Vermilion Energy Inc.

# 2014 Third Quarter Financial Statements

DEFINED PRODUCTION GROWTH
RELIABLE & GROWING DIVIDENDS

**DISCLAIMER**

Certain statements included or incorporated by reference in this document may constitute forward looking statements or financial outlooks under applicable securities legislation. Such forward looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward looking statements or information in this document may include, but are not limited to: capital expenditures; business strategies and objectives; operational and financial performance; estimated reserve quantities and the discounted present value of future net cash flows from such reserves; petroleum and natural gas sales; future production levels (including the timing thereof) and rates of average annual production growth; estimated contingent resources and prospective resources; 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; the timing of regulatory proceedings and approvals; and the timing of first commercial natural gas and the estimate of Vermilion's share of the expected natural gas production from the Corrib field.

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.

All oil and natural gas reserve information contained in this document has been prepared and presented in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The actual oil and natural gas reserves and future production will be greater than or less than the estimates provided in this document. The estimated future net revenue from the production of oil and natural gas reserves does not represent the fair market value of these reserves.

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 BALANCE SHEETS**
**(THOUSANDS OF CANADIAN DOLLARS, UNAUDITED)**

| | Note | September 30, 2014 | December 31, 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | | **142,520** | 389,559 |
| Accounts receivable | | **199,574** | 167,618 |
| Crude oil inventory | | **19,781** | 17,143 |
| Derivative instruments | | **9,341** | 2,285 |
| Prepaid expenses | | **15,169** | 11,178 |
| | | **386,385** | 587,783 |
| Deferred taxes | | **148,124** | 184,832 |
| Exploration and evaluation assets | 5 | **380,266** | 136,259 |
| Capital assets | 4 | **3,522,952** | 2,799,845 |
| | | **4,437,727** | 3,708,719 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | | **323,747** | 267,832 |
| Dividends payable | 8 | **22,988** | 20,425 |
| Derivative instruments | | **1,704** | 3,572 |
| Income taxes payable | | **82,736** | 55,615 |
| | | **431,175** | 347,444 |
| Long-term debt | 7 | **1,198,648** | 990,024 |
| Asset retirement obligations | 6 | **397,920** | 326,162 |
| Deferred taxes | | **409,516** | 328,714 |
| | | **2,437,259** | 1,992,344 |
| **SHAREHOLDERS' EQUITY** | | | |
| Shareholders' capital | 8 | **1,937,750** | 1,618,443 |
| Contributed surplus | | **74,063** | 75,427 |
| Accumulated other comprehensive income | | **13,740** | 47,142 |
| Deficit | | **(25,085)** | (24,637) |
| | | **2,000,468** | 1,716,375 |
| | | **4,437,727** | 3,708,719 |

**APPROVED BY THE BOARD**

*("W. Kenneth Davidson")*

W. Kenneth Davidson, Director

*("Lorenzo Donadeo")*

Lorenzo Donadeo, Director

**CONSOLIDATED STATEMENTS OF NET EARNINGS AND COMPREHENSIVE INCOME**
**(THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS, UNAUDITED)**

