2 million compared to $1,000.6 million as at December 31, 2021. The decrease in asset retirement obligations is primarily attributable to increases in country-specific risk-free rates and an increase in the credit-adjusted risk-free rate from 4.9% at December 31, 2021 to 5.7% at June 30, 2022, partially offset by the Euro weakening against the Canadian dollar.

The present value of the obligation is calculated using a credit-adjusted risk-free rate, calculated using a credit spread added to risk-free rates based on long-term, risk-free government bonds. Vermilion's credit spread is determined using the Company's expected cost of borrowing at the end of the reporting period.

The risk-free rates and credit spread used as inputs to discount the obligations were as follows:

| | Jun 30, 2022 | Dec 31, 2021 | Change |
|---|---|---|---|
| Credit spread added to below noted risk-free rates | **5.7 %** | **4.9 %** | 0.8 % |
| Country specific risk-free rate | | | |
| Canada | **3.2 %** | **1.8 %** | 1.4 % |
| United States | **3.3 %** | **1.9 %** | 1.4 % |
| France | **2.4 %** | **0.8 %** | 1.6 % |
| Netherlands | **1.3 %** | **(0.3)%** | 1.6 % |
| Germany | **1.6 %** | **0.1 %** | 1.5 % |
| Ireland | **2.2 %** | **0.5 %** | 1.7 % |
| Australia | **3.8 %** | **1.9 %** | 1.9 % |

# Risks and Uncertainties

Vermilion is exposed to various market and operational risks. For a discussion of these risks, please see Vermilion's MD&A and Annual Information Form, each for the year ended December 31, 2021 available on SEDAR at www.sedar.com or on Vermilion’s website at www.vermilionenergy.com.

# Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of any possible contingencies. These estimates and assumptions are developed based on the best available information which management believed to be reasonable at the time such estimates and assumptions were made. As such, these assumptions are uncertain at the time estimates are made and could change, resulting in a material impact on Vermilion’s consolidated financial statements. Estimates are reviewed by management on an ongoing basis and as a result may change from period to period due to the availability of new information or changes in circumstances. Additionally, as a result of the unique circumstances of each jurisdiction that Vermilion operates in, the critical accounting estimates may affect one or more jurisdictions. There have been no material changes to our critical accounting estimates used in applying accounting policies for the six months ended June 30, 2022. Further information, including a discussion of critical accounting estimates, can be found in the notes to the Consolidated Financial Statements and annual MD&A for the year ended December 31, 2021, available on SEDAR at www.sedar.com or on Vermilion’s website at www.vermilionenergy.com.

# Off Balance Sheet Arrangements

We have not entered into any guarantee or off balance sheet arrangements that would materially impact our financial position or results of operations.

# Internal Control Over Financial Reporting

There has been no change in Vermilion’s internal control over financial reporting ("ICFR") during the period covered by this MD&A that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Vermilion has limited the scope of design controls and procedures ("DC&P") and internal controls over financial reporting to exclude controls, policies and procedures of Leucrotta Exploration Inc., which was acquired on May 31, 2022. The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 which allows an issuer to limit the design of DC&P and ICFR to exclude controls, policies, and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period.

The table below presents the summary financial information of Leucrotta Exploration Inc. included in Vermilion's financial statements as at and for the six months ended June 30, 2022:

| ($M) | As at June 30, 2022 |
|---|---:|
| Non-current assets | 610,322 |
| Non-current liabilities | 99,331 |
| Net assets | 505,194 |

| ($M) | For the six months ended June 30, 2022 |
|---|---:|
| Revenue | 9,919 |
| Net earnings | 5,667 |

# Recently Adopted Accounting Pronouncements

Vermilion did not adopt any new accounting pronouncements as at June 30, 2022.

# Disclosure Controls and Procedures

Our officers have established and maintained disclosure controls and procedures and evaluated the effectiveness of these controls in conjunction with our filings.

As of June 30, 2022, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the President, for this specific purpose of acting in the capacity of Chief Executive Officer, and Chief Financial Officer have concluded and certified that our disclosure controls and procedures are effective.

# Supplemental Table 1: Netbacks

The following table includes financial statement information on a per unit basis by business unit. Liquids includes crude oil, condensate, and NGLs. Natural gas sales volumes have been converted on a basis of six thousand cubic feet of natural gas to one barrel of oil equivalent.

| | Q2 2022 | | | YTD 2022 | | | Q2 2021 | YTD 2021 |
|---|---|---|---|---|---|---|---|---|
| | Liquids $/bbl | Natural Gas $/mcf | Total $/boe | Liquids $/bbl | Natural Gas $/mcf | Total $/boe | Total $/boe | Total $/boe |
| **Canada** | | | | | | | | |
| Sales | 113.78 | 7.15 | **81.72** | 104.43 | 6.00 | **73.43** | 41.62 | 41.57 |
| Royalties | (17.89) | (0.52) | **(11.20)** | (17.22) | (0.51) | **(10.81)** | (5.43) | (5.04) |
| Transportation | (2.99) | (0.25) | **(2.31)** | (2.85) | (0.23) | **(2.18)** | (1.99) | (2.08) |
| Operating | (15.13) | (1.19) | **(11.51)** | (15.48) | (1.21) | **(11.76)** | (10.95) | (11.11) |
| Operating netback | 77.77 | 5.19 | **56.70** | 68.88 | 4.05 | **48.68** | 23.25 | 23.34 |
| General and administration | | | **(1.75)** | | | **(1.61)** | (1.20) | (1.07) |
| Fund flows from operations ($/boe) | | | **54.95** | | | **47.07** | 22.05 | 22.27 |
| **United States** | | | | | | | | |
| Sales | 118.21 | 6.76 | **100.64** | 106.20 | 5.56 | **88.81** | 52.24 | 57.38 |
| Royalties | (31.01) | (1.86) | **(26.51)** | (27.49) | (1.62) | **(23.25)** | (13.98) | (15.08) |
| Transportation | (0.46) | — | **(0.36)** | (0.65) | — | **(0.50)** | (0.64) | (0.63) |
| Operating | (12.53) | (1.92) | **(12.30)** | (11.92) | (1.89) | **(11.79)** | (9.97) | (10.23) |
| Operating netback | 74.21 | 2.98 | **61.47** | 66.14 | 2.05 | **53.27** | 27.65 | 31.44 |
| General and administration | | | **(1.87)** | | | **(2.69)** | (2.13) | (2.21) |
| Fund flows from operations ($/boe) | | | **59.60** | | | **50.58** | 25.52 | 29.23 |
| **France** | | | | | | | | |
| Sales | 141.80 | — | **141.80** | 137.71 | — | **137.71** | 81.80 | 79.75 |
| Royalties | (16.30) | — | **(16.30)** | (14.46) | — | **(14.46)** | (11.01) | (10.93) |
| Transportation | (8.02) | — | **(8.02)** | (7.44) | — | **(7.44)** | (10.95) | (9.01) |
| Operating | (21.12) | — | **(21.12)** | (21.35) | — | **(21.35)** | (15.12) | (16.25) |
| Operating netback | 96.36 | — | **96.36** | 94.46 | — | **94.46** | 44.72 | 43.56 |
| General and administration | | | **(5.07)** | | | **(5.30)** | (3.86) | (3.75) |
| Current income taxes | | | **(12.96)** | | | **(11.69)** | — | — |
| Fund flows from operations ($/boe) | | | **78.33** | | | **77.47** | 40.86 | 39.81 |
| **Netherlands** | | | | | | | | |
| Sales | 110.99 | 38.91 | **232.23** | 92.15 | 38.21 | **227.70** | 56.23 | 50.52 |
| Royalties | — | — | **—** | — | — | **—** | (0.22) | (0.19) |
| Operating | — | (3.43) | **(20.39)** | — | (3.20) | **(18.96)** | (13.64) | (12.66) |
| Operating netback | 110.99 | 35.48 | **211.84** | 92.15 | 35.01 | **208.74** | 42.37 | 37.67 |
| General and administration | | | **(1.61)** | | | **(1.48)** | (0.19) | (0.31) |
| Current income taxes | | | **(96.26)** | | | **(77.00)** | (4.08) | (1.95) |
| Fund flows from operations ($/boe) | | | **113.97** | | | **130.26** | 38.10 | 35.41 |
| **Germany** | | | | | | | | |
| Sales | 140.17 | 35.45 | **196.88** | 134.54 | 34.70 | **193.19** | 60.36 | 55.73 |
| Royalties | (3.20) | (2.05) | **(10.31)** | (2.67) | (2.02) | **(10.21)** | (1.09) | (2.21) |
| Transportation | (8.86) | (0.46) | **(4.08)** | (9.90) | (0.38) | **(3.82)** | (4.63) | (4.30) |
| Operating | (21.93) | (3.64) | **(21.85)** | (23.57) | (3.02) | **(19.22)** | (20.27) | (21.89) |
| Operating netback | 106.18 | 29.30 | **160.64** | 98.40 | 29.28 | **159.94** | 34.37 | 27.33 |
| General and administration | | | **(2.92)** | | | **(2.61)** | (4.34) | (4.31) |
| Current income taxes | | | **(16.10)** | | | **(11.01)** | — | |
| Fund flows from operations ($/boe) | | | **141.62** | | | **146.32** | 30.03 | 23.02 |
| **Ireland** | | | | | | | | |
| Sales | — | 20.96 | **125.76** | — | 29.88 | **179.27** | 65.93 | 59.03 |
| Transportation | — | (0.37) | **(2.21)** | — | (0.36) | **(2.19)** | (2.35) | (2.26) |
| Operating | — | (1.31) | **(7.85)** | — | (1.36) | **(8.18)** | (9.08) | (8.06) |
| Operating netback | — | 19.28 | **115.70** | — | 28.16 | **168.90** | 54.50 | 48.71 |
| General and administration | | | **1.40** | | | **0.42** | (0.05) | 0.71 |
| Fund flows from operations ($/boe) | | | **117.10** | | | **169.32** | 54.45 | 49.42 |

