

Q2 2021

FINANCIAL STATEMENTS

EXCELLENCE. TRUST. RESPECT. RESPONSIBILITY.



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", "project", 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.

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	June 30, 2021	December 31, 2020
Assets			
Current			
Cash and cash equivalents		—	6,904
Accounts receivable		205,937	196,077
Crude oil inventory		28,549	13,402
Derivative instruments		36,834	16,924
Prepaid expenses		21,454	27,686
Total current assets		292,774	260,993
Derivative instruments		—	2,451
Deferred taxes		298,405	484,497
Exploration and evaluation assets		237,576	254,094
Capital assets	3	4,578,718	3,107,104
Total assets		5,407,473	4,109,139
Liabilities			
Current			
Accounts payable and accrued liabilities		346,501	297,670
Derivative instruments		168,187	130,919
Income taxes payable		13,492	4,539
Total current liabilities		528,180	433,128
Derivative instruments		62,384	8,228
Long-term debt	6	1,769,866	1,933,848
Lease obligations		71,636	76,524
Asset retirement obligations	4	809,240	467,737
Deferred taxes		304,367	264,272
Total liabilities		3,545,673	3,183,737
Shareholders' Equity			
Shareholders' capital	7	4,235,625	4,181,160
Contributed surplus		40,781	66,250
Accumulated other comprehensive income		36,070	77,986
Deficit		(2,450,676)	(3,399,994)
Total shareholders' equity		1,861,800	925,402
Total liabilities and shareholders' equity		5,407,473	4,109,139

Approved by the Board

(Signed "Robert Michaleski")

Robert Michaleski, Director

(Signed "Lorenzo Donadeo")

Lorenzo Donadeo, Director

Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss)

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

	Note	Three Months Ended		Six Months Ended	
		Jun 30, 2021	Jun 30, 2020	Jun 30, 2021	Jun 30, 2020
Revenue					
Petroleum and natural gas sales		407,179	193,013	775,316	521,327
Royalties		(41,456)	(16,352)	(77,902)	(47,477)
Sales of purchased commodities		29,851	16,118	73,615	72,226
Petroleum and natural gas revenue		395,574	192,779	771,029	546,076
Expenses					
Purchased commodities		29,851	16,118	73,615	72,226
Operating		99,737	99,175	195,978	220,313
Transportation		21,834	16,365	38,855	33,695
Equity based compensation		10,536	9,164	27,076	22,161
Loss (gain) on derivative instruments		118,982	(50,933)	139,173	(109,668)
Interest expense		18,862	17,887	38,097	37,869
General and administration		11,432	16,912	23,162	30,229
Foreign exchange loss		20,256	3,438	51,347	4,897
Other (income) expense		(2,576)	(16)	(7,849)	3,502
Accretion	4	10,863	7,288	21,370	17,026
Depletion and depreciation	3	149,651	106,707	255,664	264,514
Impairment (reversal) expense	3	(593,606)	69,713	(1,256,472)	1,634,567
Gain on business combination	3	(17,198)	—	(17,198)	—
		(121,376)	311,818	(417,182)	2,231,331
Earnings (loss) before income taxes		516,950	(119,039)	1,188,211	(1,685,255)
Income tax expense (recovery)					
Deferred	3	63,526	(51,126)	234,754	(308,668)
Current		2,150	3,377	2,219	13,207
		65,676	(47,749)	236,973	(295,461)
Net earnings (loss)		451,274	(71,290)	951,238	(1,389,794)
Other comprehensive income (loss)					
Currency translation adjustments		(12,244)	(22,989)	(45,180)	66,422
Unrealized gain (loss) on hedges		1,631	(37,178)	3,264	(39,621)
Comprehensive income (loss)		440,661	(131,457)	909,322	(1,362,993)
Net earnings (loss) per share					
Basic		2.79	(0.45)	5.94	(8.83)
Diluted		2.73	(0.45)	5.85	(8.83)
Weighted average shares outstanding ('000s)					
Basic		161,546	158,189	160,226	157,375
Diluted		165,034	158,189	162,553	157,375

Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

	Note	Three Months Ended		Six Months Ended	
		Jun 30, 2021	Jun 30, 2020	Jun 30, 2021	Jun 30, 2020
Operating					
Net earnings (loss)		451,274	(71,290)	951,238	(1,389,794)
Adjustments:					
Accretion	4	10,863	7,288	21,370	17,026
Depletion and depreciation	3	149,651	106,707	255,664	264,514
Impairment (reversal) expense	3	(593,606)	69,713	(1,256,472)	1,634,567
Gain on business combinations	3	(17,198)	—	(17,198)	—
Unrealized loss (gain) on derivative instruments		79,408	3,771	73,966	(5,545)
Equity based compensation		10,536	9,164	27,076	22,161
Unrealized foreign exchange loss		18,298	7,410	44,208	17,392
Unrealized other expense		190	215	387	424
Deferred taxes		63,526	(51,126)	234,754	(308,668)
Asset retirement obligations settled	4	(3,321)	(970)	(10,344)	(4,702)
Changes in non-cash operating working capital		83,785	(88,050)	47,904	23,896
Cash flows from (used in) operating activities		253,406	(7,168)	372,553	271,271
Investing					
Drilling and development	3	(77,703)	(42,383)	(157,215)	(269,816)
Exploration and evaluation		(1,473)	109	(5,324)	(6,162)
Acquisitions	3	(12,196)	(2,932)	(12,589)	(14,269)
Changes in non-cash investing working capital		(5,866)	(76,782)	3,231	(18,744)
Cash flows used in investing activities		(97,238)	(121,988)	(171,897)	(308,991)
Financing					
(Repayments) borrowings on the revolving credit facility	6	(154,037)	141,842	(195,491)	144,955
Payments on lease obligations		(5,815)	(6,224)	(11,567)	(13,450)
Cash dividends		—	(17,425)	—	(117,737)
Cash flows (used in) from financing activities		(159,852)	118,193	(207,058)	13,768
Foreign exchange gain (loss) on cash held in foreign currencies		81	(886)	(502)	(290)
Net change in cash and cash equivalents		(3,603)	(11,849)	(6,904)	(24,242)
Cash and cash equivalents, beginning of period		3,603	16,635	6,904	29,028
Cash and cash equivalents, end of period		—	4,786	—	4,786
Supplementary information for cash flows from operating activities					
Interest paid		12,989	18,475	36,926	38,155
Income taxes refunded		(4,397)	(15,075)	(6,734)	(5,128)

Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Note	Six Months Ended	
		Jun 30, 2021	Jun 30, 2020
Shareholders' capital	7		
Balance, beginning of period		4,181,160	4,119,031
Shares issued for the Dividend Reinvestment Plan		—	8,277
Vesting of equity based awards		44,852	43,474
Equity based compensation		7,693	2,118
Share-settled dividends on vested equity based awards		1,920	1,360
Balance, end of period		4,235,625	4,174,260
Contributed surplus	7		
Balance, beginning of period		66,250	75,735
Equity based compensation		19,383	20,043
Vesting of equity based awards		(44,852)	(43,474)
Balance, end of period		40,781	52,304
Accumulated other comprehensive income			
Balance, beginning of period		77,986	49,578
Currency translation adjustments		(45,180)	53,984
Hedge accounting reserve		3,264	(27,183)
Balance, end of period		36,070	76,379
Deficit			
Balance, beginning of period		(3,399,994)	(1,791,039)
Net earnings (loss)		951,238	(1,389,794)
Dividends declared		—	(90,067)
Share-settled dividends on vested equity based awards		(1,920)	(1,360)
Balance, end of period		(2,450,676)	(3,272,260)
Total shareholders' equity		1,861,800	1,030,683

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 six months ended June 30, 2021, accumulated losses of \$2.5 million and \$0.8 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 and six months ended June 30, 2021 and 2020

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, 2020.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion’s consolidated financial statements for the year ended December 31, 2020, which are contained within Vermilion’s Annual Report for the year ended December 31, 2020 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 August 13, 2021.