| | Note | Three Months Ended Sep 30, 2014 | Three Months Ended Sep 30, 2013 | Nine Months Ended Sep 30, 2014 | Nine Months Ended Sep 30, 2013 |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| Petroleum and natural gas sales | | **344,688** | 327,185 | **1,113,555** | 948,727 |
| Royalties | | **(29,000)** | (18,730) | **(82,037)** | (50,320) |
| **Petroleum and natural gas revenue** | | **315,688** | 308,455 | **1,031,518** | 898,407 |
| **EXPENSES** | | | | | |
| Operating | | **56,227** | 46,246 | **172,426** | 146,903 |
| Transportation | | **10,979** | 6,549 | **32,872** | 19,843 |
| Equity based compensation | 9 | **14,720** | 12,779 | **49,409** | 39,639 |
| (Gain) loss on derivative instruments | | **(16,637)** | 8,464 | **(24,110)** | 1,943 |
| Interest expense | | **12,918** | 10,109 | **36,712** | 28,134 |
| General and administration | | **16,262** | 12,033 | **48,491** | 35,956 |
| Foreign exchange loss (gain) | | **11,055** | (3,005) | **14,255** | (29,166) |
| Other expense | | **362** | 55 | **217** | 259 |
| Accretion | 6 | **6,064** | 6,214 | **17,726** | 18,038 |
| Depletion and depreciation | 4, 5 | **104,159** | 78,826 | **308,513** | 238,692 |
| | | **216,109** | 178,270 | **656,511** | 500,241 |
| **EARNINGS BEFORE INCOME TAXES** | | **99,579** | 130,185 | **375,007** | 398,166 |
| **INCOME TAXES** | | | | | |
| Deferred | | **14,388** | 287 | **28,859** | 13,914 |
| Current | | **31,288** | 62,102 | **135,464** | 158,121 |
| | | **45,676** | 62,389 | **164,323** | 172,035 |
| **NET EARNINGS** | | **53,903** | 67,796 | **210,684** | 226,131 |
| **OTHER COMPREHENSIVE (LOSS) INCOME** | | | | | |
| Currency translation adjustments | | **(36,143)** | 14,621 | **(33,402)** | 32,244 |
| **COMPREHENSIVE INCOME** | | **17,760** | 82,417 | **177,282** | 258,375 |
| **NET EARNINGS PER SHARE** | | | | | |
| Basic | | **0.50** | 0.67 | **2.01** | 2.25 |
| Diluted | | **0.50** | 0.66 | **1.98** | 2.22 |
| **WEIGHTED AVERAGE SHARES OUTSTANDING ('000s)** | | | | | |
| Basic | | **106,768** | 101,613 | **104,891** | 100,634 |
| Diluted | | **108,290** | 102,763 | **106,582** | 102,083 |

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(THOUSANDS OF CANADIAN DOLLARS, UNAUDITED)**

| | | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|---|
| | Note | Sep 30, 2014 | Sep 30, 2013 | Sep 30, 2014 | Sep 30, 2013 |
| **OPERATING** | | | | | |
| Net earnings | | **53,903** | 67,796 | **210,684** | 226,131 |
| Adjustments: | | | | | |
| Accretion | 6 | **6,064** | 6,214 | **17,726** | 18,038 |
| Depletion and depreciation | 4, 5 | **104,159** | 78,826 | **308,513** | 238,692 |
| Unrealized (gain) loss on derivative instruments | | **(7,800)** | 3,699 | **(10,214)** | (3,839) |
| Equity based compensation | 9 | **14,720** | 12,779 | **49,409** | 39,639 |
| Unrealized foreign exchange loss (gain) | | **11,867** | (4,232) | **13,613** | (29,738) |
| Unrealized other expense | | **597** | 276 | **747** | 1,029 |
| Deferred taxes | | **14,388** | 287 | **28,859** | 13,914 |
| Asset retirement obligations settled | 6 | **(4,677)** | (2,738) | **(9,709)** | (6,496) |
| Changes in non-cash operating working capital | | **41,789** | (4,671) | **(46,788)** | 30,652 |
| Cash flows from operating activities | | **235,010** | 158,236 | **562,840** | 528,022 |
| **INVESTING** | | | | | |
| Drilling and development | 4 | **(180,479)** | (135,110) | **(467,294)** | (389,635) |
| Exploration and evaluation | 5 | **(9,554)** | (551) | **(54,187)** | (13,240) |
| Property acquisitions | 3, 4, 5 | **(40,847)** | (7,586) | **(219,074)** | (7,586) |
| Dispositions | 4 | **-** | - | **-** | 8,627 |
| Corporate acquisitions, net of cash acquired | 3 | **-** | - | **(176,179)** | - |
| Changes in non-cash investing working capital | | **24,539** | 44,876 | **40,002** | 7,473 |
| Cash flows used in investing activities | | **(206,341)** | (98,371) | **(876,732)** | (394,361) |
| **FINANCING** | | | | | |
| (Decrease) increase in long-term debt | | **(1,600)** | - | **204,127** | 139,429 |
| Cash dividends | | **(48,415)** | (41,576) | **(142,600)** | (126,354) |
| Cash flows (used in) from financing activities | | **(50,015)** | (41,576) | **61,527** | 13,075 |
| Foreign exchange (loss) gain on cash held in foreign currencies | | **(1,631)** | 2,248 | **5,326** | 7,274 |
| Net change in cash and cash equivalents | | **(22,977)** | 20,537 | **(247,039)** | 154,010 |
| Cash and cash equivalents, beginning of period | | **165,497** | 235,598 | **389,559** | 102,125 |
| Cash and cash equivalents, end of period | | **142,520** | 256,135 | **142,520** | 256,135 |
| Supplementary information for operating activities - cash payments | | | | | |
| Interest paid | | **15,132** | 13,544 | **40,947** | 34,053 |
| Income taxes paid | | **28,617** | 50,203 | **106,177** | 101,507 |

