

Q3 2022

FINANCIAL STATEMENTS

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INTERNATIONALLY DIVERSIFIED | FREE CASH FLOW FOCUSED

VERMILION
ENERGY



Disclaimer

Certain statements included or incorporated by reference in this document may constitute forward-looking statements or financial outlooks under applicable securities legislation. Such forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward looking statements or information in this document may include, but are not limited to: capital expenditures and Vermilion's ability to fund such expenditures; Vermilion's additional debt capacity providing it with additional working capital; the return of capital; the flexibility of Vermilion's capital program and operations; business strategies and objectives; operational and financial performance; sustainability (Environment, Social, and Governance or ESG) data and performance; estimated volumes of reserves and resources; petroleum and natural gas sales; future production levels and the timing thereof, including Vermilion's 2022 guidance, and rates of average annual production growth; the effect of changes in crude oil and natural gas prices, changes in exchange rates and significant declines in production or sales volumes due to unforeseen circumstances; the effect of possible changes in critical accounting estimates; statements regarding the growth and size of Vermilion's future project inventory, and the wells expected to be drilled in 2022; exploration and development plans and the timing thereof; Vermilion's ability to reduce its debt; statements regarding Vermilion's hedging program, its plans to add to its hedging positions, and the anticipated impact of Vermilion's hedging program on project economics and free cash flows; the potential financial impact of climate-related risks; acquisition and disposition plans and activities and the timing thereof; operating and other expenses, including the payment and amount of future dividends; matters relating to energy security and inflation including the European Union solidarity contribution; royalty and income tax rates and Vermilion's expectations regarding future taxes and taxability; and the timing of regulatory proceedings and approvals.

Such forward looking statements or information are based on a number of assumptions, all or any of which may prove to be incorrect. In addition to any other assumptions identified in this document, assumptions have been made regarding, among other things: the ability of Vermilion to obtain equipment, services and supplies in a timely manner to carry out its activities in Canada and internationally; the ability of Vermilion to market crude oil, natural gas liquids, and natural gas successfully to current and new customers; the timing and costs of pipeline and storage facility construction and expansion and the ability to secure adequate product transportation; the timely receipt of required regulatory approvals; the ability of Vermilion to obtain financing on acceptable terms; foreign currency exchange rates and interest rates; future crude oil, natural gas liquids, and natural gas prices; and management's expectations relating to the timing and results of exploration and development activities and acquisition 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; the timing, and results, of acquisition activities; Vermilion's ability to enter into or renew leases on acceptable terms; fluctuations in crude oil, natural gas liquids, and natural gas prices, foreign currency exchange rates and interest rates; health, safety, and environmental risks; uncertainties as to the availability and cost of financing; the ability of Vermilion to add production and reserves through exploration and development activities; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; uncertainty and current evolutions with relation to sustainability/ESG reporting methodologies; uncertainty in amounts and timing of royalty payments; risks associated with existing and potential future law suits and regulatory actions against Vermilion; and other risks and uncertainties described elsewhere in this document or in Vermilion's other filings with Canadian securities regulatory authorities.

The forward looking statements or information contained in this document are made as of the date hereof and Vermilion undertakes no obligation to update publicly or revise any forward looking statements or information, whether as a result of new information, future events, or otherwise, unless required by applicable securities laws.

This document contains metrics commonly used in the oil and gas industry. These oil and gas metrics do not have any standardized meaning or standard methods of calculation and therefore may not be comparable to similar measures presented by other companies where similar terminology is used and should therefore not be used to make comparisons. Natural gas volumes have been converted on the basis of six thousand cubic feet of natural gas to one barrel of oil equivalent. Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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