| | Q2 2022 Liquids $/bbl | Q2 2022 Natural Gas $/mcf | Q2 2022 Total $/boe | YTD 2022 Liquids $/bbl | YTD 2022 Natural Gas $/mcf | YTD 2022 Total $/boe | Q2 2021 Total $/boe | YTD 2021 Total $/boe |
|---|---|---|---|---|---|---|---|---|
| **Australia** | | | | | | | | |
| Sales | 166.75 | — | **166.75** | 154.94 | — | **154.94** | 97.49 | 96.07 |
| Operating | (56.38) | — | **(56.38)** | (46.26) | — | **(46.26)** | (32.46) | (33.01) |
| PRRT [(1)] | (9.11) | — | **(9.11)** | (15.62) | — | **(15.62)** | (4.55) | (4.71) |
| Operating netback | 101.26 | — | **101.26** | 93.06 | — | **93.06** | 60.48 | 58.35 |
| General and administration | | | **(4.77)** | | | **(3.40)** | (2.35) | (2.42) |
| Current income taxes | | | **(0.52)** | | | **(0.38)** | 5.84 | 5.62 |
| Fund flows from operations ($/boe) | | | **95.97** | | | **89.28** | 63.97 | 61.55 |
| | | | | | | | | |
| **Total Company** | | | | | | | | |
| Sales | 122.80 | 16.50 | **111.55** | 114.70 | 16.96 | **108.54** | 51.93 | 50.60 |
| Realized hedging (loss) gain | (12.71) | (1.29) | **(10.36)** | (10.30) | (3.21) | **(14.57)** | (5.05) | (4.26) |
| Royalties | (17.34) | (0.60) | **(10.85)** | (16.03) | (0.58) | **(10.07)** | (5.29) | (5.08) |
| Transportation | (3.67) | (0.24) | **(2.62)** | (3.45) | (0.22) | **(2.43)** | (2.78) | (2.54) |
| Operating | (18.39) | (1.83) | **(14.89)** | (18.52) | (1.76) | **(14.75)** | (12.72) | (12.79) |
| PRRT [(1)] | (0.50) | — | **(0.26)** | (1.08) | — | **(0.57)** | (0.19) | (0.19) |
| Operating netback | 70.19 | 12.54 | **72.57** | 65.32 | 11.19 | **66.15** | 25.90 | 25.74 |
| General and administration | | | **(2.04)** | | | **(1.95)** | (1.46) | (1.51) |
| Interest expense | | | **(2.74)** | | | **(2.33)** | (2.41) | (2.49) |
| Realized foreign exchange | | | **(0.30)** | | | **(0.10)** | (0.25) | (0.47) |
| Other income | | | **0.36** | | | **0.53** | 0.35 | 0.54 |
| Corporate income taxes | | | **(9.03)** | | | **(7.49)** | (0.09) | 0.04 |
| Fund flows from operations ($/boe) | | | **58.82** | | | **54.81** | 22.04 | 21.85 |

(1) Vermilion considers Australian PRRT to be an operating item and, accordingly, has included PRRT in the calculation of operating netbacks. Current income taxes presented above excludes PRRT.

# Supplemental Table 2: Hedges

The prices in these tables may represent the weighted averages for several contracts with foreign currency amounts translated to the disclosure currency using forward rates as at the month-end date. The weighted average price for the portfolio of options listed below may not have the same payoff profile as the individual contracts. As such, the presentation of the weighted average prices is purely for indicative purposes.

The following tables outline Vermilion's outstanding risk management positions as at June 30, 2022:

| | Unit | Currency | Bought Put Volume | Weighted Average Bought Put Price | Sold Call Volume | Weighted Average Sold Call Price | Sold Put Volume | Weighted Average Sold Put Price | Sold Swap Volume | Weighted Average Sold Swap Price | Bought Swap Volume | Weighted Average Bought Swap Price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Dated Brent** | | | | | | | | | | | | |
| Q3 2022 | bbl | USD | 3,100 | 64.52 | 3,100 | 89.32 | 3,100 | 47.50 | — | — | — | — |
| Q4 2022 | bbl | USD | 2,600 | 63.94 | 2,600 | 84.35 | 2,600 | 47.50 | — | — | — | — |
| **WTI** | | | | | | | | | | | | |
| Q3 2022 | bbl | USD | 6,000 | 61.86 | 6,000 | 87.96 | 6,000 | 45.00 | 100 | 81.29 | — | — |
| Q4 2022 | bbl | USD | 4,500 | 60.82 | 4,500 | 82.92 | 4,500 | 45.00 | — | — | — | — |
| **AECO** | | | | | | | | | | | | |
| Q4 2022 | mcf | CAD | 3,142 | 3.69 | 3,142 | 7.70 | — | — | 18,853 | 4.95 | — | — |
| Q1 2023 | mcf | CAD | 4,739 | 3.69 | 4,739 | 7.70 | — | — | 28,435 | 4.95 | — | — |
| **AECO Basis (AECO less NYMEX Henry Hub)** | | | | | | | | | | | | |
| Q3 2022 | mcf | USD | — | — | — | — | — | — | 35,000 | (1.09) | — | — |
| Q4 2022 | mcf | USD | — | — | — | — | — | — | 11,793 | (1.09) | — | — |
| Q2 2023 | mcf | USD | — | — | — | — | — | — | 23,000 | (1.13) | — | — |
| Q3 2023 | mcf | USD | — | — | — | — | — | — | 23,000 | (1.13) | — | — |
| Q4 2023 | mcf | USD | — | — | — | — | — | — | 7,750 | (1.13) | — | — |
| **NYMEX Henry Hub** | | | | | | | | | | | | |
| Q3 2022 | mcf | USD | 59,000 | 3.42 | 59,000 | 5.15 | — | — | — | — | — | — |
| Q4 2022 | mcf | USD | 35,793 | 3.68 | 35,793 | 6.62 | — | — | — | — | — | — |
| Q1 2023 | mcf | USD | 24,000 | 4.00 | 24,000 | 8.44 | — | — | — | — | — | — |
| **NBP** | | | | | | | | | | | | |
| Q3 2022 | mcf | EUR | 23,339 | 8.85 | 23,339 | 12.67 | 19,654 | 3.66 | 4,913 | 4.91 | — | — |
| Q4 2022 | mcf | EUR | 23,339 | 8.85 | 23,339 | 12.67 | 19,654 | 3.66 | 4,913 | 4.91 | — | — |
| Q1 2023 | mcf | EUR | 18,426 | 11.76 | 18,426 | 19.55 | 14,740 | 4.10 | — | — | — | — |
| Q2 2023 | mcf | EUR | 4,913 | 5.86 | 4,913 | 8.24 | 4,913 | 4.40 | — | — | — | — |
| **TTF** | | | | | | | | | | | | |
| Q3 2022 | mcf | EUR | 14,126 | 27.34 | 14,126 | 37.81 | 2,457 | 3.52 | 4,913 | 50.55 | — | — |
| Q4 2022 | mcf | EUR | 13,512 | 22.73 | 13,512 | 44.99 | 2,457 | 3.52 | — | — | — | — |
| Q1 2023 | mcf | EUR | 13,512 | 22.73 | 13,512 | 44.99 | 2,457 | 3.52 | — | — | — | — |
| Q2 2023 | mcf | EUR | 2,457 | 20.51 | 2,457 | 32.24 | — | — | — | — | — | — |
| Q3 2023 | mcf | EUR | 2,457 | 20.51 | 2,457 | 32.24 | — | — | — | — | — | — |