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
## (THOUSANDS OF CANADIAN DOLLARS, UNAUDITED)

| | Note | Shareholders' Capital | Contributed Surplus | Accumulated Other Comprehensive Loss | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balances as at January 1, 2013 | | 1,481,345 | 69,581 | (32,409) | (99,871) | 1,418,646 |
| Net earnings | | - | - | - | 226,131 | 226,131 |
| Currency translation adjustments | | - | - | 32,244 | - | 32,244 |
| Equity based compensation expense | 9 | - | 39,010 | - | - | 39,010 |
| Dividends declared | 8 | - | - | - | (181,391) | (181,391) |
| Shares issued pursuant to the dividend reinvestment plan | 8 | 53,516 | - | - | - | 53,516 |
| Vesting of equity based awards | 8, 9 | 54,370 | (54,370) | - | - | - |
| Share-settled dividends on vested equity based awards | 8, 9 | 9,808 | - | - | (9,808) | - |
| Shares issued pursuant to the bonus plan | 8 | 629 | - | - | - | 629 |
| Balances as at September 30, 2013 | | 1,599,668 | 54,221 | (165) | (64,939) | 1,588,785 |

| | Note | Shareholders' Capital | Contributed Surplus | Accumulated Other Comprehensive Income | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balances as at January 1, 2014 | | 1,618,443 | 75,427 | 47,142 | (24,637) | 1,716,375 |
| Net earnings | | - | - | - | 210,684 | 210,684 |
| Currency translation adjustments | | - | - | (33,402) | - | (33,402) |
| Equity based compensation expense | 9 | - | 48,688 | - | - | 48,688 |
| Dividends declared | 8 | - | - | - | (203,613) | (203,613) |
| Shares issued pursuant to the dividend reinvestment plan | 8 | 58,450 | - | - | - | 58,450 |
| Shares issued pursuant to corporate acquisition | 3 | 204,960 | - | - | - | 204,960 |
| Modification of equity based awards | 9 | - | (2,395) | | | (2,395) |
| Vesting of equity based awards | 8, 9 | 47,657 | (47,657) | - | - | - |
| Share-settled dividends on vested equity based awards | 8, 9 | 7,519 | - | - | (7,519) | - |
| Shares issued pursuant to the bonus plan | 8 | 721 | - | - | - | 721 |
| Balances as at September 30, 2014 | | 1,937,750 | 74,063 | 13,740 | (25,085) | 2,000,468 |

### 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 employee awards which are settled in shares. Once vested, the value of the awards is transferred to shareholders' capital.

***Accumulated other comprehensive income***
Represents the cumulative income and expenses which are not recorded immediately in net earnings and are accumulated until an event triggers recognition in net earnings. The current balance consists of currency translation adjustments resulting from translating financial statements of subsidiaries with a foreign functional currency to Canadian dollars at period-end rates.

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

## 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 IAS 34, "Interim financial reporting" and have been prepared using the same accounting policies and methods of computation as Vermilion's consolidated financial statements for the year ended December 31, 2013, except as discussed in Note 2.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion's consolidated financial statements for the year ended December 31, 2013, which are contained within Vermilion's Annual Report for the year ended December 31, 2013 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 6, 2014.

## 2. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

On January 1, 2014, Vermilion adopted the following pronouncements as issued by the IASB. The adoption of these standards did not have a material impact on Vermilion's consolidated financial statements.