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

Consolidated Interim Financial Statements

Consolidated Balance Sheet

thousands of Canadian dollars, unaudited

	Note	September 30, 2022	December 31, 2021
Assets			
Current			
Cash and cash equivalents		7,813	6,028
Accounts receivable		391,221	328,584
Crude oil inventory		30,774	20,070
Derivative instruments		46,185	19,321
Prepaid expenses		122,548	98,842
Total current assets		598,541	472,845
Derivative instruments		60,314	—
Investment in securities	4	47,764	—
Deferred taxes		255,973	374,993
Exploration and evaluation assets	3, 6	269,574	233,290
Capital assets	3, 5	5,376,400	4,824,195
Total assets		6,608,566	5,905,323
Liabilities			
Current			
Accounts payable and accrued liabilities		444,737	440,658
Dividends payable	10	13,031	—
Derivative instruments		394,728	268,973
Income taxes payable		134,574	37,182
Total current liabilities		987,070	746,813
Derivative instruments		21,867	51,213
Long-term debt	9	1,409,507	1,651,569
Lease obligations		53,915	60,190
Asset retirement obligations	7	855,215	1,000,554
Deferred taxes		391,061	328,839
Total liabilities		3,718,635	3,839,178
Shareholders' Equity			
Shareholders' capital	10	4,239,408	4,241,773
Contributed surplus		34,226	49,529
Accumulated other comprehensive (loss) income		(44)	28,467
Deficit		(1,383,659)	(2,253,624)
Total shareholders' equity		2,889,931	2,066,145
Total liabilities and shareholders' equity		6,608,566	5,905,323

Approved by the Board

(Signed "Robert Michaleski")

Robert Michaleski, Director

(Signed "Manjit Sharma")

Manjit Sharma, 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		Nine Months Ended	
		Sep 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
Revenue					
Petroleum and natural gas sales		964,678	538,530	2,633,701	1,313,846
Royalties		(82,854)	(49,435)	(237,714)	(127,337)
Sales of purchased commodities		83,460	35,540	194,619	109,155
Petroleum and natural gas revenue		965,284	524,635	2,590,606	1,295,664
Expenses					
Purchased commodities		83,460	35,540	194,619	109,155
Operating		125,987	104,355	352,787	300,333
Transportation		19,498	19,273	56,920	58,128
Equity based compensation		6,145	7,823	39,013	34,899
Loss on derivative instruments		94,109	351,972	370,846	491,145
Interest expense		24,455	18,699	60,352	56,796
General and administration		14,422	12,341	44,333	35,503
Foreign exchange loss		47,032	24,956	40,709	76,303
Other income		(5,530)	(3,588)	(12,852)	(11,437)
Accretion	7	14,285	11,199	41,669	32,569
Depletion and depreciation	5, 6	130,205	167,808	405,208	423,472
Impairment reversal	5	—	(22,225)	(192,094)	(1,278,697)
Gain on business combinations		—	—	—	(17,198)
		554,068	728,153	1,401,510	310,971
Earnings (loss) before income taxes		411,216	(203,518)	1,189,096	984,693
Income tax expense (recovery)					
Deferred		84,570	(62,245)	91,974	172,509
Current		55,567	5,857	179,468	8,076
		140,137	(56,388)	271,442	180,585
Net earnings (loss)		271,079	(147,130)	917,654	804,108
Other comprehensive income (loss)					
Currency translation adjustments		10,896	11,244	(55,723)	(33,936)
Hedge accounting reserve		1,633	1,632	4,897	4,896
Fair value adjustment on investment in securities, net of tax	4	3,371	—	22,315	—
Comprehensive income (loss)		286,979	(134,254)	889,143	775,068
Net earnings (loss) per share					
Basic		1.65	(0.91)	5.61	5.00
Diluted		1.61	(0.91)	5.44	4.91
Weighted average shares outstanding ('000s)					
Basic		163,947	161,957	163,619	160,809
Diluted		168,494	161,957	168,658	163,693

Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

	Note	Three Months Ended		Nine Months Ended	
		Sep 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
Operating					
Net earnings (loss)		271,079	(147,130)	917,654	804,108
Adjustments:					
Accretion	7	14,285	11,199	41,669	32,569
Depletion and depreciation	5, 6	130,205	167,808	405,208	423,472
Impairment reversal	5	—	(22,225)	(192,094)	(1,278,697)
Gain on business combinations		—	—	—	(17,198)
Unrealized (gain) loss on derivative instruments		(43,844)	279,393	8,892	353,359
Equity based compensation		6,145	7,823	39,013	34,899
Unrealized foreign exchange loss		44,929	27,877	37,059	72,085
Unrealized other expense		507	196	1,270	583
Deferred tax expense (recovery)		84,570	(62,245)	91,974	172,509
Asset retirement obligations settled	7	(10,386)	(5,142)	(21,006)	(15,486)
Changes in non-cash operating working capital		(49,882)	(46,006)	(10,614)	1,898
Cash flows from operating activities		447,608	211,548	1,319,025	584,101
Investing					
Drilling and development	5	(177,878)	(63,173)	(370,207)	(220,388)
Exploration and evaluation	6	(6,137)	(3,277)	(12,305)	(8,601)
Acquisitions, net of cash acquired	3, 5	(2,203)	(92,191)	(506,715)	(104,780)
Acquisition of securities	4	(4,017)	—	(22,318)	—
Changes in non-cash investing working capital		21,960	(4,289)	20,306	(1,058)
Cash flows used in investing activities		(168,275)	(162,930)	(891,239)	(334,827)
Financing					
Repayments on the revolving credit facility	9	(186,822)	(42,646)	(819,922)	(238,137)
Issuance of senior unsecured notes	9	—	—	499,037	—
Payments on lease obligations		(4,068)	(5,712)	(13,149)	(17,279)
Repurchase of shares	10	(71,659)	—	(71,659)	—
Cash dividends	10	(9,953)	—	(19,680)	—
Cash flows used in financing activities		(272,502)	(48,358)	(425,373)	(255,416)
Foreign exchange gain (loss) on cash held in foreign currencies		307	(260)	(628)	(762)
Net change in cash and cash equivalents		7,138	—	1,785	(6,904)
Cash and cash equivalents, beginning of period		675	—	6,028	6,904
Cash and cash equivalents, end of period		7,813	—	7,813	—
Supplementary information for cash flows from operating activities					
Interest paid		19,432	24,479	49,457	61,405
Income taxes paid (refunded)		57,885	(2,291)	82,076	(9,025)

Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Note	Nine Months Ended	
		Sep 30, 2022	Sep 30, 2021
Shareholders' capital	10		
Balance, beginning of period		4,241,773	4,181,160
Vesting of equity based awards		41,193	45,051
Equity based compensation		13,123	8,364
Share-settled dividends on vested equity based awards		4,185	1,926
Repurchase of shares		(60,866)	—
Balance, end of period		4,239,408	4,236,501
Contributed surplus	10		
Balance, beginning of period		49,529	66,250
Equity based compensation		25,890	26,535
Vesting of equity based awards		(41,193)	(45,051)
Balance, end of period		34,226	47,734
Accumulated other comprehensive income			
Balance, beginning of period		28,467	77,986
Currency translation adjustments		(55,723)	(33,936)
Hedge accounting reserve		4,897	4,896
Fair value adjustment on investment in securities, net of tax	4	22,315	—
Balance, end of period		(44)	48,946
Deficit			
Balance, beginning of period		(2,253,624)	(3,399,994)
Net earnings		917,654	804,108
Dividends declared		(32,711)	—
Share-settled dividends on vested equity based awards		(4,185)	(1,926)
Repurchase of shares	10	(10,793)	—
Balance, end of period		(1,383,659)	(2,597,812)
Total shareholders' equity		2,889,931	1,735,369

Description of equity reserves

Shareholders' capital

Represents the recognized amount for common shares issued (net of equity issuance costs and deferred taxes) less the weighted-average carrying value of shares repurchased. If the price paid to repurchase common shares is less than the carrying value of the shares repurchased, the difference is recorded to contributed surplus. If the price paid to repurchase common shares exceeds the carrying value of the shares repurchased, the difference is recorded as an increase to deficit.

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, hedge accounting reserve and fair value adjustments on investments.

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 nine months ended September 30, 2022, accumulated losses of \$3.7 million and \$1.2 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.

