

Q1 2022

FINANCIAL STATEMENTS

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INTERNATIONALLY DIVERSIFIED | FREE CASH FLOW FOCUSED

VERMILION
ENERGY



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
tCO ₂ e	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

Consolidated Interim Financial Statements

Consolidated Balance Sheet

thousands of Canadian dollars, unaudited

	Note	March 31, 2022	December 31, 2021
Assets			
Current			
Cash and cash equivalents		4,544	6,028
Accounts receivable		396,740	328,584
Crude oil inventory		23,883	20,070
Derivative instruments		26,099	19,321
Prepaid expenses		100,674	98,842
Total current assets		551,940	472,845
Derivative instruments		17,666	—
Deferred taxes		454,346	374,993
Exploration and evaluation assets		227,816	233,290
Capital assets	3	4,947,375	4,824,195
Total assets		6,199,143	5,905,323
Liabilities			
Current			
Accounts payable and accrued liabilities		398,947	440,658
Dividends payable	7	9,767	—
Derivative instruments		551,359	268,973
Income taxes payable		94,822	37,182
Total current liabilities		1,054,895	746,813
Derivative instruments		14,065	51,213
Long-term debt	6	1,380,568	1,651,569
Lease obligations		55,565	60,190
Asset retirement obligations	4	1,019,916	1,000,554
Deferred taxes		345,620	328,839
Total liabilities		3,870,629	3,839,178
Shareholders' Equity			
Shareholders' capital	7	4,254,731	4,241,773
Contributed surplus		61,952	49,529
Accumulated other comprehensive (loss) income		(8,720)	28,467
Deficit		(1,979,449)	(2,253,624)
Total shareholders' equity		2,328,514	2,066,145
Total liabilities and shareholders' equity		6,199,143	5,905,323

Approved by the Board

(Signed "Robert Michaleski")

Robert Michaleski, Director

(Signed "Lorenzo Donadeo")

Lorenzo Donadeo, Director

Consolidated Statements of Net Earnings and Comprehensive Income

thousands of Canadian dollars, except share and per share amounts, unaudited

	Note	Three Months Ended	
		Mar 31, 2022	Mar 31, 2021
Revenue			
Petroleum and natural gas sales		810,179	368,137
Royalties		(71,307)	(36,446)
Sales of purchased commodities		47,730	43,764
Petroleum and natural gas revenue		786,602	375,455
Expenses			
Purchased commodities		47,730	43,764
Operating		112,183	96,241
Transportation		17,269	17,021
Equity based compensation		25,369	16,540
Loss on derivative instruments		365,017	20,191
Interest expense		14,823	19,235
General and administration		14,220	11,730
Foreign exchange (gain) loss		(40,887)	31,091
Other income		(5,148)	(5,273)
Accretion	4	13,638	10,507
Depletion and depreciation	3	134,240	106,013
Impairment reversal	3	(192,094)	(662,866)
		506,360	(295,806)
Earnings before income taxes		280,242	671,261
Income tax (recovery) expense			
Deferred		(56,093)	171,228
Current		52,381	69
		(3,712)	171,297
Net earnings		283,954	499,964
Other comprehensive income			
Currency translation adjustments		(38,819)	(32,936)
Unrealized gain on hedges		1,632	1,633
Comprehensive income		246,767	468,661
Net earnings per share			
Basic		1.75	3.15
Diluted		1.69	3.10
Weighted average shares outstanding ('000s)			
Basic		162,374	158,892
Diluted		168,339	161,397

Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

	Note	Three Months Ended	
		Mar 31, 2022	Mar 31, 2021
Operating			
Net earnings		283,954	499,964
Adjustments:			
Accretion	4	13,638	10,507
Depletion and depreciation	3	134,240	106,013
Impairment reversal	3	(192,094)	(662,866)
Unrealized loss (gain) on derivative instruments		220,794	(5,442)
Equity based compensation		25,369	16,540
Unrealized foreign exchange (gain) loss		(40,137)	25,910
Unrealized other expense		197	197
Deferred tax (recovery) expense		(56,093)	171,228
Asset retirement obligations settled	4	(6,320)	(7,023)
Changes in non-cash operating working capital		(42,495)	(35,881)
Cash flows from operating activities		341,053	119,147
Investing			
Drilling and development	3	(82,841)	(79,512)
Exploration and evaluation		(2,503)	(3,851)
Acquisitions	3	(6,712)	(393)
Changes in non-cash investing working capital		(18,274)	9,097
Cash flows used in investing activities		(110,330)	(74,659)
Financing			
Repayments on the revolving credit facility	6	(226,609)	(41,454)
Payments on lease obligations		(4,771)	(5,752)
Cash flows used in financing activities		(231,380)	(47,206)
Foreign exchange loss on cash held in foreign currencies		(827)	(583)
Net change in cash and cash equivalents		(1,484)	(3,301)
Cash and cash equivalents, beginning of period		6,028	6,904
Cash and cash equivalents, end of period		4,544	3,603
Supplementary information for cash flows from operating activities			
Interest paid		19,341	23,937
Income taxes refunded		(5,259)	(2,337)

Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Note	Three Months Ended	
		Mar 31, 2022	Mar 31, 2021
Shareholders' capital	7		
Balance, beginning of period		4,241,773	4,181,160
Vesting of equity based awards		180	—
Equity based compensation		12,766	5,715
Share-settled dividends on vested equity based awards		12	—
Balance, end of period		4,254,731	4,186,875
Contributed surplus	7		
Balance, beginning of period		49,529	66,250
Equity based compensation		12,603	10,825
Vesting of equity based awards		(180)	—
Balance, end of period		61,952	77,075
Accumulated other comprehensive income			
Balance, beginning of period		28,467	77,986
Currency translation adjustments		(38,819)	(32,936)
Hedge accounting reserve		1,632	1,633
Balance, end of period		(8,720)	46,683
Deficit			
Balance, beginning of period		(2,253,624)	(3,399,994)
Net earnings		283,954	499,964
Dividends declared		(9,767)	—
Share-settled dividends on vested equity based awards		(12)	—
Balance, end of period		(1,979,449)	(2,900,030)
Total shareholders' equity		2,328,514	1,410,603

Description of equity reserves

Shareholders' capital

Represents the recognized amount for common shares when issued, net of equity issuance costs and deferred taxes.

Contributed surplus

Represents the recognized value of unvested equity based awards that will be settled in shares. Once vested, the value of the awards are transferred to shareholders' capital.

Accumulated other comprehensive income

Represents currency translation adjustments and hedge accounting reserve.

Currency translation adjustments result from translating the balance sheets of subsidiaries with a foreign functional currency to Canadian dollars at period-end rates. These amounts may be reclassified to net earnings if there is a disposal or partial disposal of a subsidiary.

The hedge accounting reserve represents the effective portion of the change in fair value related to cash flow and net investment hedges recognized in other comprehensive income, net of tax and reclassified to the consolidated statement of net earnings in the same period in which the transaction associated with the hedged item occurs. For the three months ended March 31, 2022, accumulated losses of \$1.2 million and \$0.4 million were recognized in the consolidated statement of net earnings on the cash flow hedges and net investment hedges, respectively, and will be recognized in net earnings through 2025 when the senior unsecured notes mature.

Deficit

Represents the cumulative net earnings less distributed earnings of Vermilion Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2022 and 2021

tabular amounts in thousands of Canadian dollars, except share and per share amounts, unaudited

1. Basis of presentation

Vermilion Energy Inc. (the “Company” or “Vermilion”) is a corporation governed by the laws of the Province of Alberta and is actively engaged in the business of crude oil and natural gas exploration, development, acquisition, and production.

These condensed consolidated interim financial statements are in compliance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as Vermilion’s consolidated financial statements for the year ended December 31, 2021.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion’s consolidated financial statements for the year ended December 31, 2021, which are contained within Vermilion’s Annual Report for the year ended December 31, 2021 and are available on SEDAR at www.sedar.com or on Vermilion’s website at www.vermilionenergy.com.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of Vermilion on May 11, 2022.