*IFRIC 21 "Levies"*
On May 20, 2013, the IASB issued guidance under IFRIC 21, which provides clarification on accounting for levies in accordance with the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that a liability for a levy is recognized only when the triggering event specified in the legislation occurs. The interpretation is effective for annual periods beginning on or after January 1, 2014.

*IAS 36 "Impairment of Assets"*
On May 29, 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. This amendment is effective for annual periods beginning on or after January 1, 2014.

**Accounting pronouncements not yet adopted**

The impact of the adoption of the following pronouncements are currently being evaluated.

*IFRS 9 "Financial Instruments"*
On July 24, 2014, the IASB issued the final element of its comprehensive response to the financial crisis by issuing IFRS 9 "Financial Instruments". The improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Vermilion will adopt the standard for reporting periods beginning January 1, 2018.

*IFRS 15 "Revenue from Contracts with Customers"*
On May 28, 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", a new standard that specifies recognition requirements for revenue as well as requiring entities to provide the users of financial statements with more informative and relevant disclosures. The standard replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as a number of revenue-related interpretations. Vermilion will adopt the standard for reporting periods beginning January 1, 2017.

## 3. BUSINESS COMBINATIONS

**Property acquisition:**

**Germany**

In February of 2014, Vermilion acquired, through a wholly-owned subsidiary, GDF's 25% interest in four producing natural gas fields and a surrounding exploration license located in northwest Germany. GDF is an affiliate of GDF Suez S.A., a publicly traded, French multinational utility. The acquisition represents Vermilion's entry into the German E&P business, a producing region with a long history of oil and gas development activity, low political risk and strong marketing fundamentals. The acquisition is well aligned with Vermilion's European focus, and will increase its exposure to the strong fundamentals and pricing of the European natural gas markets. The acquisition closed in February of 2014 for cash proceeds of $172.9 million. Vermilion funded this acquisition with existing credit facilities.

The acquired assets comprise of four gas producing fields across eleven production licenses and include both exploration and production licenses that comprise a total of 207,000 gross acres, of which 85% is in the exploration license.

The acquisition has been accounted for as a business combination with the fair value of the assets acquired and liabilities assumed at the date of acquisition summarized as follows:

| ($M) | Consideration |
|---|---|
| Cash paid to vendor | 172,871 |
| **Total consideration** | 172,871 |

| ($M) | Allocation of Consideration |
|---|---|
| Petroleum and natural gas assets | 158,840 |
| Exploration and evaluation | 16,065 |
| Asset retirement obligations assumed | (2,030) |
| Deferred tax liabilities | (4) |
| **Net assets acquired** | 172,871 |

The results of operations from the assets acquired have been included in Vermilion's consolidated financial statements beginning February of 2014 and have contributed revenues of $22.5 million and net earnings $2.2 million for the nine months ended September 30, 2014.

Had the acquisition occurred on January 1, 2014, management estimates that consolidated revenues would have increased by an additional $4.6 million and consolidated net earnings would have increased by $0.9 million for the nine months ended September 30, 2014.

**Corporate acquisition:**

**Elkhorn Resources Inc.**

On April 29, 2014, Vermilion acquired Elkhorn Resources Inc., a private southeast Saskatchewan producer. The acquisition creates a new core area for Vermilion in the Williston Basin.

The acquired assets include approximately 57,000 net acres of land (approximately 80% undeveloped), seven oil batteries, and preferential access to 50% or greater capacity at a solution gas facility that is currently under construction.

Total consideration was comprised of $180.4 million of cash, which was funded with existing credit facilities, and the issuance of 2.8 million Vermilion common shares valued at approximately $205.0 million (based on the closing price per Vermilion common share of $72.50 on the Toronto Stock Exchange on April 29, 2014).