Fair value adjustment on investment in securities, net of tax, are a result of changes in the fair value of investments that have been elected to be subsequently measured at fair value through other comprehensive income.

Deficit

Represents the cumulative net earnings less distributed earnings and surplus of the price paid to repurchase common shares of Vermilion Energy Inc. over the weighted-average carrying value of the shares repurchased.

Notes to the Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2022 and 2021

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

1. Basis of presentation

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

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

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

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of Vermilion on November 9, 2022.

2. Segmented information

	Three Months Ended September 30, 2022								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	83,343	28,895	9,624	5,515	3,105	735	44,068	2,593	177,878
Exploration and evaluation	—	—	—	32	229	—	—	5,876	6,137
Crude oil and condensate sales	220,983	31,450	90,825	945	17,135	—	39,220	—	400,558
NGL sales	27,673	4,775	—	—	—	—	—	—	32,448
Natural gas sales	84,262	5,390	—	184,351	151,677	102,286	—	3,706	531,672
Sales of purchased commodities	—	—	—	—	—	—	—	83,460	83,460
Royalties	(54,919)	(11,230)	(10,402)	—	(4,713)	—	—	(1,590)	(82,854)
Revenue from external customers	277,999	30,385	80,423	185,296	164,099	102,286	39,220	85,576	965,284
Purchased commodities	—	—	—	—	—	—	—	(83,460)	(83,460)
Transportation	(11,299)	(73)	(4,877)	—	(2,342)	(907)	—	—	(19,498)
Operating	(66,245)	(7,338)	(14,461)	(13,200)	(9,188)	(4,715)	(10,349)	(491)	(125,987)
General and administration	(6,719)	(1,159)	(3,837)	(564)	(1,386)	68	(1,063)	238	(14,422)
PRRT	—	—	—	—	—	—	(4,545)	—	(4,545)
Corporate income taxes	—	—	(8,190)	(26,897)	(18,646)	—	2,865	(154)	(51,022)
Interest expense	—	—	—	—	—	—	—	(24,455)	(24,455)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(137,953)	(137,953)
Realized foreign exchange loss	—	—	—	—	—	—	—	(2,103)	(2,103)
Realized other income	—	—	—	—	—	—	—	6,037	6,037
Fund flows from operations	193,736	21,815	49,058	144,635	132,537	96,732	26,128	(156,765)	507,876

	Three Months Ended September 30, 2021								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	29,660	5,519	8,796	2,663	3,187	918	6,073	6,357	63,173
Exploration and evaluation	—	—	90	126	131	—	—	2,930	3,277
Crude oil and condensate sales	158,844	28,441	79,817	809	8,285	—	44,044	—	320,240
NGL sales	21,664	4,726	—	—	—	—	—	—	26,390
Natural gas sales	48,011	2,707	—	68,438	24,658	47,817	—	269	191,900
Sales of purchased commodities	—	—	—	—	—	—	—	35,540	35,540
Royalties	(27,812)	(9,632)	(11,089)	(229)	(616)	—	—	(57)	(49,435)
Revenue from external customers	200,707	26,242	68,728	69,018	32,327	47,817	44,044	35,752	524,635
Purchased commodities	—	—	—	—	—	—	—	(35,540)	(35,540)
Transportation	(9,526)	(559)	(6,400)	—	(1,708)	(1,080)	—	—	(19,273)
Operating	(53,076)	(4,758)	(13,523)	(8,514)	(6,717)	(2,968)	(14,684)	(115)	(104,355)
General and administration	(4,735)	(1,351)	(2,917)	(155)	(1,163)	(306)	(875)	(839)	(12,341)
PRRT	—	—	—	—	—	—	(7,271)	—	(7,271)
Corporate income taxes	—	—	12,403	(10,624)	—	—	(89)	(276)	1,414
Interest expense	—	—	—	—	—	—	—	(18,699)	(18,699)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(72,579)	(72,579)
Realized foreign exchange gain	—	—	—	—	—	—	—	2,921	2,921
Realized other income	—	—	—	—	—	—	—	3,784	3,784
Fund flows from operations	133,370	19,574	58,291	49,725	22,739	43,463	21,125	(85,591)	262,696

