Q1 2020

FINANCIAL STATEMENTS

EXCELLENCE. TRUST. RESPECT. RESPONSIBILITY.

INTERNATIONALLY DIVERSIFIED | SUSTAINABLE GROWTH AND INCOME

VERMILION ENERGY

Front Cover Theme

As illustrated by the front cover photo, we give together through our Days of Caring. Throughout the company, our staff volunteer to support social and environmental agencies we've partnered with in the communities where we operate.

Here, Vermilion has partnered with the Nature Conservancy of Canada (NCC), one of Canada's leading national conservation organizations. In 2016 and 2019, a group of Vermilion volunteers from our Canada Business Unit tackled projects like trail clearing and sign installation at the Coyote Lake Nature Sanctuary, which is a popular hiking destination near our operations in Drayton Valley, Alberta. This work helped to ensure a safe and enjoyable experience for visitors, and contributed to the safety of local wildlife.

NCC focuses on protecting the natural areas that sustain Canada's plants and wildlife by securing properties, and managing them for the long term. To date, NCC and its partners have helped to conserve more than 35 million acres of ecologically significant land from coast to coast.

Through programs like this, Vermilion is proud to have invested over $7.4 million and 10,800 hours of volunteer time in strategic community partnerships over the past five years.

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.

Consolidated Interim Financial Statements

Consolidated Balance Sheet

thousands of Canadian dollars, unaudited

	Note	March 31, 2020	December 31, 2019
Assets			
Current			
Cash and cash equivalents		**16,635**	29,028
Accounts receivable		**188,385**	211,409
Crude oil inventory		**15,809**	29,389
Derivative instruments		**102,483**	55,645
Prepaid expenses		**21,424**	22,210
Total current assets		**344,736**	347,681
Derivative instruments		**74,294**	20,127
Deferred taxes	3, 6	**421,861**	196,543
Exploration and evaluation assets	4	**294,454**	286,149
Capital assets	3	**3,236,997**	5,015,620
Total assets		**4,372,342**	5,866,120
Liabilities			
Current			
Accounts payable and accrued liabilities		**441,825**	312,442
Dividends payable	8	**18,057**	35,947
Derivative instruments		**41,134**	62,405
Income taxes payable		**5,299**	5,416
Total current liabilities		**506,315**	416,210
Derivative instruments		**106,458**	24,358
Long-term debt	7	**1,994,044**	1,924,665
Lease obligations		**91,274**	93,072
Asset retirement obligations	5	**207,186**	618,201
Deferred taxes	6	**314,721**	336,309
Total liabilities		**3,219,998**	3,412,815
Shareholders' Equity			
Shareholders' capital	8	**4,128,793**	4,119,031
Contributed surplus		**86,615**	75,735
Accumulated other comprehensive income		**136,546**	49,578
Deficit		**(3,199,610)**	(1,791,039)
Total shareholders' equity		**1,152,344**	2,453,305
Total liabilities and shareholders' equity		**4,372,342**	5,866,120

Approved by the Board

(Signed "Catherine L. Williams")

Catherine L. Williams, Director

(Signed "Anthony Marino")