| VET Equity Swaps | | Initial Share Price | Share Volume |
|---|---|---|---|
| Swap | Jan 2020 - Apr 2023 | 20.9788 CAD | 2,250,000 |
| Swap | Jan 2020 - Apr 2023 | 22.4587 CAD | 1,500,000 |

| Cross Currency Interest Rate | | Receive Notional Amount | Receive Rate | Pay Notional Amount | Pay Rate |
|---|---|---|---|---|---|
| Swap | July 2022 | 469,254,386 USD | SOFR + 1.60% | 600,000,000 CAD | CDOR + 1.10% |

# Supplemental Table 3: Capital Expenditures and Acquisitions

| By classification ($M) | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|---|---|---|---|---|
| Drilling and development | **109,488** | 77,703 | **192,329** | 157,215 |
| Exploration and evaluation | **3,665** | 1,473 | **6,168** | 5,324 |
| **Capital expenditures** | **113,153** | 79,176 | **198,497** | 162,539 |
| | | | | |
| Acquisitions | **497,800** | 12,196 | **504,512** | 12,589 |
| Acquisition of securities | **18,301** | — | **18,301** | — |
| Contingent consideration | **—** | 330 | **—** | 330 |
| Working capital assumed | **6,122** | (7) | **6,122** | (7) |
| **Acquisitions** | **522,223** | 12,519 | **528,935** | 12,912 |

| By category ($M) | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|---|---|---|---|---|
| Drilling, completion, new well equip and tie-in, workovers and recompletions | **81,211** | 47,453 | **151,888** | 116,235 |
| Production equipment and facilities | **27,082** | 24,859 | **34,995** | 36,890 |
| Seismic, studies, land and other | **4,860** | 6,864 | **11,614** | 9,414 |
| Capital expenditures | **113,153** | 79,176 | **198,497** | 162,539 |
| Acquisitions | **522,223** | 12,519 | **528,935** | 12,912 |
| **Total capital expenditures and acquisitions** | **635,376** | 91,695 | **727,432** | 175,451 |

| Capital expenditures by country ($M) | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|---|---|---|---|---|
| Canada | **30,849** | 20,210 | **80,377** | 74,531 |
| United States | **24,064** | 18,637 | **32,049** | 23,429 |
| France | **11,913** | 8,913 | **18,924** | 15,792 |
| Netherlands | **1,369** | 7,683 | **1,873** | 11,816 |
| Germany | **3,574** | 3,607 | **12,734** | 6,106 |
| Ireland | **656** | 172 | **972** | 238 |
| Australia | **37,825** | 13,118 | **45,352** | 19,957 |
| Central and Eastern Europe | **2,903** | 6,836 | **6,216** | 10,670 |
| **Total capital expenditures** | **113,153** | 79,176 | **198,497** | 162,539 |

| Acquisitions by country ($M) | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|---|---|---|---|---|
| Canada | **522,351** | 308 | **525,059** | 358 |
| United States | **1,055** | — | **1,075** | — |
| Germany | **(1,183)** | 12,211 | **2,659** | 12,554 |
| Ireland | **—** | — | **142** | — |
| **Total acquisitions** | **522,223** | 12,519 | **528,935** | 12,912 |