2. Segmented information

	Three Months Ended March 31, 2022								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	49,528	7,985	7,011	1,352	8,968	316	7,527	154	82,841
Exploration and evaluation	—	—	—	(848)	192	—	—	3,159	2,503
Crude oil and condensate sales	209,084	27,277	92,898	593	12,120	—	49,581	—	391,553
NGL sales	30,833	4,405	—	—	—	—	—	—	35,238
Natural gas sales	60,948	3,046	—	131,979	82,438	104,029	—	948	383,388
Sales of purchased commodities	—	—	—	—	—	—	—	47,730	47,730
Royalties	(48,249)	(9,014)	(8,724)	—	(5,043)	—	—	(277)	(71,307)
Revenue from external customers	252,616	25,714	84,174	132,572	89,515	104,029	49,581	48,401	786,602
Purchased commodities	—	—	—	—	—	—	—	(47,730)	(47,730)
Transportation	(9,454)	(287)	(4,766)	—	(1,781)	(981)	—	—	(17,269)
Operating	(55,766)	(5,086)	(15,030)	(10,470)	(8,293)	(3,853)	(13,340)	(345)	(112,183)
General and administration	(6,822)	(1,585)	(3,865)	(804)	(1,154)	(228)	(843)	1,081	(14,220)
PRRT	—	—	—	—	—	—	(6,709)	—	(6,709)
Corporate income taxes	—	—	(7,203)	(35,266)	(2,984)	—	(100)	(119)	(45,672)
Interest expense	—	—	—	—	—	—	—	(14,823)	(14,823)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(144,223)	(144,223)
Realized foreign exchange gain	—	—	—	—	—	—	—	750	750
Realized other income	—	—	—	—	—	—	—	5,345	5,345
Fund flows from operations	180,574	18,756	53,310	86,032	75,303	98,967	28,589	(151,663)	389,868

	Three Months Ended March 31, 2021								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	54,321	4,792	6,874	4,133	2,300	66	6,839	187	79,512
Exploration and evaluation	—	—	5	—	199	—	—	3,647	3,851
Crude oil and condensate sales	132,502	14,574	51,529	328	4,435	—	27,382	—	230,750
NGL sales	18,076	3,278	—	—	—	—	—	—	21,354
Natural gas sales	45,230	6,474	—	28,223	8,660	27,068	—	378	116,033
Sales of purchased commodities	—	—	—	—	—	—	—	43,764	43,764
Royalties	(21,774)	(6,306)	(7,236)	(97)	(955)	—	—	(78)	(36,446)
Revenue from external customers	174,034	18,020	44,293	28,454	12,140	27,068	27,382	44,064	375,455
Purchased commodities	—	—	—	—	—	—	—	(43,764)	(43,764)
Transportation	(10,236)	(248)	(4,405)	—	(1,021)	(1,111)	—	—	(17,021)
Operating	(53,166)	(4,115)	(11,791)	(7,411)	(6,302)	(3,657)	(9,738)	(61)	(96,241)
General and administration	(4,459)	(898)	(2,414)	(267)	(1,122)	712	(725)	(2,557)	(11,730)
PRRT	—	—	—	—	—	—	(1,414)	—	(1,414)
Corporate income taxes	—	—	—	—	—	—	1,559	(214)	1,345
Interest expense	—	—	—	—	—	—	—	(19,235)	(19,235)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(25,633)	(25,633)
Realized foreign exchange loss	—	—	—	—	—	—	—	(5,181)	(5,181)
Realized other income	—	—	—	—	—	—	—	5,470	5,470
Fund flows from operations	106,173	12,759	25,683	20,776	3,695	23,012	17,064	(47,111)	162,051

Reconciliation of fund flows from operations to net earnings:

	Three Months Ended	
	Mar 31, 2022	Mar 31, 2021
Fund flows from operations	389,868	162,051
Equity based compensation	(25,369)	(16,540)
Unrealized (loss) gain on derivative instruments	(220,794)	5,442
Unrealized foreign exchange gain (loss)	40,137	(25,910)
Accretion	(13,638)	(10,507)
Depletion and depreciation	(134,240)	(106,013)
Deferred tax recovery (expense)	56,093	(171,228)
Impairment reversal	192,094	662,866
Unrealized other expense	(197)	(197)
Net earnings	283,954	499,964

3. Capital assets

The following table reconciles the change in Vermilion's capital assets:

	2022
Balance at January 1	4,824,195
Acquisitions	6,712
Additions	82,841
Increase in right-of-use assets	218
Impairment reversal	192,094
Depletion and depreciation	(131,617)
Changes in asset retirement obligations	33,698
Foreign exchange	(60,766)
Balance at March 31	4,947,375

In the first quarter of 2022, indicators of impairment reversal were present in our Canada - Saskatchewan and France - Neocomian cash generating units ("CGUs") due to an increase and stabilization 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.