	Nine Months Ended September 30, 2022								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Total assets	3,618,554	634,039	702,328	188,308	383,918	448,565	266,947	365,907	6,608,566
Drilling and development	163,720	60,944	28,546	7,732	15,243	1,707	89,420	2,895	370,207
Exploration and evaluation	—	—	2	(312)	825	—	—	11,790	12,305
Crude oil and condensate sales	697,481	95,364	287,521	2,148	44,311	—	125,767	—	1,252,592
NGL sales	92,085	13,889	—	—	—	—	—	—	105,974
Natural gas sales	238,821	12,582	—	441,041	315,938	259,592	—	7,161	1,275,135
Sales of purchased commodities	—	—	—	—	—	—	—	194,619	194,619
Royalties	(157,258)	(32,229)	(31,059)	—	(14,829)	—	—	(2,339)	(237,714)
Revenue from external customers	871,129	89,606	256,462	443,189	345,420	259,592	125,767	199,441	2,590,606
Purchased commodities	—	—	—	—	—	—	—	(194,619)	(194,619)
Transportation	(31,930)	(523)	(15,511)	—	(6,130)	(2,826)	—	—	(56,920)
Operating	(177,594)	(17,983)	(44,950)	(34,674)	(28,231)	(11,893)	(36,187)	(1,275)	(352,787)
General and administration	(21,982)	(3,589)	(11,411)	(2,239)	(3,977)	435	(2,964)	1,394	(44,333)
PRRT	—	—	—	—	—	—	(13,273)	—	(13,273)
Corporate income taxes	—	—	(24,881)	(114,111)	(29,554)	—	2,650	(299)	(166,195)
Interest expense	—	—	—	—	—	—	—	(60,352)	(60,352)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(361,954)	(361,954)
Realized foreign exchange loss	—	—	—	—	—	—	—	(3,650)	(3,650)
Realized other income	—	—	—	—	—	—	—	14,122	14,122
Fund flows from operations	639,623	67,511	159,709	292,165	277,528	245,308	75,993	(407,192)	1,350,645

	Nine Months Ended September 30, 2021								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Total assets	2,465,914	549,544	729,967	222,391	340,784	441,573	229,155	770,305	5,749,633
Drilling and development	104,191	28,948	24,566	14,535	8,608	1,156	26,030	12,354	220,388
Exploration and evaluation	—	—	112	70	816	—	—	7,603	8,601
Crude oil and condensate sales	444,677	56,597	199,454	1,729	20,461	23	102,682	—	825,623
NGL sales	57,120	10,744	—	—	—	—	—	—	67,864
Natural gas sales	129,378	10,620	—	128,624	45,851	105,050	—	836	420,359
Sales of purchased commodities	—	—	—	—	—	—	—	109,155	109,155
Royalties	(76,587)	(20,692)	(27,492)	(454)	(1,938)	—	—	(174)	(127,337)
Revenue from external customers	554,588	57,269	171,962	129,899	64,374	105,073	102,682	109,817	1,295,664
Purchased commodities	—	—	—	—	—	—	—	(109,155)	(109,155)
Transportation	(29,630)	(1,023)	(19,923)	—	(4,283)	(3,269)	—	—	(58,128)
Operating	(160,683)	(12,262)	(37,905)	(23,820)	(19,826)	(10,782)	(34,830)	(225)	(300,333)
General and administration	(15,147)	(2,974)	(8,547)	(532)	(3,744)	381	(2,354)	(2,586)	(35,503)
PRRT	—	—	—	—	—	—	(10,144)	—	(10,144)
Corporate income taxes	—	—	12,402	(12,986)	—	—	3,341	(689)	2,068
Interest expense	—	—	—	—	—	—	—	(56,796)	(56,796)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(137,786)	(137,786)
Realized foreign exchange loss	—	—	—	—	—	—	—	(4,218)	(4,218)
Realized other income	—	—	—	—	—	—	—	12,020	12,020
Fund flows from operations	349,128	41,010	117,989	92,561	36,521	91,403	58,695	(189,618)	597,689