# Supplemental Table 4: Production

| | Q2/22 | Q1/22 | Q4/21 | Q3/21 | Q2/21 | Q1/21 | Q4/20 | Q3/20 | Q2/20 | Q1/20 | Q4/19 | Q3/19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Canada** | | | | | | | | | | | | |
| Light and medium crude oil (bbls/d) | **17,042** | 15,980 | 16,388 | 16,809 | 16,868 | 17,767 | 19,301 | 19,847 | 22,545 | 22,767 | 23,259 | 23,610 |
| Condensate [(1)] (bbls/d) | **4,873** | 4,892 | 4,785 | 4,426 | 5,558 | 4,556 | 4,662 | 5,200 | 5,047 | 4,634 | 4,140 | 4,072 |
| Other NGLs [(1)] (bbls/d) | **7,155** | 7,286 | 7,073 | 6,862 | 7,767 | 7,016 | 7,334 | 8,350 | 8,248 | 6,943 | 7,005 | 6,632 |
| NGLs (bbls/d) | **12,028** | 12,178 | 11,858 | 11,288 | 13,325 | 11,572 | 11,996 | 13,550 | 13,295 | 11,577 | 11,145 | 10,704 |
| Conventional natural gas (mmcf/d) | **143.94** | 140.55 | 128.85 | 138.42 | 146.55 | 138.41 | 135.27 | 155.15 | 164.08 | 151.16 | 145.14 | 145.14 |
| Total (boe/d) | **53,060** | 51,584 | 49,720 | 51,168 | 54,618 | 52,407 | 53,840 | 59,256 | 63,187 | 59,537 | 58,593 | 58,504 |
| **United States** | | | | | | | | | | | | |
| Light and medium crude oil (bbls/d) | **2,846** | 2,675 | 2,647 | 3,520 | 1,888 | 2,322 | 2,495 | 3,243 | 3,971 | 2,481 | 3,149 | 2,717 |
| Condensate [(1)] (bbls/d) | **40** | 24 | 26 | 2 | 2 | — | 1 | 6 | 6 | 6 | 12 | 4 |
| Other NGLs [(1)] (bbls/d) | **958** | 1,056 | 1,388 | 1,206 | 928 | 1,058 | 1,294 | 1,158 | 1,340 | 1,079 | 1,156 | 1,140 |
| NGLs (bbls/d) | **998** | 1,080 | 1,414 | 1,208 | 930 | 1,058 | 1,295 | 1,164 | 1,346 | 1,085 | 1,168 | 1,144 |
| Conventional natural gas (mmcf/d) | **6.74** | 7.56 | 9.09 | 6.75 | 5.51 | 5.95 | 6.87 | 7.94 | 8.35 | 6.72 | 8.20 | 6.38 |
| Total (boe/d) | **4,967** | 5,014 | 5,575 | 5,854 | 3,736 | 4,373 | 4,934 | 5,730 | 6,708 | 4,685 | 5,683 | 4,925 |
| **France** | | | | | | | | | | | | |
| Light and medium crude oil (bbls/d) | **8,126** | 8,389 | 8,453 | 8,677 | 9,013 | 9,062 | 9,255 | 9,347 | 7,046 | 9,957 | 10,264 | 10,347 |
| Conventional natural gas (mmcf/d) | **—** | — | — | — | — | — | — | — | — | — | — | — |
| Total (boe/d) | **8,126** | 8,389 | 8,453 | 8,677 | 9,013 | 9,062 | 9,255 | 9,347 | 7,046 | 9,957 | 10,264 | 10,347 |
| **Netherlands** | | | | | | | | | | | | |
| Light and medium crude oil (bbls/d) | **1** | 1 | — | 6 | 1 | 6 | 1 | — | 1 | 3 | 4 | 1 |
| Condensate [(1)] (bbls/d) | **60** | 83 | 97 | 104 | 95 | 92 | 99 | 83 | 86 | 84 | 86 | 81 |
| NGLs (bbls/d) | **60** | 83 | 97 | 104 | 95 | 92 | 99 | 83 | 86 | 84 | 86 | 81 |
| Conventional natural gas (mmcf/d) | **35.22** | 39.03 | 51.98 | 42.48 | 37.59 | 41.45 | 42.95 | 46.09 | 47.31 | 48.33 | 47.99 | 44.08 |
| Total (boe/d) | **5,930** | 6,589 | 8,761 | 7,190 | 6,362 | 7,006 | 7,257 | 7,764 | 7,972 | 8,143 | 8,088 | 7,429 |
| **Germany** | | | | | | | | | | | | |
| Light and medium crude oil (bbls/d) | **1,331** | 1,158 | 1,127 | 1,043 | 1,093 | 911 | 960 | 964 | 1,039 | 909 | 800 | 845 |
| Conventional natural gas (mmcf/d) | **25.36** | 26.95 | 18.00 | 16.19 | 15.60 | 13.40 | 11.50 | 11.25 | 13.23 | 14.64 | 15.44 | 14.54 |
| Total (boe/d) | **5,558** | 5,650 | 4,127 | 3,741 | 3,694 | 3,144 | 2,876 | 2,839 | 3,244 | 3,349 | 3,373 | 3,269 |
| **Ireland** | | | | | | | | | | | | |
| Conventional natural gas (mmcf/d) | **27.93** | 30.26 | 30.12 | 22.67 | 30.19 | 34.14 | 34.76 | 35.12 | 38.57 | 41.38 | 42.30 | 43.21 |
| Total (boe/d) | **4,655** | 5,043 | 5,020 | 3,778 | 5,031 | 5,690 | 5,793 | 5,853 | 6,428 | 6,896 | 7,049 | 7,202 |
| **Australia** | | | | | | | | | | | | |
| Light and medium crude oil (bbls/d) | **2,465** | 3,888 | 2,742 | 4,190 | 3,835 | 4,489 | 3,781 | 4,549 | 5,299 | 4,041 | 4,548 | 5,564 |
| Total (boe/d) | **2,465** | 3,888 | 2,742 | 4,190 | 3,835 | 4,489 | 3,781 | 4,549 | 5,299 | 4,041 | 4,548 | 5,564 |
| **Central and Eastern Europe** | | | | | | | | | | | | |
| Conventional natural gas (mmcf/d) | **0.64** | 0.34 | 0.12 | 0.22 | 0.28 | 0.63 | 0.67 | 0.80 | 2.89 | 3.27 | 1.66 | — |
| Total (boe/d) | **106** | 57 | 20 | 36 | 46 | 104 | 111 | 132 | 483 | 546 | 276 | — |
| **Consolidated** | | | | | | | | | | | | |
| Light and medium crude oil (bbls/d) | **31,811** | 32,091 | 31,356 | 34,245 | 32,698 | 34,556 | 35,793 | 37,951 | 39,899 | 40,157 | 42,024 | 43,084 |
| Condensate [(1)] (bbls/d) | **4,973** | 4,999 | 4,908 | 4,532 | 5,656 | 4,648 | 4,762 | 5,289 | 5,142 | 4,724 | 4,237 | 4,158 |
| Other NGLs [(1)] (bbls/d) | **8,113** | 8,342 | 8,461 | 8,068 | 8,695 | 8,074 | 8,627 | 9,509 | 9,588 | 8,022 | 8,160 | 7,772 |
| NGLs (bbls/d) | **13,086** | 13,341 | 13,369 | 12,600 | 14,351 | 12,722 | 13,389 | 14,798 | 14,730 | 12,746 | 12,397 | 11,930 |
| Conventional natural gas (mmcf/d) | **239.83** | 244.69 | 238.16 | 226.73 | 235.72 | 233.98 | 232.00 | 256.34 | 274.42 | 265.51 | 260.72 | 253.36 |
| Total (boe/d) | **84,868** | 86,213 | 84,417 | 84,633 | 86,335 | 86,276 | 87,848 | 95,471 | 100,366 | 97,154 | 97,875 | 97,239 |

| | YTD 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **Canada** | | | | | | |
| Light and medium crude oil (bbls/d) | **16,514** | 16,954 | 21,106 | 23,971 | 17,400 | 6,015 |
| Condensate [(1)] (bbls/d) | **4,883** | 4,831 | 4,886 | 4,295 | 3,754 | 3,036 |
| Other NGLs [(1)] (bbls/d) | **7,220** | 7,179 | 7,719 | 6,988 | 5,914 | 4,144 |
| NGLs (bbls/d) | **12,103** | 12,010 | 12,605 | 11,283 | 9,668 | 7,180 |
| Conventional natural gas (mmcf/d) | **142.26** | 138.03 | 151.38 | 148.35 | 129.37 | 97.89 |
| Total (boe/d) | **52,326** | 51,968 | 58,942 | 59,979 | 48,630 | 29,510 |
| **United States** | | | | | | |
| Light and medium crude oil (bbls/d) | **2,761** | 2,597 | 3,046 | 2,514 | 1,069 | 662 |
| Condensate [(1)] (bbls/d) | **32** | 8 | 5 | 18 | 8 | 4 |
| Other NGLs [(1)] (bbls/d) | **1,006** | 1,146 | 1,218 | 996 | 452 | 50 |
| NGLs (bbls/d) | **1,038** | 1,154 | 1,223 | 1,014 | 460 | 54 |
| Conventional natural gas (mmcf/d) | **7.15** | 6.84 | 7.47 | 6.89 | 2.78 | 0.39 |
| Total (boe/d) | **4,990** | 4,890 | 5,514 | 4,675 | 1,992 | 781 |
| **France** | | | | | | |
| Light and medium crude oil (bbls/d) | **8,257** | 8,799 | 8,903 | 10,435 | 11,362 | 11,084 |
| Conventional natural gas (mmcf/d) | **—** | — | — | 0.19 | 0.21 | — |
| Total (boe/d) | **8,257** | 8,799 | 8,903 | 10,467 | 11,396 | 11,084 |
| **Netherlands** | | | | | | |
| Light and medium crude oil (bbls/d) | **1** | 3 | 1 | 3 | — | — |
| Condensate [(1)] (bbls/d) | **71** | 97 | 88 | 88 | 90 | 90 |
| NGLs (bbls/d) | **71** | 97 | 88 | 88 | 90 | 90 |
| Conventional natural gas (mmcf/d) | **37.11** | 43.40 | 46.16 | 49.10 | 46.13 | 40.54 |
| Total (boe/d) | **6,257** | 7,334 | 7,782 | 8,274 | 7,779 | 6,847 |
| **Germany** | | | | | | |
| Light and medium crude oil (bbls/d) | **1,245** | 1,044 | 968 | 917 | 1,004 | 1,060 |
| Conventional natural gas (mmcf/d) | **26.15** | 15.81 | 12.65 | 15.31 | 15.66 | 19.39 |
| Total (boe/d) | **5,604** | 3,679 | 3,076 | 3,468 | 3,614 | 4,291 |
| **Ireland** | | | | | | |
| Conventional natural gas (mmcf/d) | **29.09** | 29.25 | 37.44 | 46.57 | 55.17 | 58.43 |
| Total (boe/d) | **4,848** | 4,875 | 6,240 | 7,762 | 9,195 | 9,737 |
| **Australia** | | | | | | |
| Light and medium crude oil (bbls/d) | **3,172** | 3,810 | 4,416 | 5,662 | 4,494 | 5,770 |
| Total (boe/d) | **3,172** | 3,810 | 4,416 | 5,662 | 4,494 | 5,770 |
| **Central and Eastern Europe** | | | | | | |
| Conventional natural gas (mmcf/d) | **0.49** | 0.31 | 1.90 | 0.42 | 1.02 | — |
| Total (boe/d) | **82** | 51 | 317 | 70 | 169 | — |
| **Consolidated** | | | | | | |
| Light and medium crude oil (bbls/d) | **31,950** | 33,208 | 38,441 | 43,502 | 35,329 | 24,591 |
| Condensate [(1)] (bbls/d) | **4,986** | 4,936 | 4,980 | 4,400 | 3,853 | 3,130 |
| Other NGLs [(1)] (bbls/d) | **8,227** | 8,325 | 8,937 | 7,984 | 6,366 | 4,194 |
| NGLs (bbls/d) | **13,213** | 13,261 | 13,917 | 12,384 | 10,219 | 7,324 |
| Conventional natural gas (mmcf/d) | **242.25** | 233.64 | 256.99 | 266.82 | 250.33 | 216.64 |
| Total (boe/d) | **85,537** | 85,408 | 95,190 | 100,357 | 87,270 | 68,021 |