The following benchmark price forecasts were used to calculate the recoverable amounts:

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031 ⁽²⁾
Brent Crude (\$ US/bbl) ⁽¹⁾	100.50	89.50	79.64	81.23	82.86	84.51	86.21	87.94	89.69	91.48
WTI Crude (\$ US/bbl) ⁽¹⁾	95.00	85.00	75.64	77.15	78.70	80.27	81.88	83.52	85.19	86.89
Exchange rate (CAD/USD)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

(1) The forecast benchmark prices listed are adjusted for quality differentials, heat content, transportation and marketing costs and other factors specific to the Company's operations when determining recoverable amounts.

(2) In 2032 and beyond, commodity price forecasts are inflated at a rate of 2.0% per annum. In 2032 and beyond there is no escalation of exchange rates.

The following are the results of tests completed, recoverable amounts, and sensitivity impacts which would decrease impairment reversals taken:

Operating Segment	CGU	Impairment Reversal ⁽¹⁾	Recoverable Amount	1% increase in discount rate	5% decrease in pricing
Canada	Saskatchewan	159,985	2,150,936	—	—
France	Neocomian	32,109	166,818	—	—
Total		192,094	2,317,754	—	—

(1) Impairment reversals are subject to the lower of the recoverable amount and the carrying value, which includes depletion and depreciation of the CGU had no impairment charges been previously taken.

4. Asset retirement obligations

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

	2022
Balance at January 1	1,000,554
Additional obligations recognized	887
Obligations settled	(6,320)
Accretion	13,638
Changes in discount rates	32,812
Foreign exchange	(21,655)
Balance at March 31	1,019,916

Vermilion calculated the present value of the obligations using a credit-adjusted risk-free rate, calculated using a credit spread of 4.0% as at March 31, 2022 (December 31, 2021 - 4.9%) 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 country-specific risk-free rates used as inputs to discount the obligations were as follows:

	Mar 31, 2022	Dec 31, 2021
Canada	2.4 %	1.8 %
United States	2.5 %	1.9 %
France	1.3 %	0.8 %
Netherlands	0.5 %	(0.3)%
Germany	0.6 %	0.1 %
Ireland	1.2 %	0.5 %
Australia	3.0 %	1.9 %

5. Capital disclosures

Vermilion defines capital as net debt (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 shareholders' capital. In managing capital, Vermilion reviews whether fund flows from operations is sufficient to fund capital expenditures, dividends, and asset retirement obligations.

The following table calculates Vermilion's ratio of net debt to four quarter trailing fund flows from operations:

	Mar 31, 2022	Dec 31, 2021
Long-term debt	1,380,568	1,651,569
Adjusted working capital ⁽¹⁾	(36,790)	9,284
Unrealized FX on swapped USD borrowings	21,236	(16,067)
Net debt	1,365,014	1,644,786
Ratio of net debt to four quarter trailing fund flows from operations	1.2	1.8

(1) Adjusted working capital is defined as current assets (excluding current derivatives), less current liabilities (excluding current derivatives and current lease liabilities)

6. Long-term debt

The following table summarizes Vermilion's outstanding long-term debt:

	As at	
	Mar 31, 2022	Dec 31, 2021
Revolving credit facility	1,007,984	1,273,755
Senior unsecured notes	372,584	377,814
Long-term debt	1,380,568	1,651,569

The fair value of the revolving credit facility is equal to its carrying value due to the use of short-term borrowing instruments at market rates of interest. The fair value of the senior unsecured notes as at March 31, 2022 was \$380.6 million (December 31, 2021 - \$387.0 million).