Anthony Marino, Director

Consolidated Statements of Net (Loss) Earnings and Comprehensive Loss

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

		Three Months Ended	
	Note	Mar 31, 2020	Mar 31, 2019
Revenue			
Petroleum and natural gas sales		**328,314**	481,083
Royalties		**(31,125)**	(43,384)
Sales of purchased commodities		**56,108**	29,539
Petroleum and natural gas revenue		**353,297**	467,238
Expenses			
Purchased commodities		**56,108**	29,539
Operating		**121,138**	122,422
Transportation		**17,330**	16,700
Equity based compensation		**12,997**	22,843
(Gain) loss on derivative instruments		**(58,735)**	3,929
Interest expense		**19,982**	20,979
General and administration		**13,317**	13,058
Foreign exchange loss (gain)		**1,459**	(21,208)
Other expense (income)		**3,518**	(6,679)
Accretion	5	**9,738**	7,986
Depletion and depreciation	3, 4	**157,807**	177,029
Impairment	3	**1,564,854**	—
		1,919,513	386,598
(Loss) earnings before income taxes		**(1,566,216)**	80,640
Income tax (recovery) expense	3, 6		
Deferred		**(257,542)**	14,943
Current		**9,830**	26,150
		(247,712)	41,093
Net (loss) earnings		**(1,318,504)**	39,547
Other comprehensive loss			
Currency translation adjustments		**89,411**	(43,934)
Unrealized gain on derivatives designated as cash flow hedges, net of tax		**14,564**	—
Unrealized loss on derivatives designated as net investment hedges, net of tax		**(17,007)**	—
Other comprehensive loss		**(1,231,536)**	(4,387)
Net (loss) earnings per share			
Basic		**(8.42)**	0.26
Diluted		**(8.42)**	0.26
Weighted average shares outstanding ('000s)			
Basic		**156,562**	152,904
Diluted		**156,562**	154,550

Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

		Three Months Ended	
	Note	Mar 31, 2020	Mar 31, 2019
Operating			
Net (loss) earnings		**(1,318,504)**	39,547
Adjustments:			
Accretion	5	**9,738**	7,986
Depletion and depreciation	3, 4	**157,807**	177,029
Impairment	3	**1,564,854**	—
Unrealized (gain) loss on derivative instruments		**(9,316)**	14,277
Equity based compensation		**12,997**	22,843
Unrealized foreign exchange loss (gain)		**9,982**	(23,258)
Unrealized other expense		**209**	205
Deferred taxes	6	**(257,542)**	14,943
Asset retirement obligations settled	5	**(3,732)**	(3,597)
Changes in non-cash operating working capital		**111,946**	(45,747)
Cash flows from operating activities		**278,439**	204,228
Investing			
Drilling and development	3	**(227,433)**	(197,291)
Exploration and evaluation	4	**(6,271)**	(4,762)
Acquisitions		**(11,337)**	(16,027)
Changes in non-cash investing working capital		**58,038**	(2,885)
Cash flows used in investing activities		**(187,003)**	(220,965)
Financing			
Borrowings on the revolving credit facility	7	**3,113**	99,910
Payments on lease obligations		**(7,226)**	(6,468)
Cash dividends	8	**(100,312)**	(98,328)
Cash flows used in financing activities		**(104,425)**	(4,886)
Foreign exchange gain on cash held in foreign currencies		**596**	30
Net change in cash and cash equivalents		**(12,393)**	(21,593)
Cash and cash equivalents, beginning of period		**29,028**	26,809
Cash and cash equivalents, end of period		**16,635**	5,216
Supplementary information for cash flows from operating activities			
Interest paid		**19,680**	26,551
Income taxes paid		**9,947**	5,495

Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Note	Three Months Ended Mar 31, 2020	Mar 31, 2019
Shareholders' capital	8		
Balance, beginning of period		**4,119,031**	4,008,828
Shares issued for the Dividend Reinvestment Plan		**7,645**	7,104
Equity based compensation		**2,117**	9,633
Balance, end of period		**4,128,793**	4,025,565
Contributed surplus			
Balance, beginning of period		**75,735**	78,478
Equity based compensation		**10,880**	13,210
Balance, end of period		**86,615**	91,688
Accumulated other comprehensive income			
Balance, beginning of period		**49,578**	118,182
Currency translation adjustments		**89,411**	(43,934)
Loss on derivatives designated as cash flow hedges, net of tax	6	**(21,683)**	—
Amount reclassified from cash flow hedge reserve to net (loss) earnings, net of tax		**36,247**	—
Loss on derivatives designated as net investment hedges, net of tax	6	**(19,172)**	—
Amount reclassified from net investment hedge reserve to net (loss) earnings, net of tax		**2,165**	—
Balance, end of period		**136,546**	74,248
Deficit			
Balance, beginning of period		**(1,791,039)**	(1,388,237)
Net (loss) earnings		**(1,318,504)**	39,547
Dividends declared	8	**(90,067)**	(105,549)
Balance, end of period		**(3,199,610)**	(1,454,239)
Total shareholders' equity		**1,152,344**	2,737,262

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 changes in the fair value of derivative financial instruments in designated hedging relationships.