(1) Under National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities", disclosure of production volumes should include segmentation by product type as defined in the instrument. This table provides a reconciliation from "crude oil and condensate", "NGLs" and "natural gas" to the product types. In this report, references to "crude oil" and "light and medium crude oil" mean "light crude oil and medium crude oil" and references to "natural gas" mean "conventional natural gas". Production volumes reported are based on quantities as measured at the first point of sale.

# Supplemental Table 5: Operational and Financial Data by Core Region

## Production volumes [1]

| | Q2/22 | Q1/22 | Q4/21 | Q3/21 | Q2/21 | Q1/21 | Q4/20 | Q3/20 | Q2/20 | Q1/20 | Q4/19 | Q3/19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **North America** | | | | | | | | | | | | |
| Crude oil and condensate (bbls/d) | 24,801 | 23,571 | 23,846 | 24,757 | 24,316 | 24,645 | 26,459 | 28,296 | 31,569 | 29,888 | 30,560 | 30,403 |
| NGLs (bbls/d) | 8,113 | 8,342 | 8,461 | 8,068 | 8,695 | 8,074 | 8,628 | 9,508 | 9,588 | 8,022 | 8,161 | 7,772 |
| Natural gas (mmcf/d) | 150.68 | 148.11 | 137.93 | 145.18 | 152.06 | 144.36 | 142.13 | 163.09 | 172.43 | 157.88 | 153.34 | 151.52 |
| **Total (boe/d)** | **58,027** | **56,598** | **55,295** | **57,022** | **58,354** | **56,780** | **58,774** | **64,986** | **69,895** | **64,222** | **64,276** | **63,429** |
| | | | | | | | | | | | | |
| **International** | | | | | | | | | | | | |
| Crude oil and condensate (bbls/d) | 11,983 | 13,519 | 12,419 | 14,020 | 14,037 | 14,560 | 14,096 | 14,943 | 13,471 | 14,994 | 15,702 | 16,838 |
| Natural gas (mmcf/d) | 89.15 | 96.58 | 100.22 | 81.55 | 83.66 | 89.62 | 89.86 | 93.25 | 101.99 | 107.63 | 107.38 | 101.83 |
| **Total (boe/d)** | **26,840** | **29,616** | **29,123** | **27,612** | **27,981** | **29,495** | **29,073** | **30,484** | **30,472** | **32,932** | **33,598** | **33,811** |
| | | | | | | | | | | | | |
| **Consolidated** | | | | | | | | | | | | |
| Crude oil and condensate (bbls/d) | 36,784 | 37,090 | 36,264 | 38,777 | 38,354 | 39,204 | 40,555 | 43,240 | 45,041 | 44,881 | 46,261 | 47,242 |
| NGLs (bbls/d) | 8,113 | 8,342 | 8,461 | 8,068 | 8,695 | 8,074 | 8,627 | 9,509 | 9,588 | 8,022 | 8,160 | 7,772 |
| Natural gas (mmcf/d) | 239.83 | 244.69 | 238.16 | 226.73 | 235.72 | 233.98 | 232.00 | 256.34 | 274.42 | 265.51 | 260.72 | 253.36 |
| **Total (boe/d)** | **84,868** | **86,213** | **84,417** | **84,633** | **86,335** | **86,276** | **87,848** | **95,471** | **100,366** | **97,154** | **97,875** | **97,239** |

(1) Please refer to Supplemental Table 4 "Production" for disclosure by product type.

## Sales volumes

| | Q2/22 | Q1/22 | Q4/21 | Q3/21 | Q2/21 | Q1/21 | Q4/20 | Q3/20 | Q2/20 | Q1/20 | Q4/19 | Q3/19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **North America** | | | | | | | | | | | | |
| Crude oil and condensate (bbls/d) | 24,801 | 23,571 | 23,845 | 24,757 | 24,316 | 24,645 | 26,459 | 28,297 | 31,569 | 29,888 | 30,560 | 30,404 |
| NGLs (bbls/d) | 8,113 | 8,342 | 8,461 | 8,068 | 8,695 | 8,074 | 8,628 | 9,508 | 9,588 | 8,022 | 8,161 | 7,772 |
| Natural gas (mmcf/d) | 150.68 | 148.11 | 137.93 | 145.18 | 152.06 | 144.36 | 142.13 | 163.09 | 172.43 | 157.88 | 153.34 | 151.52 |
| **Total (boe/d)** | **58,027** | **56,598** | **55,295** | **57,022** | **58,354** | **56,780** | **58,774** | **64,986** | **69,895** | **64,222** | **64,276** | **63,429** |
| | | | | | | | | | | | | |
| **International** | | | | | | | | | | | | |
| Crude oil and condensate (bbls/d) | 11,720 | 12,615 | 13,985 | 15,227 | 13,859 | 11,421 | 15,359 | 15,689 | 12,202 | 17,090 | 13,864 | 18,575 |
| Natural gas (mmcf/d) | 89.15 | 96.58 | 100.22 | 81.55 | 83.66 | 89.62 | 89.86 | 93.25 | 101.99 | 107.63 | 107.38 | 101.83 |
| **Total (boe/d)** | **26,578** | **28,712** | **30,689** | **28,820** | **27,802** | **26,357** | **30,336** | **31,229** | **29,201** | **35,028** | **31,760** | **35,547** |
| | | | | | | | | | | | | |
| **Consolidated** | | | | | | | | | | | | |
| Crude oil and condensate (bbls/d) | 36,522 | 36,186 | 37,830 | 39,985 | 38,174 | 36,066 | 41,818 | 43,985 | 43,771 | 46,977 | 44,423 | 48,979 |
| NGLs (bbls/d) | 8,113 | 8,342 | 8,461 | 8,068 | 8,695 | 8,074 | 8,627 | 9,509 | 9,588 | 8,022 | 8,160 | 7,772 |
| Natural gas (mmcf/d) | 239.83 | 244.69 | 238.16 | 226.73 | 235.72 | 233.98 | 232.00 | 256.34 | 274.42 | 265.51 | 260.72 | 253.36 |
| **Total (boe/d)** | **84,607** | **85,310** | **85,984** | **85,841** | **86,156** | **83,138** | **89,111** | **96,217** | **99,096** | **99,250** | **96,037** | **98,976** |