2. Segmented information

	Three Months Ended June 30, 2021								Total
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	
Drilling and development	20,210	18,637	8,896	7,739	3,121	172	13,118	5,810	77,703
Exploration and evaluation	—	—	17	(56)	486	—	—	1,026	1,473
Crude oil and condensate sales	153,331	13,582	68,108	592	7,741	23	31,256	—	274,633
NGL sales	17,380	2,740	—	—	—	—	—	—	20,120
Natural gas sales	36,137	1,439	—	31,963	12,533	30,165	—	189	112,426
Sales of purchased commodities	—	—	—	—	—	—	—	29,851	29,851
Royalties	(27,001)	(4,754)	(9,167)	(128)	(367)	—	—	(39)	(41,456)
Revenue from external customers	179,847	13,007	58,941	32,427	19,907	30,188	31,256	30,001	395,574
Purchased commodities	—	—	—	—	—	—	—	(29,851)	(29,851)
Transportation	(9,868)	(216)	(9,118)	—	(1,554)	(1,078)	—	—	(21,834)
Operating	(54,441)	(3,389)	(12,591)	(7,895)	(6,807)	(4,157)	(10,408)	(49)	(99,737)
General and administration	(5,953)	(725)	(3,216)	(110)	(1,459)	(25)	(754)	810	(11,432)
PRRT	—	—	—	—	—	—	(1,459)	—	(1,459)
Corporate income taxes	—	—	(1)	(2,362)	—	—	1,871	(199)	(691)
Interest expense	—	—	—	—	—	—	—	(18,862)	(18,862)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(39,574)	(39,574)
Realized foreign exchange loss	—	—	—	—	—	—	—	(1,958)	(1,958)
Realized other income	—	—	—	—	—	—	—	2,766	2,766
Fund flows from operations	109,585	8,677	34,015	22,060	10,087	24,928	20,506	(56,916)	172,942

	Three Months Ended June 30, 2020								Total
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	
Drilling and development	9,785	14,194	5,563	6,417	1,402	704	4,200	118	42,383
Exploration and evaluation	—	—	40	(3,779)	1,943	—	—	1,687	(109)
Crude oil and condensate sales	68,587	14,550	23,329	113	3,659	(16)	28,772	(48)	138,953
NGL sales	7,222	582	—	—	—	—	—	—	7,804
Natural gas sales	24,326	742	—	10,541	2,894	7,284	—	469	46,256
Sales of purchased commodities	—	—	—	—	—	—	—	16,118	16,118
Royalties	(6,777)	(3,836)	(4,711)	(55)	(795)	—	—	(178)	(16,352)
Revenue from external customers	93,358	12,038	18,618	10,599	5,758	7,268	28,772	16,368	192,779
Purchased commodities	—	—	—	—	—	—	—	(16,118)	(16,118)
Transportation	(10,465)	(469)	(2,747)	—	(1,505)	(1,179)	—	—	(16,365)
Operating	(57,281)	(3,765)	(10,016)	(7,526)	(5,912)	(3,852)	(10,659)	(164)	(99,175)
General and administration	(8,705)	(1,796)	(3,499)	(212)	(1,314)	106	(888)	(604)	(16,912)
PRRT	—	—	—	—	—	—	(3,219)	—	(3,219)
Corporate income taxes	—	—	—	257	—	—	(313)	(102)	(158)
Interest expense	—	—	—	—	—	—	—	(17,887)	(17,887)
Realized gain on derivative instruments	—	—	—	—	—	—	—	54,704	54,704
Realized foreign exchange gain	—	—	—	—	—	—	—	3,972	3,972
Realized other income	—	—	—	—	—	—	—	231	231
Fund flows from operations	16,907	6,008	2,356	3,118	(2,973)	2,343	13,693	40,400	81,852

Six Months Ended June 30, 2021									
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	74,531	23,429	15,770	11,872	5,421	238	19,957	5,997	157,215
Exploration and evaluation	—	—	22	(56)	685	—	—	4,673	5,324
Crude oil and condensate sales	285,833	28,156	119,637	920	12,176	23	58,638	—	505,383
NGL sales	35,456	6,018	—	—	—	—	—	—	41,474
Natural gas sales	81,367	7,913	—	60,186	21,193	57,233	—	567	228,459
Sales of purchased commodities	—	—	—	—	—	—	—	73,615	73,615
Royalties	(48,775)	(11,060)	(16,403)	(225)	(1,322)	—	—	(117)	(77,902)
Revenue from external customers	353,881	31,027	103,234	60,881	32,047	57,256	58,638	74,066	771,029
Purchased commodities	—	—	—	—	—	—	—	(73,615)	(73,615)
Transportation	(20,104)	(464)	(13,523)	—	(2,575)	(2,189)	—	—	(38,855)
Operating	(107,607)	(7,504)	(24,382)	(15,306)	(13,109)	(7,814)	(20,146)	(110)	(195,978)
General and administration	(10,412)	(1,623)	(5,630)	(377)	(2,581)	687	(1,479)	(1,747)	(23,162)
PRRT	—	—	—	—	—	—	(2,873)	—	(2,873)
Corporate income taxes	—	—	(1)	(2,362)	—	—	3,430	(413)	654
Interest expense	—	—	—	—	—	—	—	(38,097)	(38,097)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(65,207)	(65,207)
Realized foreign exchange loss	—	—	—	—	—	—	—	(7,139)	(7,139)
Realized other income	—	—	—	—	—	—	—	8,236	8,236
Fund flows from operations	215,758	21,436	59,698	42,836	13,782	47,940	37,570	(104,027)	334,993