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 effective portion of the change in fair value related to cash flow and net investment hedges are 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. Upon discontinuation of hedge accounting, the reserve amounts will be reclassified to net earnings.

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, 2020 and 2019

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, 2019.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion’s consolidated financial statements for the year ended December 31, 2019, which are contained within Vermilion’s Annual Report for the year ended December 31, 2019 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 April 28, 2020.

2. Segmented information

($M)	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
				Three Months Ended March 31, 2020					
Total assets	1,845,551	747,992	113,749	191,308	300,188	104,963	352,581	716,010	4,372,342
Drilling and development	152,577	11,232	(1,036)	7,290	(20)	12,002	45,349	39	227,433
Exploration and evaluation	—	25	3,533	499	—	—	—	2,214	6,271
Crude oil and condensate sales	124,469	56,789	511	4,755	28	51,995	12,200	—	250,747
NGL sales	4,408	—	—	—	—	—	2,107	—	6,515
Natural gas sales	26,086	—	19,092	5,714	17,560	—	1,521	1,079	71,052
Sales of purchased commodities	—	—	—	—	—	—	—	56,108	56,108
Royalties	(16,685)	(9,040)	(143)	(942)	—	—	(4,016)	(299)	(31,125)
Revenue from external customers	138,278	47,749	19,460	9,527	17,588	51,995	11,812	56,888	353,297
Purchased commodities	—	—	—	—	—	—	—	(56,108)	(56,108)
Transportation	(11,138)	(3,725)	—	(1,322)	(1,145)	—	—	—	(17,330)
Operating	(64,185)	(15,899)	(8,915)	(4,915)	(4,212)	(17,373)	(5,549)	(90)	(121,138)
General and administration	(2,843)	(3,448)	(555)	(1,741)	(390)	(875)	(1,970)	(1,495)	(13,317)
PRRT	—	—	—	—	—	(9,256)	—	—	(9,256)
Corporate income taxes	—	—	—	—	—	(341)	—	(233)	(574)
Interest expense	—	—	—	—	—	—	—	(19,982)	(19,982)
Realized gain on derivative instruments	—	—	—	—	—	—	—	49,419	49,419
Realized foreign exchange gain	—	—	—	—	—	—	—	8,523	8,523
Realized other expense	—	—	—	—	—	—	—	(3,309)	(3,309)
Fund flows from operations	**60,112**	**24,677**	**9,990**	**1,549**	**11,841**	**24,150**	**4,293**	**33,613**	**170,225**

($M)	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
				Three Months Ended March 31, 2019					
Total assets	3,130,118	901,053	273,195	277,607	632,392	261,998	410,208	338,597	6,225,168
Drilling and development	128,055	22,084	6,330	1,877	11	18,864	20,036	34	197,291
Exploration and evaluation	—	2	19	1,167	—	—	—	3,574	4,762
Crude oil and condensate sales	172,659	82,581	559	7,431	—	63,582	10,774	—	337,586
NGL sales	13,874	—	—	—	—	—	2,109	—	15,983
Natural gas sales	33,623	121	40,027	11,937	39,792	—	2,014	—	127,514
Sales of purchased commodities	—	—	—	—	—	—	—	29,539	29,539
Royalties	(25,331)	(11,283)	(614)	(2,223)	—	—	(3,933)	—	(43,384)
Revenue from external customers	194,825	71,419	39,972	17,145	39,792	63,582	10,964	29,539	467,238
Purchased commodities	—	—	—	—	—	—	—	(29,539)	(29,539)
Transportation	(10,692)	(3,170)	—	(1,672)	(1,166)	—	—	—	(16,700)
Operating	(63,604)	(15,736)	(8,285)	(5,920)	(3,810)	(21,404)	(3,432)	(231)	(122,422)
General and administration	(2,719)	(3,655)	(892)	(1,913)	(329)	(1,039)	(1,891)	(620)	(13,058)
PRRT	—	—	—	—	—	(10,400)	—	—	(10,400)
Corporate income taxes	—	(7,700)	(4,200)	—	—	(3,700)	—	(150)	(15,750)
Interest expense	—	—	—	—	—	—	—	(20,979)	(20,979)
Realized gain on derivative instruments	—	—	—	—	—	—	—	10,348	10,348
Realized foreign exchange loss	—	—	—	—	—	—	—	(2,050)	(2,050)
Realized other income	—	—	—	—	—	—	—	6,884	6,884
Fund flows from operations	**117,810**	**41,158**	**26,595**	**7,640**	**34,487**	**27,039**	**5,641**	**(6,798)**	**253,572**