## Financial results

| | Q2/22 | Q1/22 | Q4/21 | Q3/21 | Q2/21 | Q1/21 | Q4/20 | Q3/20 | Q2/20 | Q1/20 | Q4/19 | Q3/19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **North America** | | | | | | | | | | | | |
| Crude oil and condensate sales ($/bbl) | 134.72 | 111.42 | 92.99 | 82.23 | 75.43 | 66.31 | 51.06 | 49.79 | 28.94 | 50.25 | 66.31 | 66.67 |
| NGL sales ($/bbl) | 51.86 | 46.94 | 47.26 | 35.55 | 25.43 | 29.39 | 19.20 | 15.04 | 8.94 | 8.92 | 14.63 | 6.14 |
| Natural gas sales ($/mcf) | 7.13 | 4.80 | 5.07 | 3.80 | 2.72 | 3.98 | 2.77 | 2.02 | 1.60 | 1.92 | 2.29 | 1.18 |
| Sales ($/boe) | 83.34 | 65.88 | 59.97 | 50.40 | 42.30 | 43.08 | 32.51 | 28.94 | 18.24 | 29.22 | 38.86 | 35.52 |
| Royalties ($/boe) | (12.51) | (11.24) | (9.26) | (7.14) | (5.98) | (5.49) | (3.64) | (3.58) | (1.67) | (3.54) | (4.98) | (4.93) |
| Transportation ($/boe) | (2.15) | (1.91) | (1.86) | (1.92) | (1.90) | (2.05) | (1.92) | (1.74) | (1.72) | (1.91) | (1.76) | (1.78) |
| Operating ($/boe) | (11.58) | (11.95) | (11.68) | (11.02) | (10.89) | (11.21) | (10.94) | (7.82) | (9.60) | (11.93) | (11.15) | (10.67) |
| General and administration ($/boe) | (1.52) | (1.26) | (2.01) | (1.14) | (0.91) | (1.34) | (1.94) | (0.78) | (1.52) | (0.84) | (0.97) | (0.60) |
| Corporate income taxes ($/boe) | — | (0.02) | 0.42 | (0.05) | (0.04) | (0.04) | 0.04 | (0.02) | (0.02) | (0.04) | (0.11) | 0.09 |
| **Fund flows from operations ($/boe)** | **55.58** | **39.50** | **35.59** | **29.12** | **22.58** | **22.93** | **14.13** | **14.98** | **3.72** | **10.96** | **19.89** | **17.63** |
| | | | | | | | | | | | | |
| Fund flows from operations | 293,470 | 201,193 | 180,979 | 152,764 | 119,916 | 117,227 | 76,375 | 89,635 | 23,639 | 64,048 | 117,623 | 102,867 |
| Drilling and development | (54,913) | (57,513) | (89,643) | (35,179) | (38,847) | (59,113) | (33,781) | (9,575) | (23,979) | (197,926) | (69,775) | (91,027) |
| Exploration and evaluation | — | — | — | — | — | — | — | — | — | — | — | — |
| **Free cash flow** | **238,557** | **143,680** | **91,336** | **117,585** | **81,069** | **58,114** | **42,594** | **80,060** | **(340)** | **(133,878)** | **47,848** | **11,840** |
| | | | | | | | | | | | | |
| **International** | | | | | | | | | | | | |
| Crude oil and condensate sales ($/bbl) | 146.67 | 136.69 | 103.53 | 94.91 | 85.41 | 81.40 | 62.65 | 58.19 | 50.27 | 73.35 | 82.14 | 84.55 |
| Natural gas sales ($/mcf) | 32.33 | 36.75 | 35.54 | 18.82 | 9.83 | 7.98 | 6.27 | 2.91 | 2.28 | 4.44 | 5.49 | 4.29 |
| Sales ($/boe) | 173.14 | 183.66 | 163.23 | 103.39 | 72.16 | 62.39 | 50.30 | 37.94 | 28.98 | 49.42 | 54.42 | 56.46 |
| Royalties ($/boe) | (7.23) | (5.43) | (4.13) | (4.52) | (3.83) | (3.53) | (3.02) | (3.32) | (2.16) | (3.27) | (3.85) | (3.89) |
| Transportation ($/boe) | (3.64) | (2.91) | (3.40) | (3.47) | (4.64) | (2.76) | (2.40) | (2.28) | (2.04) | (1.94) | (1.77) | (2.76) |
| Operating ($/boe) | (22.11) | (19.86) | (18.86) | (17.55) | (16.56) | (16.42) | (16.99) | (15.18) | (14.35) | (16.13) | (15.28) | (13.13) |
| General and administration ($/boe) | (3.16) | (3.02) | (2.53) | (2.40) | (2.61) | (2.06) | (2.92) | (2.53) | (2.72) | (2.63) | (3.70) | (3.10) |
| Corporate income taxes ($/boe) | (28.73) | (17.63) | (12.17) | 0.64 | (0.19) | 0.66 | 2.25 | 0.04 | (0.02) | (0.11) | 2.22 | (1.55) |
| PRRT ($/boe) | (0.83) | (2.60) | (1.96) | (2.74) | (0.58) | (0.60) | (1.45) | (1.27) | (1.21) | (2.90) | (0.50) | (1.78) |
| **Fund flows from operations ($/boe)** | **107.44** | **132.21** | **120.16** | **73.37** | **43.73** | **37.69** | **25.77** | **13.41** | **6.47** | **22.44** | **31.53** | **30.26** |
| | | | | | | | | | | | | |
| Fund flows from operations | 259,840 | 341,626 | 339,286 | 194,505 | 110,654 | 89,403 | 71,934 | 38,498 | 17,193 | 71,526 | 92,160 | 98,955 |
| Drilling and development | (54,575) | (25,328) | (29,359) | (27,994) | (38,856) | (20,399) | (19,122) | (20,187) | (18,404) | (29,507) | (27,339) | (26,096) |
| Exploration and evaluation | (3,665) | (2,503) | (26,805) | (3,277) | (1,473) | (3,851) | (6,991) | (1,568) | 109 | (6,271) | (3,511) | (10,756) |
| **Free cash flow** | **201,600** | **313,795** | **283,122** | **163,234** | **70,325** | **65,153** | **45,821** | **16,743** | **(1,102)** | **35,748** | **61,310** | **62,103** |

| | Q2/22 | Q1/22 | Q4/21 | Q3/21 | Q2/21 | Q1/21 | Q4/20 | Q3/20 | Q2/20 | Q1/20 | Q4/19 | Q3/19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | | | | | | | |
| Crude oil and condensate sales ($/bbl) | 138.55 | 120.23 | 96.88 | 87.05 | 79.06 | 71.09 | 55.31 | 52.79 | 34.89 | 58.66 | 71.25 | 73.45 |
| NGL sales ($/bbl) | 51.86 | 46.94 | 47.26 | 35.55 | 25.43 | 29.39 | 19.20 | 15.04 | 8.94 | 8.92 | 14.63 | 6.14 |
| Natural gas sales ($/mcf) | 16.50 | 17.41 | 17.89 | 9.20 | 5.24 | 5.51 | 4.13 | 2.34 | 1.85 | 2.94 | 3.61 | 2.43 |
| Sales ($/boe) | 111.55 | 105.52 | 96.82 | 68.19 | 51.93 | 49.20 | 38.57 | 31.86 | 21.40 | 36.35 | 44.01 | 43.04 |
| Royalties ($/boe) | (10.85) | (9.29) | (7.43) | (6.26) | (5.29) | (4.87) | (3.43) | (3.50) | (1.81) | (3.45) | (4.60) | (4.56) |
| Transportation ($/boe) | (2.62) | (2.25) | (2.41) | (2.44) | (2.78) | (2.27) | (2.08) | (1.92) | (1.81) | (1.92) | (1.76) | (2.13) |
| Operating ($/boe) | (14.89) | (14.61) | (14.24) | (13.21) | (12.72) | (12.86) | (13.00) | (10.21) | (11.00) | (13.41) | (12.52) | (11.55) |
| General and administration ($/boe) | (2.04) | (1.85) | (2.20) | (1.56) | (1.46) | (1.57) | (2.27) | (1.35) | (1.88) | (1.47) | (1.88) | (1.50) |
| Corporate income taxes ($/boe) | (9.03) | (5.95) | (4.07) | 0.18 | (0.09) | 0.18 | 0.80 | — | (0.02) | (0.06) | 0.66 | (0.50) |
| PRRT ($/boe) | (0.26) | (0.87) | (0.70) | (0.92) | (0.19) | (0.19) | (0.49) | (0.41) | (0.36) | (1.02) | (0.16) | (0.64) |
| Interest ($/boe) | (2.74) | (1.93) | (2.06) | (2.37) | (2.41) | (2.57) | (2.42) | (1.97) | (1.98) | (2.21) | (2.17) | (2.16) |
| Realized derivatives ($/boe) | (10.36) | (18.78) | (23.97) | (9.19) | (5.05) | (3.43) | 0.10 | 0.47 | 6.07 | 5.47 | 2.57 | 4.06 |
| Realized foreign exchange ($/boe) | (0.30) | 0.10 | (0.30) | 0.37 | (0.25) | (0.69) | 0.16 | (0.31) | 0.44 | 0.94 | 0.23 | (0.37) |
| Realized other ($/boe) | 0.36 | 0.70 | 1.29 | 0.48 | 0.35 | 0.73 | 0.56 | 0.29 | 0.03 | (0.37) | 0.03 | 0.04 |
| **Fund flows from operations ($/boe)** | **58.83** | **50.78** | **40.74** | **33.24** | **22.06** | **21.67** | **16.47** | **12.97** | **9.08** | **18.86** | **24.39** | **23.75** |
| | | | | | | | | | | | | |
| Fund flows from operations | 452,901 | 389,868 | 322,173 | 262,696 | 172,942 | 162,051 | 135,212 | 114,776 | 81,852 | 170,225 | 215,592 | 216,153 |
| Drilling and development | (109,488) | (82,841) | (119,002) | (63,173) | (77,703) | (79,512) | (52,903) | (29,762) | (42,383) | (227,433) | (97,114) | (117,123) |
| Exploration and evaluation | (3,665) | (2,503) | (26,805) | (3,277) | (1,473) | (3,851) | (6,991) | (1,568) | 109 | (6,271) | (3,511) | (10,756) |
| **Free cash flow** | **339,748** | **304,524** | **176,366** | **196,246** | **93,766** | **78,688** | **75,318** | **83,446** | **39,578** | **(63,479)** | **114,967** | **88,274** |

