

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; business strategies and objectives; operational and financial performance; estimated reserve quantities and the discounted net present value of future net revenue from such reserves; petroleum and natural gas sales; future production levels (including the timing thereof) and rates of average annual production growth; exploration and development plans; 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 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 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.

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

Consolidated Interim Financial Statements

Consolidated Balance Sheet

thousands of Canadian dollars, unaudited

	Note	June 30, 2019	December 31, 2018
Assets			
Current			
Cash and cash equivalents		35,064	26,809
Accounts receivable		197,151	260,322
Crude oil inventory		22,898	27,751
Derivative instruments		41,971	95,667
Prepaid expenses		21,486	19,328
Total current assets		318,570	429,877
Derivative instruments		3,588	1,215
Deferred taxes		204,982	219,411
Exploration and evaluation assets	6	310,458	303,295
Capital assets	5	5,197,131	5,316,873
Total assets		6,034,729	6,270,671
Liabilities			
Current			
Accounts payable and accrued liabilities		265,710	449,651
Dividends payable	9	35,657	35,122
Derivative instruments		37,480	41,016
Income taxes payable		37,097	37,410
Total current liabilities		375,944	563,199
Derivative instruments		20,283	17,527
Long-term debt	8	1,893,135	1,796,207
Lease obligations		104,100	108,189
Asset retirement obligations	7	670,096	650,164
Deferred taxes		329,926	318,134
Total liabilities		3,393,484	3,453,420
Shareholders' equity			
Shareholders' capital	9	4,090,024	4,008,828
Contributed surplus		58,582	78,478
Accumulated other comprehensive income		59,745	118,182
Deficit		(1,567,106)	(1,388,237)
Total shareholders' equity		2,641,245	2,817,251
Total liabilities and shareholders' equity		6,034,729	6,270,671

Approved by the Board

(Signed "Catherine L. Williams")

Catherine L. Williams, Director

(Signed "Anthony Marino")

Anthony Marino, Director

Consolidated Statements of Net Earnings (Loss) and Comprehensive Loss

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

	Note	Three Months Ended		Six Months Ended	
		Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Revenue					
Petroleum and natural gas sales		428,043	394,498	909,126	712,767
Royalties		(38,113)	(31,512)	(81,497)	(54,507)
Sales of purchased commodities		75,335	—	104,874	—
Petroleum and natural gas revenue		465,265	362,986	932,503	658,260
Expenses					
Purchased commodities		75,335	—	104,874	—
Operating		101,881	78,947	224,303	146,786
Transportation		20,750	11,046	37,450	21,228
Equity based compensation		14,593	10,961	37,436	30,711
Loss on derivative instruments		16,414	133,143	20,343	133,515
Interest expense		21,568	16,572	42,547	32,160
General and administration		15,697	14,153	28,755	25,881
Foreign exchange (gain) loss		(40,229)	16,563	(61,437)	6,384
Other income		(122)	(31)	(6,801)	(37)
Accretion	7	8,147	7,819	16,133	14,973
Depletion and depreciation	5, 6	184,131	143,385	361,160	268,278
		418,165	432,558	804,763	679,879
Earnings (loss) before income taxes		47,100	(69,572)	127,740	(21,619)
Taxes					
Deferred		24,987	(23,552)	39,930	(13,901)
Current		20,109	15,344	46,259	28,906
		45,096	(8,208)	86,189	15,005
Net earnings (loss)		2,004	(61,364)	41,551	(36,624)
Other comprehensive loss					
Currency translation adjustments		(15,671)	(23,348)	(59,605)	15,609
Unrealized gains on derivatives designated as cash flow hedges	8	1,376	—	1,376	—
Unrealized losses on derivatives designated as net investment hedges	8	(208)	—	(208)	—
Comprehensive loss		(12,499)	(84,712)	(16,886)	(21,015)
Net earnings (loss) per share					
Basic		0.01	(0.46)	0.27	(0.28)
Diluted		0.01	(0.46)	0.27	(0.28)
Weighted average shares outstanding ('000s)					
Basic		154,795	134,603	153,855	128,531
Diluted		156,844	134,603	155,335	128,531

Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

	Note	Three Months Ended		Six Months Ended	
		Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Operating					
Net earnings (loss)		2,004	(61,364)	41,551	(36,624)
Adjustments:					
Accretion	7	8,147	7,819	16,133	14,973
Depletion and depreciation	5, 6	184,131	143,385	361,160	268,278
Unrealized loss on derivative instruments		30,605	105,284	44,882	87,941
Equity based compensation		14,593	10,961	37,436	30,711
Unrealized foreign exchange (gain) loss		(41,798)	12,458	(65,056)	3,833
Unrealized other expense		69	199	274	394
Deferred taxes		24,987	(23,552)	39,930	(13,901)
Asset retirement obligations settled	7	(4,907)	(2,626)	(8,504)	(6,217)
Changes in non-cash operating working capital		(47,741)	(40,549)	(93,488)	(22,755)
Cash flows from operating activities		170,090	152,015	374,318	326,633
Investing					
Drilling and development	5	(75,149)	(76,709)	(272,440)	(201,367)
Exploration and evaluation	6	(17,458)	(3,275)	(22,220)	(7,082)
Acquisitions	5	(8,623)	(57,590)	(24,650)	(113,945)
Changes in non-cash investing working capital		(15,485)	(19,811)	(18,370)	1,036
Cash flows used in investing activities		(116,715)	(157,385)	(337,680)	(321,358)
Financing					
Borrowings on the revolving credit facility	8	79,501	99,257	179,411	123,166
Payments on lease obligations		(4,720)	(3,888)	(11,188)	(8,238)
Cash dividends		(97,693)	(69,981)	(196,021)	(129,206)
Cash flows (used in) from financing activities		(22,912)	25,388	(27,798)	(14,278)
Foreign exchange (loss) gain on cash held in foreign currencies		(615)	(213)	(585)	1,546
Net change in cash and cash equivalents		29,848	19,805	8,255	(7,457)
Cash and cash equivalents, beginning of period		5,216	19,299	26,809	46,561
Cash and cash equivalents, end of period		35,064	39,104	35,064	39,104
Supplementary information for cash flows from operating activities					
Interest paid		16,404	13,036	42,955	31,170
Income taxes paid		41,077	33,784	46,572	34,126

Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Note	Six Months Ended	
		June 30, 2019	June 30, 2018
Shareholders' capital	9		
Balance, beginning of period		4,008,828	2,650,706
Shares issued for acquisition		—	1,234,676
Shares issued for the Dividend Reinvestment Plan		15,877	39,616
Vesting of equity based awards		45,636	54,057
Equity based compensation		11,696	9,044
Share-settled dividends on vested equity based awards		7,987	7,773
Balance, end of period		4,090,024	3,995,872
Contributed surplus			
Balance, beginning of period		78,478	84,354
Equity based compensation		25,740	21,667
Vesting of equity based awards		(45,636)	(54,057)
Balance, end of period		58,582	51,964
Accumulated other comprehensive income			
Balance, beginning of period		118,182	71,829
Currency translation adjustments		(59,605)	15,609
Cash flow hedges	8	7,222	—
Amount reclassified from cash flow hedge reserve to net earnings (loss)		(5,846)	—
Net investment hedges	8	(583)	—
Amount reclassified from net investment hedge reserve to net earnings (loss)		375	—
Balance, end of period		59,745	87,438
Deficit			
Balance, beginning of period		(1,388,237)	(1,264,003)
Net earnings (loss)		41,551	(36,624)
Dividends declared	9	(212,433)	(177,609)
Share-settled dividends on vested equity based awards		(7,987)	(7,773)
Balance, end of period		(1,567,106)	(1,486,009)
Total shareholders' equity		2,641,245	2,649,265

Notes to the Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2019 and 2018

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". Except as described in Notes 2 and 3, 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, 2018.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion's consolidated financial statements for the year ended December 31, 2018, which are contained within Vermilion's Annual Report for the year ended December 31, 2018 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 July 25, 2019.