Six Months Ended June 30, 2020									
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	162,362	59,543	16,795	5,381	8,692	684	16,202	157	269,816
Exploration and evaluation	—	—	65	(246)	2,442	—	—	3,901	6,162
Crude oil and condensate sales	193,056	26,750	80,118	624	8,414	12	80,767	(41)	389,700
NGL sales	11,630	2,689	—	—	—	—	—	—	14,319
Natural gas sales	50,412	2,263	—	29,633	8,608	24,844	—	1,548	117,308
Sales of purchased commodities	—	—	—	—	—	—	—	72,226	72,226
Royalties	(23,462)	(7,852)	(13,751)	(198)	(1,737)	—	—	(477)	(47,477)
Revenue from external customers	231,636	23,850	66,367	30,059	15,285	24,856	80,767	73,256	546,076
Purchased commodities	—	—	—	—	—	—	—	(72,226)	(72,226)
Transportation	(21,603)	(469)	(6,472)	—	(2,827)	(2,324)	—	—	(33,695)
Operating	(121,466)	(9,314)	(25,915)	(16,441)	(10,827)	(8,064)	(28,032)	(254)	(220,313)
General and administration	(11,548)	(3,766)	(6,947)	(767)	(3,055)	(284)	(1,763)	(2,099)	(30,229)
PRRT	—	—	—	—	—	—	(12,475)	—	(12,475)
Corporate income taxes	—	—	—	257	—	—	(654)	(335)	(732)
Interest expense	—	—	—	—	—	—	—	(37,869)	(37,869)
Realized gain on derivative instruments	—	—	—	—	—	—	—	104,123	104,123
Realized foreign exchange gain	—	—	—	—	—	—	—	12,495	12,495
Realized other expense	—	—	—	—	—	—	—	(3,078)	(3,078)
Fund flows from operations	77,019	10,301	27,033	13,108	(1,424)	14,184	37,843	74,013	252,077

Reconciliation of fund flows from operations to net earnings (loss):

	Three Months Ended		Six Months Ended	
	Jun 30, 2021	Jun 30, 2020	Jun 30, 2021	Jun 30, 2020
Fund flows from operations	172,942	81,852	334,993	252,077
Equity based compensation	(10,536)	(9,164)	(27,076)	(22,161)
Unrealized (loss) gain on derivative instruments	(79,408)	(3,771)	(73,966)	5,545
Unrealized foreign exchange loss	(18,298)	(7,410)	(44,208)	(17,392)
Accretion	(10,863)	(7,288)	(21,370)	(17,026)
Depletion and depreciation	(149,651)	(106,707)	(255,664)	(264,514)
Deferred tax (expense) recovery	(63,526)	51,126	(234,754)	308,668
Gain on business combinations	17,198	—	17,198	—
Impairment reversal (expense)	593,606	(69,713)	1,256,472	(1,634,567)
Unrealized other expense	(190)	(215)	(387)	(424)
Net earnings (loss)	451,274	(71,290)	951,238	(1,389,794)

3. Capital assets

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

	2021
Balance at January 1	3,107,104
Acquisitions	50,447
Additions	157,215
Increase in right-of-use assets	2,814
Impairment reversal	1,256,472
Depletion and depreciation	(246,092)
Changes in asset retirement obligations	340,029
Foreign exchange	(89,271)
Balance at June 30	4,578,718

In the second quarter of 2021, indicators of impairment reversal were present in our Alberta, Saskatchewan, Germany, Ireland and United States cash generating units ("CGU") due to an increase and stabilization in forecast oil and gas 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 \$460.4 million (net of \$133.2 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:

	2H2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 ⁽²⁾
Brent Crude (\$ US/bbl) ⁽¹⁾	73.25	69.55	66.42	67.75	69.11	70.49	71.90	73.34	74.80	76.30
WTI Crude (\$ US/bbl) ⁽¹⁾	71.00	66.30	62.42	63.67	64.95	66.25	67.57	68.92	70.30	71.71
NBP (€/mmbtu) ⁽¹⁾	9.17	7.19	5.53	5.65	5.75	5.87	5.99	6.11	6.23	6.35
Exchange rate (CAD/USD)	0.81	0.81	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 2031 and beyond, commodity price forecasts are inflated at a rate of 2.0% per annum. In 2031 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	Alberta	88,708	988,447	—	29,716
Canada	Saskatchewan	270,897	1,500,139	80,724	156,875
Ireland	Ireland	133,005	339,315	9,136	23,975
Germany	Germany - Gas	43,735	168,290	—	—
United States	United States	57,261	429,322	26,903	44,317
Total		593,606	3,425,513	116,763	254,883

(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.

In the first quarter of 2021, indicators of impairment reversal were present in our Australia, Alberta, Saskatchewan, and United States 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 \$492.2 million (net of \$170.7 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:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 ⁽²⁾
Brent Crude (\$ US/bbl) ⁽¹⁾	64.50	62.08	61.69	62.84	64.02	65.22	66.45	67.70	68.97	70.35
WTI Crude (\$ US/bbl) ⁽¹⁾	62.00	58.58	57.69	58.84	60.02	61.22	62.45	63.70	64.97	66.27
Exchange rate (CAD/USD)	0.80	0.79	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78

(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 2031 and beyond, commodity price forecasts are inflated at a rate of 2.0% per annum. In 2031 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
Australia	Australia	82,016	189,749	6,921	19,756
Canada	Alberta	232,724	859,706	46,223	81,212
Canada	Saskatchewan	290,241	1,206,343	69,104	143,281
United States	United States	57,885	364,242	24,180	41,345
Total		662,866	2,620,040	146,428	285,594

(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.

Minor Acquisition

In the second quarter of 2021, Vermilion completed a minor acquisition within its Germany Gas CGU for total consideration of \$11.6 million, in which \$49.2 million in capital assets, \$12.4 million in asset retirement obligations, and \$7.9 million in deferred tax liabilities were recognized. The acquisition resulted in a gain on acquisition of \$17.2 million which was due to increases in commodity prices from the effective date to close.

4. Asset retirement obligations

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

	2021
Balance at January 1	467,737
Additional obligations recognized	12,822
Changes in estimated abandonment timing and costs	726
Obligations settled	(10,344)
Accretion	21,370
Changes in discount rates	338,924
Foreign exchange	(21,995)
Balance at June 30	809,240

Vermilion calculated the present value of the obligations using a credit-adjusted risk-free rate, calculated using a credit spread of 4.7% as at June 30, 2021 (December 31, 2020 - 9.5%) added to risk-free rates based on long-term, risk-free government bonds. Vermilion's credit spread is determined as the yield to maturity on its senior unsecured notes as at the reporting period.

The country specific risk-free rates used as inputs to discount the obligations were as follows:

	Jun 30, 2021	Dec 31, 2020
Canada	1.9 %	1.2 %
United States	2.1 %	1.6 %
France	0.8 %	0.3 %
Netherlands	(0.3)%	(0.6)%
Germany	0.3 %	(0.2)%
Ireland	0.5 %	(0.1)%
Australia	1.8 %	1.3 %

5. 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 four quarter trailing fund flows from operations:

	Jun 30, 2021	Dec 31, 2020
Long-term debt	1,769,866	1,933,848
Current liabilities	528,180	433,128
Current assets	(292,774)	(260,993)
Net debt	2,005,272	2,105,983
Ratio of net debt to four quarter trailing fund flows from operations	3.43	4.19

6. Long-term debt

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

	As at Jun 30, 2021	Dec 31, 2020
Revolving credit facility	1,403,877	1,555,215
Senior unsecured notes	365,989	378,633
Long-term debt	1,769,866	1,933,848

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, 2021 was \$375.2 million.

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

	2021
Balance at January 1	1,933,848
(Repayments) borrowings on the revolving credit facility	(195,491)
Amortization of transaction costs	387
Foreign exchange	31,122
Balance at June 30	1,769,866

Revolving credit facility

In Q1 2020, we negotiated an extension to our \$2.1 billion revolving credit facility to extend the maturity to May 31, 2024.