Reconciliation of fund flows from operations to net earnings:

	Three Months Ended	
	Mar 31, 2020	Mar 31, 2019
Fund flows from operations	**170,225**	253,572
Accretion	**(9,738)**	(7,986)
Depletion and depreciation	**(157,807)**	(177,029)
Impairment	**(1,564,854)**	—
Unrealized gain (loss) on derivative instruments	**9,316**	(14,277)
Equity based compensation	**(12,997)**	(22,843)
Unrealized foreign exchange (loss) gain	**(9,982)**	23,258
Unrealized other expense	**(209)**	(205)
Deferred tax	**257,542**	(14,943)
Net (loss) earnings	**(1,318,504)**	39,547

3. Capital assets

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

	2020
Balance at January 1	**5,015,620**
Acquisitions	**11,337**
Additions	**227,433**
Increase in right-of-use assets	**3,088**
Impairment	**(1,564,854)**
Depletion and depreciation	**(148,163)**
Changes in asset retirement obligations	**(438,553)**
Foreign exchange	**131,089**
Balance at March 31	**3,236,997**

2020 impairment

In the first quarter of 2020, indicators of impairment were present due to global commodity price forecasts deteriorating from decreases in demand and an increase of supply around the world. As a result of the indicators of impairment, the Company performed an impairment test on all cash-generating units ("CGU") whereby the recoverable amount of each CGU was compared against its carrying amount. 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 11.5%. Based on the results of the impairment tests completed, the Company recognized non-cash impairment charges of $1.2 billion (net of $0.4 billion income tax recovery).

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 (2)
Brent Crude ($ US/bbl) (1)	34.00	45.50	52.50	57.50	62.50	62.95	64.13	65.33	66.56	67.81
WTI Crude ($ US/bbl) (1)	30.00	41.00	47.50	52.50	57.50	58.95	60.13	61.33	62.56	63.81
NBP (€/mmbtu) (1)	3.33	4.25	5.00	5.50	6.00	6.25	6.50	6.75	7.00	7.25
AECO Spot Gas ($/mmbtu) (1)	1.95	2.25	2.35	2.45	2.55	2.65	2.70	2.76	2.81	2.87
Exchange rate (CAD/USD)	0.72	0.73	0.74	0.74	0.75	0.75	0.75	0.75	0.75	0.75

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

(2) In 2030 and beyond, commodity price forecasts are inflated at a rate of 2.0% per annum. In 2030 and beyond there is no escalation of exchange rates.

The following are the results of the impairment tests completed and sensitivity impacts of a 1% increase in after-tax discount rate and a 5% decrease in pricing on the impairment tests completed:

CGU	Operating Segment	Impairment	1% increase discount rate	5% decrease pricing
Saskatchewan	Canada	815,909	70,737	141,015
Drayton Valley Oil	Canada	364,879	13,204	23,582
Drayton Valley Gas	Canada	—	9,864	38,158
Neocomian	France	22,758	8,576	13,609
Germany Gas	Germany	39,738	3,545	7,084
Ireland	Ireland	119,634	10,333	20,793
Australia	Australia	55,583	3,227	13,582
United States	United States	146,353	28,051	52,613
Total		**1,564,854**	**147,537**	**310,436**

2019 impairment

In the fourth quarter of 2019, an indicator of impairment was present in the Ireland CGU due to declining natural gas price forecasts. As a result of the indicator of impairment, the Company performed an impairment test on its Ireland CGU whereby the recoverable amount was compared against its carrying amount. The recoverable amount was 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 9.0%. Based on the results of the impairment test completed, the Company recognized a non-cash impairment charge of $34.6 million (net of $11.5 million income tax recovery).