2. Significant accounting policies

On June 12, 2019, Vermilion entered into a series of cross currency interest rate swaps with a syndicate of banks. The details of these derivative instruments are disclosed in Note 8 (Long-term debt). Vermilion designated these derivative instruments as hedging instruments in qualifying hedging relationships. As such, effective June 12, 2019, Vermilion has adopted the following policies relating to hedge accounting.

Hedge Accounting

Hedge accounting is applied to certain financial instruments designated as hedging instruments in qualifying hedging relationships. Qualifying hedge relationships may include cash flow hedges, fair value hedges, and hedges of net investments in foreign operations. The purpose of hedge accounting is to represent the effect of Vermilion's risk management activities that use financial instruments to manage exposures arising from particular risks that affect net earnings.

In order to apply hedge accounting, the eligible hedging instrument must be highly effective in offsetting the exposure to changes in the eligible hedged item. This effectiveness is assessed at inception and at the end of each reporting period thereafter. At the inception of the hedge, formal designation and documentation is required of the hedging relationship and Vermilion's risk management objective and strategy for undertaking the hedge.

For cash flow hedges and net investment hedges, gains and losses on the hedging instrument are recognized in the consolidated statement of earnings in the same period in which the transaction associated with the hedged item occurs. Where the hedging instrument is a derivative instrument, a derivative asset or liability is recognized on the balance sheet at fair value (included in "Derivative instruments") with the effective portion of the gain or loss recorded to other comprehensive income. Any gain or loss associated with the ineffective portion of a hedging relationship, which is expected to be immaterial, is immediately recognized in the consolidated statement of net earnings as other income or expense.

If a hedging relationship no longer qualifies for hedge accounting, any gain or loss resulting from the discontinuation of hedge accounting is deferred in other comprehensive income until the forecasted transaction date. If the forecasted transaction is no longer expected to occur, any gain or loss resulting from the discontinuation of hedge accounting is immediately recognized in the consolidated statement of net earnings.

3. Changes in accounting pronouncements

Definition of a Business - Amendments to IFRS 3 "Business Combinations"

Vermilion elected to early adopt the amendments to IFRS 3 "Business Combinations" effective January 1, 2019, which will be applied prospectively to acquisitions that occur on or after January 1, 2019. The amendments introduce an optional concentration test, narrow the definitions of a business and outputs, and clarify that an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs. These amendments did not result in changes to Vermilion's accounting policies for applying the acquisition method.

4. Segmented information

	Three Months Ended June 30, 2019								
	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
Drilling and development	29,083	25,671	4,235	551	84	2,239	12,964	322	75,149
Exploration and evaluation	—	—	342	8,683	—	—	—	8,433	17,458
Crude oil and condensate sales	190,349	84,540	721	7,781	4	42,848	16,040	—	342,283
NGL sales	7,100	—	—	—	—	—	1,200	—	8,300
Natural gas sales	15,495	—	27,606	7,312	25,932	—	1,115	—	77,460
Sales of purchased commodities	—	—	—	—	—	—	—	75,335	75,335
Royalties	(20,711)	(10,871)	(446)	(1,502)	—	—	(4,583)	—	(38,113)
Revenue from external customers	192,233	73,669	27,881	13,591	25,936	42,848	13,772	75,335	465,265
Purchased commodities	—	—	—	—	—	—	—	(75,335)	(75,335)
Transportation	(9,781)	(9,041)	—	(773)	(1,155)	—	—	—	(20,750)
Operating	(60,404)	(14,305)	(7,686)	(5,212)	(2,631)	(8,092)	(3,542)	(9)	(101,881)
General and administration	(7,405)	(3,551)	(704)	(2,146)	(242)	(1,164)	(1,571)	1,086	(15,697)
PRRT	—	—	—	—	—	(8,268)	—	—	(8,268)
Corporate income taxes	—	(5,346)	(2,575)	—	—	(3,816)	—	(104)	(11,841)
Interest expense	—	—	—	—	—	—	—	(21,568)	(21,568)
Realized gain on derivative instruments	—	—	—	—	—	—	—	14,191	14,191
Realized foreign exchange loss	—	—	—	—	—	—	—	(1,569)	(1,569)
Realized other income	—	—	—	—	—	—	—	191	191
Fund flows from operations	114,643	41,426	16,916	5,460	21,908	21,508	8,659	(7,782)	222,738