As at June 30, 2021, Vermilion had in place a bank revolving credit facility maturing May 31, 2024 with the following terms:

	As at	
	Jun 30, 2021	Dec 31, 2020
Total facility amount	2,100,000	2,100,000
Amount drawn	(1,403,877)	(1,555,215)
Letters of credit outstanding	(15,489)	(23,210)
Unutilized capacity	680,634	521,575

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, 2021, the revolving credit facility was subject to the following financial covenants:

Financial covenant	Limit	As at	
		Jun 30, 2021	Dec 31, 2020
Consolidated total debt to consolidated EBITDA	Less than 4.0	2.76	3.48
Consolidated total senior debt to consolidated EBITDA	Less than 3.5	2.19	2.82
Consolidated EBITDA to consolidated interest expense	Greater than 2.5	9.09	8.12

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 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, 2021, 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, 2021 and December 31, 2020, 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
2021	102.813 %
2022	101.406 %
2023 and thereafter	100.000 %

7. Shareholders' capital

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

Shareholders' Capital	2021	
	Shares ('000s)	Amount
Balance at January 1	158,724	4,181,160
Vesting of equity based awards	2,113	44,852
Shares issued for equity based compensation	838	7,693
Share-settled dividends on vested equity based awards	218	1,920
Balance at June 30	161,893	4,235,625

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.

	Jun 30, 2021
Currency risk - Euro to Canadian dollar	
\$0.01 increase in strength of the Canadian dollar against the Euro	(712)
\$0.01 decrease in strength of the Canadian dollar against the Euro	712
Currency risk - US dollar to Canadian dollar	
\$0.01 increase in strength of the Canadian dollar against the US \$	2,976
\$0.01 decrease in strength of the Canadian dollar against the US \$	(2,976)
Commodity price risk - Crude oil	
US \$5.00/bbl increase in crude oil price used to determine the fair value of derivatives	(2,276)
US \$5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	1,233
Commodity price risk - European natural gas	
€0.5/GJ increase in European natural gas price used to determine the fair value of derivatives	(18,145)
€0.5/GJ decrease in European natural gas price used to determine the fair value of derivatives	17,772
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)

DIRECTORS

Lorenzo Donadeo ¹
Calgary, Alberta

Larry J. Macdonald ^{2, 4, 8, 10}
Calgary, Alberta

Carin Knickel ^{5, 8, 12}
Golden, Colorado

Stephen P. Larke ^{4, 6, 12}
Calgary, Alberta

Timothy R. Marchant ^{7, 10, 11}
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

Catherine L. Williams ^{4, 6}
Calgary, Alberta

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

Curtis Hicks *
President

Lars Glemser *
Vice President & Chief Financial Officer

Dion Hatcher *
Vice President North America

Terry Hergott
Vice President Marketing

Yvonne Jeffery
Vice President Sustainability

Darcy Kerwin *
Vice President International & HSE

Kyle Preston
Vice President Investor Relations

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

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

Bank of America N.A., Canada Branch

Citibank N.A., Canadian Branch - Citibank Canada

JPMorgan Chase Bank, N.A., Toronto Branch

La Caisse Centrale Desjardins du Québec

Alberta Treasury Branches

Canadian Western Bank

Goldman Sachs Lending Partners LLC

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Norton Rose Fulbright Canada LLP
Calgary, Alberta

TRANSFER AGENT

Odyssey Trust Company

STOCK EXCHANGE LISTINGS

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

INVESTOR RELATIONS

Kyle Preston
Vice President Investor Relations
403-476-8431 TEL
403-476-8100 FAX
1-866-895-8101 IR TOLL FREE
investor_relations@vermillionenergy.com

EXCELLENCE

We aim for exceptional results in everything we do.

TRUST

At Vermilion, we operate with honesty and fairness, and can be counted on to do what we say we will.

RESPECT

We embrace diversity, value our people and believe every employee and business associate worldwide deserves to be treated with the utmost dignity and respect.

RESPONSIBILITY

Vermilion continually shows its commitment to the care of our people and environment, and enrichment of the communities in which we live and work.

VERMILION
E N E R G Y



Vermilion Energy Inc.
3500, 520 3rd Avenue SW
Calgary, Alberta T2P 0R3

Telephone: 1.403.269.4884
Facsimile: 1.403.476.8100
IR Toll Free: 1.866.895.8101
investor_relations@vermillionenergy.com
vermillionenergy.com