# Non-GAAP and Other Specified Financial Measures

This MD&A includes references to certain financial measures which do not have standardized meanings and may not be comparable to similar measures presented by other issuers. These financial measures include fund flows from operations, a total of segments measure of profit or loss in accordance with IFRS 8 “Operating Segments” (please see Segmented Information in the Notes to the condensed Consolidated Interim Financial Statements) and net debt, a capital management measure in accordance with IAS 1 “Presentation of Financial Statements” (please see Capital Disclosures in the Notes to the condensed Consolidated Interim Financial Statements).

In addition, this MD&A includes financial measures which are not specified, defined, or determined under IFRS and are therefore considered non-GAAP financial measures and may not be comparable to similar measures presented by other issuers. These non-GAAP financial measures include:

**Acquisitions:** The sum of acquisitions from the Consolidated Statements of Cash Flows, Vermilion common shares issued as consideration, the estimated value of contingent consideration, the amount of acquiree's outstanding long-term debt assumed plus or net of acquired working capital deficit or surplus. We believe that including these components provides a useful measure of the economic investment associated with our acquisition activity. A reconciliation to the acquisitions line item in the Consolidated Statements of Cash Flows can be found in Supplemental Table 3 of this MD&A.

**Capital expenditures:** A non-GAAP financial measure calculated as the sum of drilling and development costs and exploration and evaluation costs from the Consolidated Statements of Cash Flows that is most directly comparable to cash flows used in investing activities. We consider capital expenditures to be a useful measure of our investment in our existing asset base. Capital expenditures are also referred to as E&D capital. Reconciliation to primary financial statement measures can be found below.

| ($M) | Q2 2022 | Q2 2021 | 2022 | 2021 |
|---|---|---|---|---|
| Drilling and development | **109,488** | 77,703 | **192,329** | 157,215 |
| Exploration and evaluation | **3,665** | 1,473 | **6,168** | 5,324 |
| **Capital expenditures** | **113,153** | 79,176 | **198,497** | 162,539 |

**Cash dividends per share:** A supplementary financial measure that represents cash dividends declared per share that is a useful measure of the dividends a common shareholder was entitled to during the period.

**Covenants:** The financial covenants on our revolving credit facility contain non-GAAP measures. The definitions for these financial covenants are included in Financial Position Review.

**Diluted shares outstanding:** The sum of shares outstanding at the period end plus outstanding awards under the VIP, based on current estimates of future performance factors and forfeiture rates.

| ('000s of shares) | Q2 2022 | Q2 2021 |
|---|---|---|
| Shares outstanding | **165,222** | 161,893 |
| Potential shares issuable pursuant to the VIP | **5,747** | 7,010 |
| **Diluted shares outstanding** | **170,969** | 168,903 |

**Fund flows from operations:** A total of segments measure most directly comparable to net earnings. FFO is comprised of sales excluding royalties, transportation, operating, G&A, corporate income tax, PRRT, interest expense, realized loss on derivatives, realized foreign exchange gain (loss), and realized other income. The measure is used to assess the contribution of each business unit to Vermilion's ability to generate income necessary to pay dividends, repay debt, fund asset retirement obligations and make capital investments. Reconciliation to primary financial statement measures can be found below.

| | Q2 2022 | | Q2 2021 | | YTD 2022 | | YTD 2021 | |
|---|---|---|---|---|---|---|---|---|
| | $M | $/boe | $M | $/boe | $M | $/boe | $M | $/boe |
| Sales | **858,844** | **111.55** | 407,179 | 51.93 | **1,669,023** | **108.54** | 775,316 | 50.60 |
| Royalties | **(83,553)** | **(10.85)** | (41,456) | (5.29) | **(154,860)** | **(10.07)** | (77,902) | (5.08) |
| Transportation | **(20,153)** | **(2.62)** | (21,834) | (2.78) | **(37,422)** | **(2.43)** | (38,855) | (2.54) |
| Operating | **(114,617)** | **(14.89)** | (99,737) | (12.72) | **(226,800)** | **(14.75)** | (195,978) | (12.79) |
| General and administration | **(15,691)** | **(2.04)** | (11,432) | (1.46) | **(29,911)** | **(1.95)** | (23,162) | (1.51) |
| Corporate income tax (expense) recovery | **(69,501)** | **(9.03)** | (691) | (0.09) | **(115,173)** | **(7.49)** | 654 | 0.04 |
| PRRT | **(2,019)** | **(0.26)** | (1,459) | (0.19) | **(8,728)** | **(0.57)** | (2,873) | (0.19) |
| Interest expense | **(21,074)** | **(2.74)** | (18,862) | (2.41) | **(35,897)** | **(2.33)** | (38,097) | (2.49) |
| Realized loss on derivatives | **(79,778)** | **(10.36)** | (39,574) | (5.05) | **(224,001)** | **(14.57)** | (65,207) | (4.26) |
| Realized foreign exchange (loss) gain | **(2,297)** | **(0.30)** | (1,958) | (0.25) | **(1,547)** | **(0.10)** | (7,139) | (0.47) |
| Realized other income | **2,740** | **0.36** | 2,766 | 0.35 | **8,085** | **0.53** | 8,236 | 0.55 |
| **Fund flows from operations** | **452,901** | **58.82** | 172,942 | 22.04 | **842,769** | **54.81** | 334,993 | 21.86 |
| Equity based compensation | **(7,499)** | | (10,536) | | **(32,868)** | | (27,076) | |
| Unrealized gain (loss) on derivative instruments [(1)] | **168,058** | | (79,408) | | **(52,736)** | | (73,966) | |
| Unrealized foreign exchange (loss) gain [(1)] | **(32,267)** | | (18,298) | | **7,870** | | (44,208) | |
| Accretion | **(13,746)** | | (10,863) | | **(27,384)** | | (21,370) | |
| Depletion and depreciation | **(140,763)** | | (149,651) | | **(275,003)** | | (255,664) | |
| Deferred tax (expense) recovery | **(63,497)** | | (63,526) | | **(7,404)** | | (234,754) | |
| Gain on business combinations | **—** | | 17,198 | | **—** | | 17,198 | |
| Impairment reversal | **—** | | 593,606 | | **192,094** | | 1,256,472 | |
| Unrealized other expense [(1)] | **(566)** | | (190) | | **(763)** | | (387) | |
| **Net earnings** | **362,621** | | 451,274 | | **646,575** | | 951,238 | |

**(1)** Unrealized gain (loss) on derivative instruments, Unrealized foreign exchange (loss) gain, and Unrealized other expense are line items from the respective Consolidated Statements of Cash Flows.