	Three Months Ended June 30, 2018								
	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
Drilling and development	28,694	17,006	7,278	1,551	87	11,368	10,702	23	76,709
Exploration and evaluation	—	38	(583)	763	—	—	—	3,057	3,275
Crude oil and condensate sales	123,055	101,128	632	8,765	—	37,364	4,997	—	275,941
NGL sales	13,225	—	—	—	—	—	175	—	13,400
Natural gas sales	12,635	—	34,368	10,234	47,862	—	58	—	105,157
Royalties	(15,463)	(12,602)	(745)	(1,251)	—	—	(1,451)	—	(31,512)
Revenue from external customers	133,452	88,526	34,255	17,748	47,862	37,364	3,779	—	362,986
Transportation	(5,186)	(2,813)	—	(1,779)	(1,268)	—	—	—	(11,046)
Operating	(35,762)	(13,893)	(6,419)	(5,384)	(4,306)	(12,809)	(374)	—	(78,947)
General and administration	(1,891)	(3,500)	(145)	(1,462)	(1,443)	(982)	(1,337)	(3,393)	(14,153)
PRRT	—	—	—	—	—	(2,652)	—	—	(2,652)
Corporate income taxes	—	(5,234)	(4,993)	—	—	(2,354)	—	(111)	(12,692)
Interest expense	—	—	—	—	—	—	—	(16,572)	(16,572)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(27,859)	(27,859)
Realized foreign exchange loss	—	—	—	—	—	—	—	(4,105)	(4,105)
Realized other income	—	—	—	—	—	—	—	230	230
Fund flows from operations	90,613	63,086	22,698	9,123	40,845	18,567	2,068	(51,810)	195,190

	Six Months Ended June 30, 2019								
	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
Total assets	3,037,471	879,636	247,868	279,496	581,058	248,716	412,678	347,806	6,034,729
Drilling and development	157,138	47,755	10,565	2,428	95	21,103	33,000	356	272,440
Exploration and evaluation	—	2	361	9,850	—	—	—	12,007	22,220
Crude oil and condensate sales	363,008	167,121	1,280	15,212	4	106,430	26,814	—	679,869
NGL sales	20,974	—	—	—	—	—	3,309	—	24,283
Natural gas sales	49,118	121	67,633	19,249	65,724	—	3,129	—	204,974
Sales of purchased commodities	—	—	—	—	—	—	—	104,874	104,874
Royalties	(46,042)	(22,154)	(1,060)	(3,725)	—	—	(8,516)	—	(81,497)
Revenue from external customers	387,058	145,088	67,853	30,736	65,728	106,430	24,736	104,874	932,503
Purchased commodities	—	—	—	—	—	—	—	(104,874)	(104,874)
Transportation	(20,473)	(12,211)	—	(2,445)	(2,321)	—	—	—	(37,450)
Operating	(124,008)	(30,041)	(15,971)	(11,132)	(6,441)	(29,496)	(6,974)	(240)	(224,303)
General and administration	(10,124)	(7,206)	(1,596)	(4,059)	(571)	(2,203)	(3,462)	466	(28,755)
PRRT	—	—	—	—	—	(18,668)	—	—	(18,668)
Corporate income taxes	—	(13,046)	(6,775)	—	—	(7,516)	—	(254)	(27,591)
Interest expense	—	—	—	—	—	—	—	(42,547)	(42,547)
Realized gain on derivative instruments	—	—	—	—	—	—	—	24,539	24,539
Realized foreign exchange loss	—	—	—	—	—	—	—	(3,619)	(3,619)
Realized other income	—	—	—	—	—	—	—	7,075	7,075
Fund flows from operations	232,453	82,584	43,511	13,100	56,395	48,547	14,300	(14,580)	476,310