The following benchmark price forecast was used to calculate the recoverable amount:

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 (2)
NBP (€/mmbtu) (1)	5.58	5.51	5.54	5.65	5.77	5.88	6.00	6.12	6.24	6.37

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

(2) In 2030 and beyond, commodity price forecasts are inflated at a rate of 2.0% per annum.

The following is the result of the impairment test completed and sensitivity impacts of a 1% increase in after-tax discount rate and a 5% decrease in pricing on the impairment test completed:

CGU	Operating Segment	Impairment	1% increase discount rate	5% decrease pricing
Ireland	Ireland	46,055	14,749	28,598

Changes in any of the key judgments, such as a revision in reserves, changes in forecast commodity prices, foreign exchange rates, capital or operating costs would impact the estimated recoverable amount.

4. Exploration and evaluation assets

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

	2020
Balance at January 1	**286,149**
Additions	**6,271**
Changes in asset retirement obligations	**(268)**
Depreciation	**(4,660)**
Foreign exchange	**6,962**
Balance at March 31	**294,454**

5. Asset retirement obligations

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

	2020
Balance at January 1	**618,201**
Additional obligations recognized	**1,117**
Changes in estimated abandonment timing and costs	**(5,527)**
Obligations settled	**(3,732)**
Accretion	**9,738**
Changes in discount rates	**(434,411)**
Foreign exchange	**21,800**
Balance at March 31	**207,186**

Vermilion calculated the present value of the obligations using a credit-adjusted risk-free rate, calculated using a credit spread of 14.7% (as at December 31, 2019 - 5.3%) 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 risk-free rates used as inputs to discount the obligations were as follows:

	Mar 31, 2020	Dec 31, 2019
Canada	**1.3 %**	1.7 %
France	**0.7 %**	0.9 %
Netherlands	**(0.3)%**	(0.1)%
Germany	**— %**	0.3 %
Ireland	**0.5 %**	0.6 %
Australia	**1.2 %**	1.6 %
United States	**1.3 %**	2.4 %

6. Taxes

As at March 31, 2020, Vermilion derecognized $133.8 million (December 31, 2019 - $65.5 million) of deferred income tax assets relating to non-expiring tax losses in Canada, Ireland and Australia as there is uncertainty as to the Company's ability to fully utilize such losses based on forecasted commodity prices in effect as at March 31, 2020.

7. Long-term debt

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

	As at	
	Mar 31, 2020	Dec 31, 2019
Revolving credit facility	**1,572,802**	1,539,225
Senior unsecured notes	**421,242**	385,440
Long-term debt	**1,994,044**	1,924,665

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, 2020 was $288.7 million.

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

	2020
Balance at January 1	**1,924,665**
Borrowings on the revolving credit facility	**3,113**
Amortization of transaction costs	**(193)**
Foreign exchange	**66,459**
Balance at March 31	**1,994,044**

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. All other terms within the facility remained the same.

	As at	
	Mar 31, 2020	Dec 31, 2019
Total facility amount	**2,100,000**	2,100,000
Amount drawn	**(1,572,802)**	(1,539,225)
Letters of credit outstanding	**(11,671)**	(10,230)
Unutilized capacity	**515,527**	550,545

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, 2020, the revolving credit facility was subject to the following financial covenants:

		As at	
Financial covenant	Limit	Mar 31, 2020	Dec 31, 2019
Consolidated total debt to consolidated EBITDA	Less than 4.0	**2.19**	1.94
Consolidated total senior debt to consolidated EBITDA	Less than 3.5	**1.73**	1.56
Consolidated EBITDA to consolidated interest expense	Greater than 2.5	**12.21**	13.46

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 March 31, 2020 and 2019, 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, 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. 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 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 an 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.