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

	Three Months Ended		Nine Months Ended	
	Sep 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
Fund flows from operations	507,876	262,696	1,350,645	597,689
Equity based compensation	(6,145)	(7,823)	(39,013)	(34,899)
Unrealized gain (loss) on derivative instruments	43,844	(279,393)	(8,892)	(353,359)
Unrealized foreign exchange loss	(44,929)	(27,877)	(37,059)	(72,085)
Accretion	(14,285)	(11,199)	(41,669)	(32,569)
Depletion and depreciation	(130,205)	(167,808)	(405,208)	(423,472)
Deferred tax (expense) recovery	(84,570)	62,245	(91,974)	(172,509)
Gain on business combinations	—	—	—	17,198
Impairment reversal	—	22,225	192,094	1,278,697
Unrealized other expense	(507)	(196)	(1,270)	(583)
Net earnings (loss)	271,079	(147,130)	917,654	804,108

3. Business combinations

Leucrotta Exploration Inc.

On May 31, 2022, Vermilion closed the acquisition of all outstanding common shares of Leucrotta Exploration Inc. (“Leucrotta”), a Canadian publicly listed, Montney-focused oil and natural gas exploration and development company. The primary asset acquired is the Mica property, comprised of 81,000 gross (77,000 net) contiguous acres of Montney mineral rights in the Peace River Arch straddling the Alberta and British Columbia borders.

Prior to May 31, 2022, Vermilion controlled 7,536,800 common shares of Leucrotta. On May 31, 2022, Vermilion transferred consideration and assumed ownership of all remaining outstanding common shares of Leucrotta. The acquisition was funded through Vermilion’s revolving credit facility.

The total consideration and the fair value of the assets acquired and liabilities assumed at the date of acquisition are detailed in the table below:

	Consideration
Cash consideration paid	486,488
Fair value of previously held equity interest	13,039
Total consideration	499,527

	Allocation of consideration
Cash acquired	2,659
Capital assets	559,094
Exploration and evaluation assets	43,227
Deferred tax liabilities	(97,891)
Asset retirement obligations	(1,440)
Derivative liability	(339)
Acquired working capital deficiency	(5,783)
Net assets acquired	499,527

The results of operations from the assets acquired and liabilities assumed have been included in Vermilion’s consolidated financial statements beginning May 31, 2022 and have contributed revenues of \$26.9 million and net earnings of \$8.2 million. Had the acquisition occurred on January 1, 2022, consolidated petroleum and natural gas revenue would have been \$2,605.6 million and consolidated net earnings would have been \$926.6 million for the nine months ended September 30, 2022.

4. Investment in securities

Vermilion holds investments in Coelacanth Energy Inc., a Montney-focused oil and natural gas exploration and development company listed on the TSX Venture exchange. Vermilion has acquired shares via a private placement concurrent with the closing of the purchase of Leucrotta and via open market purchases. Vermilion has made an optional election to subsequently measure the investment at fair value through other comprehensive income. The investment is classified as a level 1 instrument on the fair value hierarchy and therefore uses observable inputs when making fair value adjustments.

The total consideration paid and the fair value of the investment acquired are detailed in the table below:

	Amount
Balance at January 1	—
Acquisition of securities	22,318
Fair value adjustment	25,446
Balance at September 30	47,764

5. Capital assets

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

	2022
Balance at January 1	4,824,195
Acquisitions	568,941
Additions	370,207
Increase in right-of-use assets	11,098
Impairment reversal	192,094
Depletion and depreciation	(399,078)
Changes in asset retirement obligations	(124,180)
Foreign exchange	(66,877)
Balance at September 30	5,376,400

In the first quarter of 2022, indicators of impairment reversal were present in our Canada - Saskatchewan and France - Neocomian cash generating units ("CGUs") due to an increase and stabilization in forecast oil prices. As a result of the indicators of impairment reversal, the Company performed impairment reversal calculations on the identified CGUs and the recoverable amounts were determined using fair value less costs to sell, which considered future after-tax cash flows from proved plus probable reserves and an after-tax discount rate of 12.0%. Based on the results of the impairment reversal calculations completed, recoverable amounts were determined to be greater than the carrying values of the CGUs tested and \$144.4 million (net of \$47.7 million deferred income tax expense) of impairment reversal was recorded. Inputs used in the measurement of capital assets are not based on observable market data and fall within level 3 of the fair value hierarchy.