	Six Months Ended June 30, 2018								
	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
Total assets	3,089,182	881,228	198,296	287,286	603,845	224,485	124,564	365,505	5,774,391
Drilling and development	97,809	46,899	10,523	3,505	134	15,817	26,570	110	201,367
Exploration and evaluation	—	72	(550)	1,224	—	—	—	6,336	7,082
Crude oil and condensate sales	185,678	173,873	1,107	18,064	—	75,534	8,950	—	463,206
NGL sales	24,864	—	—	—	—	—	241	—	25,105
Natural gas sales	31,306	—	70,079	21,436	101,537	—	98	—	224,456
Sales of purchased commodities	—	—	—	—	—	—	—	—	—
Royalties	(25,311)	(22,040)	(1,595)	(2,988)	—	—	(2,573)	—	(54,507)
Revenue from external customers	216,537	151,833	69,591	36,512	101,537	75,534	6,716	—	658,260
Purchased commodities	—	—	—	—	—	—	—	—	—
Transportation	(9,726)	(5,171)	—	(3,777)	(2,554)	—	—	—	(21,228)
Operating	(59,858)	(26,942)	(14,104)	(11,570)	(7,515)	(25,857)	(940)	—	(146,786)
General and administration	(2,591)	(7,013)	(918)	(3,020)	(2,752)	(2,507)	(2,513)	(4,567)	(25,881)
PRRT	—	—	—	—	—	(7,500)	—	—	(7,500)
Corporate income taxes	—	(7,287)	(10,798)	—	—	(3,024)	—	(297)	(21,406)
Interest expense	—	—	—	—	—	—	—	(32,160)	(32,160)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(45,574)	(45,574)
Realized foreign exchange loss	—	—	—	—	—	—	—	(2,551)	(2,551)
Realized other income	—	—	—	—	—	—	—	431	431
Fund flows from operations	144,362	105,420	43,771	18,145	88,716	36,646	3,263	(84,718)	355,605

Reconciliation of fund flows from operations to net earnings:

	Three Months Ended		Six Months Ended	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Fund flows from operations	222,738	195,190	476,310	355,605
Accretion	(8,147)	(7,819)	(16,133)	(14,973)
Depletion and depreciation	(184,131)	(143,385)	(361,160)	(268,278)
Unrealized loss on derivative instruments	(30,605)	(105,284)	(44,882)	(87,941)
Equity based compensation	(14,593)	(10,961)	(37,436)	(30,711)
Unrealized foreign exchange gain (loss)	41,798	(12,458)	65,056	(3,833)
Unrealized other expense	(69)	(199)	(274)	(394)
Deferred tax	(24,987)	23,552	(39,930)	13,901
Net earnings (loss)	2,004	(61,364)	41,551	(36,624)

5. Capital assets

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

	2019
Balance at January 1	5,316,873
Acquisitions	24,650
Additions	272,440
Increase in right-of-use assets	11,073
Transfers from exploration and evaluation assets	1,039
Depletion and depreciation	(352,457)
Changes in asset retirement obligations	37,553
Foreign exchange	(114,040)
Balance at June 30	5,197,131

6. Exploration and evaluation assets

The following table reconciles the change in Vermilion's exploration and evaluation assets:

	2019
Balance at January 1	303,295
Additions	22,220
Changes in asset retirement obligations	60
Transfers to capital assets	(1,039)
Depreciation	(9,267)
Foreign exchange	(4,811)
Balance at June 30	310,458

7. Asset retirement obligations

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

	2019
Balance at January 1	650,164
Additional obligations recognized	5,338
Obligations settled	(8,504)
Accretion	16,133
Changes in discount rates	32,275
Foreign exchange	(25,310)
Balance at June 30	670,096

8. Long-term debt

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

	As at	
	Jun 30, 2019	Dec 31, 2018
Revolving credit facility	1,505,164	1,392,206
Senior unsecured notes	387,971	404,001
Long-term debt	1,893,135	1,796,207

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 June 30, 2019 was \$385.0 million.