**Free cash flow:** A non-GAAP financial measure comparable to cash flows from operating activities that is comprised of funds flows from operations less drilling and development costs and exploration and evaluation costs. The measure is used to determine the funding available for investing and financing activities including payment of dividends, repayment of long-term debt, reallocation into existing business units and deployment into new ventures. Reconciliation to primary financial statement measures can be found below.

| ($M) | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|---|---|---|---|---|
| Cash flows from operating activities | **530,364** | 253,406 | **871,417** | 372,553 |
| Changes in non-cash operating working capital | **(81,763)** | (83,785) | **(39,268)** | (47,904) |
| Asset retirement obligations settled | **4,300** | 3,321 | **10,620** | 10,344 |
| Fund flows from operations | **452,901** | 172,942 | **842,769** | 334,993 |
| Drilling and development | **(109,488)** | (77,703) | **(192,329)** | (157,215) |
| Exploration and evaluation | **(3,665)** | (1,473) | **(6,168)** | (5,324) |
| **Free cash flow** | **339,748** | 93,766 | **644,272** | 172,454 |

**Fund flows from operations per basic and diluted share:** A supplementary financial measure, management assesses fund flows from operations on a per share basis as we believe this provides a measure of our operating performance after taking into account the issuance and potential future issuance of Vermilion common shares. Fund flows from operations per basic share is calculated by dividing fund flows from operations (total of segments measure) by the basic weighted average shares outstanding as defined under IFRS. Fund flows from operations per diluted share is calculated by dividing fund flows from operations by the sum of basic weighted average shares outstanding and incremental shares issuable under the equity based compensation plans as determined using the treasury stock method.

**Net debt:** A capital management measure in accordance with IAS 1 "Presentation of Financial Statements" that is most directly comparable to long-term debt. Net debt is comprised of long-term debt (excluding unrealized foreign exchange on swapped USD borrowings) plus adjusted working capital (defined as current assets less current liabilities, excluding current derivatives and current lease liabilities), and represents Vermilion's net financing obligations after adjusting for the timing of working capital fluctuations. Net debt excludes lease obligations which are secured by a corresponding right-of-use asset.

**Net debt to four quarter trailing fund flows from operations:** A supplementary financial measure that is calculated as net debt (capital measure) over the FFO (total of segments measure) from the preceding four quarters. The measure is used to assess the ability to repay debt.

**Adjusted working capital:** A non-GAAP financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers, defined as current assets less current liabilities, excluding current derivatives and current lease liabilities. The measure is used to calculate net debt, a capital measure disclosed above.

| | As at | |
|---|---|---|
| ($M) | Jun 30, 2022 | Dec 31, 2021 |
| Current assets | **530,098** | 472,845 |
| Current derivative asset | **(36,412)** | (19,321) |
| Current liabilities | **(958,674)** | (746,813) |
| Current lease liability | **10,602** | 15,032 |
| Current derivative liability | **388,992** | 268,973 |
| **Adjusted working capital deficit** | **(65,394)** | (9,284) |

**Operating netback:** A supplementary financial measure most directly comparable to net earnings that is calculated as sales less royalties, operating expense, transportation costs, PRRT, and realized hedging gains and losses presented on a per unit basis. Management assesses operating netback as a measure of the profitability and efficiency of our field operations.

**Fund flows from operations per boe:** A supplementary financial measure calculated as FFO by boe production. Fund flows from operations netback is used by management to assess the profitability of our business units and Vermilion as a whole.

**Payout and payout % of FFO:** A non-GAAP financial measure and non-GAAP ratio respectively, most directly comparable to dividends declared. Payout is comprised of dividends declared plus drilling and development costs, exploration and evaluation costs, and asset retirement obligations settled, and payout % of FFO is calculated as payout over FFO . The measure is used to assess the amount of cash distributed back to shareholders and reinvested in the business for maintaining production and organic growth. The reconciliation of the measure to primary financial statement measure can be found below.

| ($M) | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|---|---|---|---|---|
| Dividends declared | **9,913** | — | **19,680** | — |
| Drilling and development | **109,488** | 77,703 | **192,329** | 157,215 |
| Exploration and evaluation | **3,665** | 1,473 | **6,168** | 5,324 |
| Asset retirement obligations settled | **4,300** | 3,321 | **10,620** | 10,344 |
| **Payout** | **127,366** | 82,497 | **228,797** | 172,883 |
| % of fund flows from operations | **28 %** | 48 % | **27 %** | 52 % |

**Return on capital employed (ROCE):** A non-GAAP ratio, ROCE is a measure that we use to analyze our profitability and the efficiency of our capital allocation process; the comparable primary financial statement measure is earnings before income taxes. ROCE is calculated by dividing net earnings before interest and taxes ("EBIT") by average capital employed over the preceding twelve months. Capital employed is calculated as total assets less current liabilities while average capital employed is calculated using the balance sheets at the beginning and end of the twelve-month period.

| | Twelve Months Ended | |
|---|---|---|
| ($M) | Jun 30, 2022 | Jun 30, 2021 |
| Net earnings | **844,033** | 823,605 |
| Taxes | **127,529** | 172,462 |
| Interest expense | **70,875** | 75,305 |
| EBIT | **1,042,437** | 1,071,372 |
| Average capital employed | **5,101,088** | 4,436,484 |
| Return on capital employed | **20 %** | 24 % |

**DIRECTORS**

Lorenzo Donadeo [1]
Calgary, Alberta

James J. Kleckner Jr. [8, 10]
Edwards, Colorado

Carin Knickel [5, 8, 12]
Golden, Colorado

Stephen P. Larke [4, 6, 11]
Calgary, Alberta

Timothy R. Marchant [7, 10, 12]
Calgary, Alberta

Robert Michaleski [4, 6]
Calgary, Alberta

William Roby [8, 9, 12]
Katy, Texas

Manjit Sharma [3,6]
Toronto, Ontario

Myron Stadnyk [8,10]
Calgary, Alberta

Judy Steele [4,6,12]
Halifax, Nova Scotia

1 Executive Chairman
2 Lead Director (Independent)
3 Audit Committee Chair (Independent)
4 Audit Committee Member
5 Governance and Human Resources Committee Chair (Independent)
6 Governance and Human Resources Committee Member
7 Health, Safety and Environment Committee Chair (Independent)
8 Health, Safety and Environment Committee Member
9 Independent Reserves Committee Chair (Independent)
10 Independent Reserves Committee Member
11 Sustainability Committee Chair (Independent)
12 Sustainability Committee Member

**OFFICERS / CORPORATE SECRETARY**

Lorenzo Donadeo *
Executive Chairman

Dion Hatcher *
President

Lars Glemser *
Vice President & Chief Financial Officer

Terry Hergott
Vice President Marketing

Yvonne Jeffery
Vice President Sustainability

Darcy Kerwin *
Vice President International & HSE

Bryce Kremnica *
Vice President North America

Geoff MacDonald
Vice President Geosciences

Kyle Preston
Vice President Investor Relations

Averyl Schraven
Vice President People and Culture

Jenson Tan *
Vice President Business Development

Gerard Schut *
Vice President European Operations

Robert (Bob) J. Engbloom
Corporate Secretary

* Executive Committee

**AUDITORS**

Deloitte LLP
Calgary, Alberta

**BANKERS**

The Toronto-Dominion Bank

Alberta Treasury Branches

Bank of America N.A., Canada Branch

Canadian Imperial Bank of Commerce

Export Development Canada

National Bank of Canada

Royal Bank of Canada

The Bank of Nova Scotia

Wells Fargo Bank N.A., Canadian Branch

La Caisse Centrale Desjardins du Québec

Citibank N.A., Canadian Branch - Citibank Canada

Canadian Western Bank

JPMorgan Chase Bank, N.A., Toronto Branch

Goldman Sachs Lending Partners LLC

**EVALUATION ENGINEERS**

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Calgary, Alberta

**LEGAL COUNSEL**

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Calgary, Alberta

**TRANSFER AGENT**

Odyssey Trust Company

**STOCK EXCHANGE LISTINGS**

The Toronto Stock Exchange ("VET")
The New York Stock Exchange ("VET")

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