The following table reconciles the change in Vermilion's long-term debt:

	2022
Balance at January 1	1,651,569
Repayments on the revolving credit facility	(226,609)
Amortization of transaction costs	197
Foreign exchange	(44,589)
Balance at March 31	1,380,568

Revolving credit facility

As at March 31, 2022, Vermilion had in place a bank revolving credit facility maturing May 31, 2024 with the following terms:

	As at	
	Mar 31, 2022	Dec 31, 2021
Total facility amount	2,100,000	2,100,000
Amount drawn	(1,007,984)	(1,273,755)
Letters of credit outstanding	(11,434)	(11,035)
Unutilized capacity	1,080,582	815,210

The facility can be extended from time to time at the option of the lenders and upon notice from Vermilion. If no extension is granted by the lenders, the amounts owing pursuant to the facility are due at the maturity date. The facility is secured by various fixed and floating charges against the subsidiaries of Vermilion.

The facility bears interest at a rate applicable to demand loans plus applicable margins.

As at March 31, 2022, the revolving credit facility was subject to the following financial covenants:

Financial covenant	Limit	As at	
		Mar 31, 2022	Dec 31, 2021
Consolidated total debt to consolidated EBITDA	Less than 4.0	1.09	1.61
Consolidated total senior debt to consolidated EBITDA	Less than 3.5	0.80	1.24
Consolidated EBITDA to consolidated interest expense	Greater than 2.5	19.99	14.78

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

- Consolidated total debt: Includes all amounts classified as "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 the 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.
- Consolidated 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 March 31, 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 March 31, 2022 and December 31, 2021, Vermilion was in compliance with the above covenants.

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, to be paid semi-annually on March 15 and September 15. The notes mature on March 15, 2025. As direct senior unsecured obligations of Vermilion, the notes rank equally with existing and future senior unsecured 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 %

7. Shareholders' capital

The following table reconciles the change in Vermilion's shareholders' capital:

Shareholders' Capital	2022	
	Shares ('000s)	Amount
Balance at January 1	162,261	4,241,773
Vesting of equity based awards	10	180
Shares issued for equity based compensation	512	12,766
Share-settled dividends on vested equity based awards	1	12
Balance at March 31	162,784	4,254,731

8. Financial instruments

The following table summarizes the increase (positive values) or decrease (negative values) to net earnings before tax due to a change in the value of Vermilion's financial instruments as a result of a change in the relevant market risk variable. This analysis does not attempt to reflect any interdependencies between the relevant risk variables.

	Mar 31, 2022
Currency risk - US dollar to Canadian dollar	
\$0.01 increase in strength of the Canadian dollar against the US \$	963
\$0.01 decrease in strength of the Canadian dollar against the US \$	(963)
Commodity price risk - Crude oil	
US \$5.00/bbl increase in crude oil price used to determine the fair value of derivatives	(18,266)
US \$5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	18,266
Commodity price risk - European natural gas	
€0.5/GJ increase in European natural gas price used to determine the fair value of derivatives	(9,534)
€0.5/GJ decrease in European natural gas price used to determine the fair value of derivatives	9,534
Share price risk - Equity swaps	
\$1.00 increase from initial share price of the equity swap	3,750
\$1.00 decrease from initial share price of the equity swap	(3,750)

9. Subsequent events

On April 26, 2022, Vermilion closed a private offering of US \$400 million 8-year senior unsecured notes (the "New Notes"). The New 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 New Notes are senior unsecured obligations of Vermilion and rank equally with existing and future senior unsecured indebtedness. Net proceeds from the New Notes were used to repay a portion of the amount outstanding on the Company's revolving credit facility. Contemporaneous with the closing of the New Notes, the maturity date of Vermilion's revolving credit facility was extended to May 29, 2026 (from May 31, 2024) and the total facility amount was reduced to Vermilion's targeted level of \$1.6 billion (from \$2.1 billion).

DIRECTORS

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Calgary, Alberta

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Calgary, Alberta

Robert Michaleski^{3, 6}
Calgary, Alberta

William Roby^{8, 9, 12}
Katy, Texas

Manjit Sharma^{4, 8}
Toronto, Ontario

Judy Steele^{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

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TRANSFER AGENT

Odyssey Trust Company

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