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

	2019
Balance at January 1	1,796,207
Borrowings on the revolving credit facility	179,411
Amortization of transaction costs and prepaid interest	(686)
Foreign exchange	(81,797)
Balance at June 30	1,893,135

Revolving credit facility

At June 30, 2019, Vermilion had in place a bank revolving credit facility maturing May 31, 2023 with the following terms:

	As at	
	Jun 30, 2019	Dec 31, 2018
Total facility amount	2,100,000	1,800,000
Amount drawn	(1,505,164)	(1,392,206)
Letters of credit outstanding	(22,500)	(15,400)
Unutilized capacity	572,336	392,394

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 June 30, 2019, the revolving credit facility was subject to the following financial covenants:

Financial covenant	Limit	As at	
		Jun 30, 2019	Dec 31, 2018
Consolidated total debt to consolidated EBITDA	Less than 4.0	1.81	1.72
Consolidated total senior debt to consolidated EBITDA	Less than 3.5	1.45	1.34
Consolidated EBITDA to consolidated interest expense	Greater than 2.5	13.91	14.57

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: Defined as consolidated total debt excluding unsecured and subordinated debt.
- Consolidated EBITDA: Defined as 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 excluding interest on operating leases as defined under IAS 17.

As at June 30, 2019 and 2018, 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 "Senior Unsecured Notes"). 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, at its option, redeem the notes prior to maturity as follows:

- Prior to March 15, 2020, Vermilion may redeem up to 35% of the original principal amount of the senior unsecured notes with the proceeds of certain equity offerings by the Company at a redemption price of 105.625% of the principal amount plus any accrued and unpaid interest to the applicable redemption date.
- Prior to March 15, 2020, Vermilion may redeem some or all of the senior unsecured notes at a price equal to 100% of the principal amount of the senior unsecured notes, plus an applicable premium and any accrued and unpaid interest.
- On or after March 15, 2020, 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.

Year	Redemption price
2020	104.219%
2021	102.813%
2022	101.406%
2023 and thereafter	100.000%

Cross currency interest rate swaps

On June 12, 2019, Vermilion entered into a series of cross currency interest rate swaps with a syndicate of banks. As further described below, Vermilion applied hedge accounting to these derivative instruments. The cross currency interest rate swaps mature March 15, 2025 and include regular cash receipts and payments on March 15 and September 15 of each year. On a net basis, the cross currency interest swaps result in Vermilion receiving US dollar interest and principal amounts equal to the interest and principal payments under the US \$300.0 million of senior unsecured notes. In exchange, Vermilion will make interest and principal payments equal to €265.0 million at a rate of 3.275%.

The cross currency interest rate swaps were executed as two separate sets of instruments:

- US dollar to Canadian dollar ("USD-to-CAD") cross currency interest rate swaps: Vermilion receives cross receives US dollar interest and principal amounts equal to US\$300.0 million of debt at 5.625% interest and pays Canadian dollar interest and principal amounts equal to \$398.5 million of debt at 5.40% interest.
- Canadian dollar to Euro ("CAD-to-EUR") cross currency interest rate swaps: Vermilion receives Canadian dollar interest and principal amounts equal to \$398.5 million of debt at 5.40% interest and pays Euro interest and principal amounts equal to €265.0 million at a rate of 3.275%.

The USD-to-CAD cross currency interest swaps have been designated as the hedging instrument in a cash flow hedge to mitigate the risk of the fluctuation of interest and principal cash flows due to changes in foreign currency rates related to the Senior Unsecured Notes described above. The forward element of the swap contract is treated as the excluded component and is initially recognized within other comprehensive income. The excluded component is amortized to net earnings in interest expense on a systematic basis. As the timing and amount of the cash flows received on the USD-to-CAD cross currency interest rate swaps offset the timing and amount of the cash flows paid on the Senior Unsecured Notes, the economic relationship is expected to be highly effective. The change in the value of the hedged item associated with a change in spot foreign exchange rates is initially recognized in other comprehensive income. This change is reclassified from other comprehensive income to net earnings (and recorded as a foreign exchange gain or loss) to offset the associated foreign exchange gain or loss recognized on the Senior Unsecured Notes.