In Q1 2020, Vermilion reset the Euro principal amount of the CAD-to-EUR cross currency interest rate swap from €265.0 million to €275.8 million and in exchange received US $12.7 million. All other terms of the instrument remained the same and hedge accounting continues to be applied to this transaction; however, as a result of the transaction the change in the Euro principal amount is recognized as hedge ineffectiveness with changes in value recognized in the consolidated statement of net earnings. As at March 31, 2020, ineffectiveness of $21.6 million was recognized within (gain) loss on derivative instruments in the consolidated statement of net earnings.

8. Shareholders' capital

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

	2020	
Shareholders' Capital	**Shares ('000s)**	**Amount**
Balance at January 1	**156,290**	**4,119,031**
Shares issued for the Dividend Reinvestment Plan	**504**	**7,645**
Shares issued for equity based compensation	**226**	**2,117**
Balance at March 31	**157,020**	**4,128,793**

Dividends declared to shareholders for the three months ended March 31, 2020 were $90.1 million (2019 - $105.5 million).

9. 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:

	Mar 31, 2020	Dec 31, 2019
Long-term debt	**1,994,044**	1,924,665
Current liabilities	**506,315**	416,210
Current assets	**(344,736)**	(347,681)
Net debt	**2,155,623**	1,993,194
Ratio of net debt to four quarter trailing fund flows from operations	**2.61**	2.20

10. Financial instruments

Commodity risk
Vermilion is exposed to commodity price risk on its derivative assets and liabilities which are used as part of the Company's risk management program to mitigate the effects of changes in commodity prices on future cash flows. While transactions of this nature relate to future petroleum and natural gas production, Vermilion does not designate these derivative assets and liabilities as accounting hedges. As such, changes in commodity prices impact the fair value of derivative instruments and the corresponding gains or losses recognized on derivative instruments. During the three months ended March 31, 2020, Vermilion continued to use derivative instruments to mitigate the effects of changes in commodity prices.

Currency risk
Vermilion is exposed to currency risk on its financial instruments denominated in foreign currencies. These financial instruments include cash and cash equivalents, accounts receivables, accounts payables, lease obligations, long-term debt, derivative assets and derivative liabilities. These financial instruments are primarily denominated in the US dollar and the Euro. Vermilion monitors its exposure to currency risk and reviews whether the use of derivative financial instruments is appropriate to manage potential fluctuations in foreign exchange rates. During the three months ended March 31, 2020, Vermilion has not entered into new derivative instruments for the purposes of managing fluctuations in foreign exchange rates.

Interest rate risk
Vermilion is exposed to interest rate risk on its revolving credit facility, which consists of short-term borrowing instruments that bear interest at market rates. Thus, changes in interest rates could result in an increase or decrease in the amount paid by Vermilion to service this debt. As a result of the outbreak of COVID-19 and ensuing monetary response, short-term interest rates have generally decreased. However, the impact of these decreases could be offset by increased credit spread as a result of decreased financial performance resulting from lower commodity prices.

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, 2020
Currency risk - Euro to Canadian dollar	
$0.01 increase in strength of the Canadian dollar against the Euro	**(1,200)**
$0.01 decrease in strength of the Canadian dollar against the Euro	**1,200**
Currency risk - US dollar to Canadian dollar	
$0.01 increase in strength of the Canadian dollar against the US $	**(631)**
$0.01 decrease in strength of the Canadian dollar against the US $	**631**
Commodity price risk - Crude oil	
US $5.00/bbl increase in crude oil price used to determine the fair value of derivatives	**(67,910)**
US $5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	**66,894**
Commodity price risk - European natural gas	
€0.5/GJ increase in European natural gas price used to determine the fair value of derivatives	**(28,319)**
€0.5/GJ decrease in European natural gas price used to determine the fair value of derivatives	**19,467**
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)**