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

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

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

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

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

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

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

6. Exploration and evaluation assets

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

	2022
Balance at January 1	233,290
Acquisitions	43,227
Additions	12,305
Changes in asset retirement obligations	(2)
Depreciation	(11,099)
Foreign exchange	(8,147)
Balance at September 30	269,574

7. Asset retirement obligations

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

	2022
Balance at January 1	1,000,554
Additional obligations recognized	4,536
Obligations settled	(21,006)
Accretion	41,669
Changes in rates	(127,278)
Foreign exchange	(43,260)
Balance at September 30	855,215

Vermilion calculated the present value of the obligations using a credit-adjusted risk-free rate, calculated using a credit spread of 4.5% as at September 30, 2022 (December 31, 2021 - 4.9%) added to risk-free rates based on long-term, risk-free government bonds. Vermilion's credit spread is determined using the Company's expected cost of borrowing at the end of the reporting period.

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

	Sep 30, 2022	Dec 31, 2021
Canada	3.1 %	1.8 %
United States	3.9 %	1.9 %
France	3.0 %	0.8 %
Netherlands	2.2 %	(0.3)%
Germany	2.1 %	0.1 %
Ireland	2.9 %	0.5 %
Australia	4.0 %	1.9 %

Current cost estimates are inflated to the estimated time of abandonment using inflation rates of between 1.5% and 4.2% (as at December 31, 2021 - between 1.1% and 3.1%).

8. Capital disclosures

Vermilion defines capital as net debt and shareholders' capital. Net debt consists of long-term debt (excluding unrealized foreign exchange on swapped USD borrowings) plus adjusted working capital (defined as current assets less current liabilities, excluding current derivatives and current lease liabilities). 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:

	Sep 30, 2022	Dec 31, 2021
Long-term debt	1,409,507	1,651,569
Adjusted working capital deficit ⁽¹⁾	22,212	9,284
Unrealized FX on swapped USD borrowings	(19,667)	(16,067)
Net debt	1,412,052	1,644,786
Ratio of net debt to four quarter trailing fund flows from operations	0.8	1.8

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

9. Long-term debt

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

	As at	
	Sep 30, 2022	Dec 31, 2021
Revolving credit facility	465,153	1,273,755
2025 senior unsecured notes	409,118	377,814
2030 senior unsecured notes	535,236	—
Long-term debt	1,409,507	1,651,569

The fair value of the revolving credit facility is equal to its carrying value due to the use of short-term borrowing instruments at market rates of interest. The fair value of the 2025 senior unsecured notes as at September 30, 2022 was \$388.5 million (December 31, 2021 - \$387.0 million). The fair value of the 2030 senior unsecured notes as at September 30, 2022 was \$502.8 million (December 31, 2021 - nil).

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

	2022
Balance at January 1	1,651,569
Repayments on the revolving credit facility	(819,922)
Issuance of 2030 senior unsecured notes	499,037
Amortization of transaction costs	1,270
Foreign exchange	77,553
Balance at September 30	1,409,507

Revolving credit facility

As at September 30, 2022, Vermilion had in place a bank revolving credit facility maturing May 29, 2026 with the following terms:

	As at	
	Sep 30, 2022	Dec 31, 2021
Total facility amount	1,600,000	2,100,000
Amount drawn	(465,153)	(1,273,755)
Letters of credit outstanding	(13,352)	(11,035)
Unutilized capacity	1,121,495	815,210

The facility can be extended from time to time at the option of the lenders and upon notice from Vermilion. If no extension is granted by the lenders, the amounts owing pursuant to the facility are due at the maturity date. The facility is secured by various fixed and floating charges against the subsidiaries of Vermilion. On April 26, 2022, contemporaneous with the issuance of the 2030 senior unsecured notes and at Vermilion's election, the maturity date of the facility was extended to May 29, 2026 (previously May 31, 2024) and the total facility amount was reduced to \$1.6 billion (previously \$2.1 billion).