The CAD-to-EUR cross currency interest rate swaps have been designated as the hedging instrument in a net investment hedge to mitigate the effective change in exchange rates on our net investments in Euro denominated foreign subsidiaries. The change in the value of the hedged item associated with a change in spot foreign exchange rates is initially recognized in other comprehensive income. This change is reclassified from other comprehensive income to net earnings (and recorded as a foreign exchange gain or loss) only if the net investment is disposed of by sale. The forward element of the swap contract is treated as the excluded component and is initially recognized within other comprehensive income. The excluded component is amortized to net earnings in interest expense on a systematic basis.

9. Shareholders' capital

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

Shareholders' Capital	2019	
	Shares ('000s)	Amount
Balance at January 1	152,704	4,008,828
Shares issued for the Dividend Reinvestment Plan	508	15,877
Vesting of equity based awards	1,223	45,636
Shares issued for equity based compensation	354	11,696
Share-settled dividends on vested equity based awards	243	7,987
Balance at June 30	155,032	4,090,024

Dividends declared to shareholders for the six months ended June 30, 2019 were \$212.4 million (2018 - \$177.6 million).

Subsequent to the end of the period and prior to the condensed consolidated interim financial statements being authorized for issue, Vermilion declared dividends of \$35.7 million or \$0.23 per share.

10. Capital disclosures

Vermilion defines capital as net debt (long-term debt plus net working capital) 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 annualized fund flows from operations:

	Three Months Ended		Six Months Ended	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Long-term debt	1,893,135	1,605,561	1,893,135	1,605,561
Current liabilities	375,944	510,808	375,944	510,808
Current assets	(318,570)	(319,562)	(318,570)	(319,562)
Net debt	1,950,509	1,796,807	1,950,509	1,796,807
Ratio of net debt to annualized fund flows from operations	2.19	2.30	2.05	2.53

11. 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.

	Jun 30, 2019
Currency risk - Euro to Canadian dollar	
\$0.01 increase in strength of the Canadian dollar against the Euro	(2,219)
\$0.01 decrease in strength of the Canadian dollar against the Euro	2,219
Currency risk - US dollar to Canadian dollar	
\$0.01 increase in strength of the Canadian dollar against the US \$	100
\$0.01 decrease in strength of the Canadian dollar against the US \$	(100)
Commodity price risk - Crude oil	
US \$5.00/bbl increase in crude oil price used to determine the fair value of derivatives	(14,437)
US \$5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	23,730
Commodity price risk - European natural gas	
€0.5/GJ increase in European natural gas price used to determine the fair value of derivatives	(25,590)
€0.5/GJ decrease in European natural gas price used to determine the fair value of derivatives	23,685

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¹ Chairman of the Board

² Lead Director

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

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Lars Glemser
Vice President & Chief Financial Officer

Mona Jasinski
Executive Vice President, People and Culture

Michael Kaluza
Executive Vice President & Chief Operating Officer

Dion Hatcher
Vice President Canada Business Unit

Terry Hergott
Vice President Marketing

Kyle Preston
Vice President Investor Relations

Jenson Tan
Vice President Business Development

Daniel Goulet
Director Corporate HSE

Jeremy Kalanuk
Director Operations Accounting

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Steve Reece
Director Information Technology & Information Systems

Tom Rafter
Director Land - Canada Business Unit

Robert (Bob) J. Engbloom
Corporate Secretary

UNITED STATES

Scott Seatter
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Timothy R. Morris
Director U.S. Business Development - U.S.
Business Unit

EUROPE

Gerard Schut
Vice President European Operations

Sylvain Nothhelfer
Managing Director - France Business Unit

Sven Tummers
Managing Director - Netherlands Business Unit

Bill Liutkus
Managing Director - Germany Business Unit

Darcy Kerwin
Managing Director - Ireland Business Unit

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Bank of Montreal

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

HSBC Bank Canada

Bank of America N.A., Canada Branch

Citibank N.A., Canadian Branch - Citibank Canada

JPMorgan Chase Bank, N.A., Toronto Branch

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