Credit risk

Vermilion is exposed to credit risk on accounts receivable and derivative assets in the event that customers, joint operation partners, or counterparties fail to discharge their contractual obligations. As at March 31, 2020, Vermilion's maximum exposure to receivable credit risk was $365.2 million (December 31, 2019 - $287.2million) which is the value of accounts receivable and derivative assets on the balance sheet. Vermilion's accounts receivable primarily relates to customers and joint operations partners in the petroleum and natural gas industry. These amounts are subject to normal industry payment terms and credit risks. Vermilion manages these risks by monitoring the creditworthiness of customers and joint operations partners and, where appropriate, obtaining assurances such as parental guarantees and letters of credit. Vermilion's derivative assets primarily relates to the fair value of financial instruments used as part of the Company's risk management program to mitigate the effects of changes in commodity prices on future cash flows. Vermilion manages this risk by monitoring the creditworthiness of counterparties, transacting primarily with counterparties that have investment grade third party credit ratings, and by limiting the concentration of financial exposure to individual counterparties. As a result, Vermilion has not obtained collateral or other security to support its financial derivatives. Vermilion's cash deposited in financial institutions and guaranteed investment certificates are also subject to counterparty credit risk. Vermilion mitigates this risk by transacting with financial institutions with high third party credit ratings.

The decrease in commodity prices as a result of the COVID-19 pandemic has increased the value of derivative assets on the balance sheet and can potentially increase the credit risk associated with the Company's customers and joint venture partners. Vermilion continues to monitor the creditworthiness of customers and joint operations to limit exposure to this risk. As at March 31, 2020, approximately 2.0% (as at December 31, 2019 - 3.6%) of the accounts receivable balance was outstanding for more than 90 days. Vermilion considers the balance of accounts receivable to be collectible.

Liquidity risk

Liquidity risk is the risk that Vermilion will encounter difficulty in meeting obligations associated with its financial liabilities. While the decrease in commodity prices as a result of the COVID-19 pandemic will negatively impact Vermilion's financial performance and position, Vermilion continues to retain available committed borrowing capacity that provides the Company with financial flexibility and the ability to meet obligations as they become due.

Vermilion's undiscounted non-derivative financial liabilities due within 1 month to 1 year have increased since December 31, 2019 as a result of the significant capital expenditures incurred during the three months ended March 31, 2020. The Company had $515.5 million of unutilized capacity on its revolving credit facility as at March 31, 2020 ($550.5 million as at December 31, 2019), which was extended to mature on May 31, 2024 during the three months ended March 31, 2020.

The following table summarizes Vermilion's undiscounted non-derivative financial liabilities and their contractual maturities:

($M)	1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years
March 31, 2020	183,269	261,213	15,400	2,063,553
December 31, 2019	134,502	208,752	5,136	1,608,435

DIRECTORS

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Chairman & CEO, Point Energy Ltd.
Calgary, Alberta

Carin Knickel [6, 8, 12]
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Anthony Marino
Calgary, Alberta

Robert Michaleski [4, 5]
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William Roby [8, 9, 12]
Katy, Texas

Catherine L. Williams [3, 6]
Calgary, Alberta

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

OFFICERS AND KEY PERSONNEL
CANADA

Anthony Marino
President & Chief Executive Officer

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

Bryce Kremnica
Director Field Operations - Canada Business Unit

Steve Reece
Director Information Technology & Information Systems

Tom Rafter
Director Land - Canada Business Unit

Adam Iwanicki
Director Marketing

Robert (Bob) J. Engbloom
Corporate Secretary

UNITED STATES
Scott Seatter
Managing Director - U.S. Business Unit

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

EUROPE
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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

Bryan Sralla
Managing Director - Central & Eastern Europe Business Unit

AUSTRALIA
Bruce D. Lake
Managing Director - Australia Business Unit

AUDITORS

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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

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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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.

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