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

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

Financial covenant	Limit	As at	
		Sep 30, 2022	Dec 31, 2021
Consolidated total debt to consolidated EBITDA	Less than 4.0	0.72	1.61
Consolidated total senior debt to consolidated EBITDA	Less than 3.5	0.23	1.24
Consolidated EBITDA to consolidated interest expense	Greater than 2.5	26.65	14.78

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

- Consolidated total debt: Includes all amounts classified as "Long-term debt" and "Lease obligations" (including the current portion included within "Accounts payable and accrued liabilities" but excluding operating leases as defined under IAS 17) on the consolidated balance sheet.
- Consolidated total senior debt: Consolidated total debt excluding unsecured and subordinated debt.
- Consolidated EBITDA: Consolidated net earnings before interest, income taxes, depreciation, accretion and certain other non-cash items, adjusted for the impact of the acquisition of a material subsidiary.
- 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 September 30, 2022, Vermilion's liability management ratings were higher than the specified levels, and as such, no amounts relating to asset retirement obligations were included in the calculation of consolidated total debt and consolidated total senior debt.

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

2025 senior unsecured notes

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

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

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

Year	Redemption price
2022	101.406 %
2023 and thereafter	100.000 %

2030 senior unsecured notes

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

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

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

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

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

10. Shareholders' capital

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

Shareholders' Capital	2022	
	Shares ('000s)	Amount
Balance at January 1	162,261	4,241,773
Vesting of equity based awards	2,270	41,193
Shares issued for equity based compensation	526	13,123
Share-settled dividends on vested equity based awards	165	4,185
Repurchase of shares	(2,339)	(60,866)
Balance at September 30	162,883	4,239,408

Dividends are approved by the Board of Directors and are paid quarterly. Dividends declared to shareholders for the nine months ended September 30, 2022 were \$32.7 million or \$0.20 per common share (2021 - nil).

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

In the third quarter of 2022, Vermilion purchased 2.34 million common shares under the NCIB for total consideration of \$71.7 million. The common shares purchased under the NCIB were cancelled. The surplus between the total consideration and the carrying value of the shares repurchased was recorded as an increase to deficit.

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.

	Sep 30, 2022
Currency risk - Euro to Canadian dollar	
\$0.01 increase in strength of the Canadian dollar against the Euro	7,294
\$0.01 decrease in strength of the Canadian dollar against the Euro	(7,294)
Currency risk - US dollar to Canadian dollar	
\$0.01 increase in strength of the Canadian dollar against the US \$	5,571
\$0.01 decrease in strength of the Canadian dollar against the US \$	(5,571)
Commodity price risk - Crude oil	
US \$5.00/bbl increase in crude oil price used to determine the fair value of derivatives	(3,807)
US \$5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	1,189
Commodity price risk - European natural gas	
€5.0/GJ increase in European natural gas price used to determine the fair value of derivatives	(54,061)
€5.0/GJ decrease in European natural gas price used to determine the fair value of derivatives	53,808

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³ Audit Committee Member

⁴ Governance and Human Resources Committee Chair (Independent)

⁵ Governance and Human Resources Committee Member

⁶ Health, Safety and Environment Committee Chair (Independent)

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⁸ Independent Reserves Committee Chair (Independent)

⁹ Independent Reserves Committee Member

¹⁰ Sustainability Committee Chair (Independent)

¹¹ Sustainability Committee Member

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Corporate Secretary

* Executive Committee

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Bank of America N.A., Canada Branch

Canadian Imperial Bank of Commerce

Export Development Canada

National Bank of Canada

Royal Bank of Canada

The Bank of Nova Scotia

Wells Fargo Bank N.A., Canadian Branch

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