### 3. BUSINESS COMBINATIONS (Continued)

The acquisition has been accounted for as a business combination with the fair value of the assets acquired and liabilities assumed at the date of acquisition summarized as follows:

| ($M) | Consideration |
|---|---|
| Cash paid to shareholders of Elkhorn Resources Inc. | 180,353 |
| Shares issued pursuant to corporate acquisition | 204,960 |
| **Total consideration** | 385,313 |

| ($M) | Allocation of Consideration |
|---|---|
| Petroleum and natural gas assets | 390,523 |
| Exploration and evaluation | 138,264 |
| Asset retirement obligations assumed | (5,974) |
| Deferred tax liabilities | (89,437) |
| Long-term debt assumed | (47,526) |
| Cash acquired | 4,174 |
| Acquired non-cash working capital deficiency | (4,711) |
| **Net assets acquired** (1) | 385,313 |

(1) The above amounts are estimates made by management at the time of the preparation of these condensed consolidated interim financial statements based on information then available. Amendments may be made as amounts subject to estimates are finalized.

The results of operations from the assets acquired have been included in Vermilion's consolidated financial statements beginning April 29, 2014 and have contributed revenues of $34.7 million and operating income of $27.9 million for the nine months ended September 30, 2014.

Had the acquisition occurred on January 1, 2014, management estimates that consolidated revenues would have increased by an additional $8.8 million and consolidated operating income would have increased by $7.0 million for the nine months ended September 30, 2014. In determining the pro-forma amounts, management has assumed that the fair value adjustments, determined provisionally, that arose at the date of acquisition would have been the same if the acquisition had occurred on January 1, 2014. It is impracticable to derive all amounts necessary to determine the increase to net earnings from the acquisition as the acquired company was immediately merged with Vermilion's operations.

### 4. CAPITAL ASSETS

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

| ($M) | Petroleum and Natural Gas Assets | Furniture and Office Equipment | Total Capital Assets |
|---|---|---|---|
| **Balance at January 1, 2013** | 2,430,121 | 15,119 | 2,445,240 |
| Additions | 531,760 | 5,804 | 537,564 |
| Transfers from exploration and evaluation assets | 1,508 | - | 1,508 |
| Corporate acquisitions | 47,743 | - | 47,743 |
| Dispositions | (8,627) | - | (8,627) |
| Changes in estimate for asset retirement obligations | (91,527) | - | (91,527) |
| Depletion and depreciation | (310,370) | (6,138) | (316,508) |
| Impairment recovery | 47,400 | - | 47,400 |
| Effect of movements in foreign exchange rates | 136,626 | 426 | 137,052 |
| **Balance at December 31, 2013** | 2,784,634 | 15,211 | 2,799,845 |
| Additions | 462,136 | 5,158 | 467,294 |
| Property acquisitions | 163,600 | - | 163,600 |
| Corporate acquisitions | 390,523 | - | 390,523 |
| Changes in estimate for asset retirement obligations | 63,400 | - | 63,400 |
| Depletion and depreciation | (303,634) | (2,672) | (306,306) |
| Effect of movements in foreign exchange rates | (55,281) | (123) | (55,404) |
| **Balance at September 30, 2014** | 3,505,378 | 17,574 | 3,522,952 |

## 5. EXPLORATION AND EVALUATION ASSETS

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

| ($M) | Exploration and Evaluation Assets |
|---|---|
| **Balance at January 1, 2013** | 117,161 |
| Additions | 13,789 |
| Property acquisitions | 9,189 |
| Transfers to petroleum and natural gas assets | (1,508) |
| Depreciation | (3,712) |
| Effect of movements in foreign exchange rates | 1,340 |
| **Balance at December 31, 2013** | 136,259 |
| Additions | 54,187 |
| Changes in estimate for asset retirement obligations | 97 |
| Property acquisitions | 57,508 |
| Corporate acquisitions | 138,264 |
| Depreciation | (4,076) |
| Effect of movements in foreign exchange rates | (1,973) |
| **Balance at September 30, 2014** | 380,266 |

## 6. ASSET RETIREMENT OBLIGATIONS

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

| ($M) | Asset Retirement Obligations |
|---|---|
| **Balance at January 1, 2013** | 371,063 |
| Additional obligations recognized | 15,655 |
| Changes in estimates for existing obligations | (21,068) |
| Obligations settled | (11,922) |
| Accretion | 24,565 |
| Changes in discount rates | (73,675) |
| Effect of movements in foreign exchange rates | 21,544 |
| **Balance at December 31, 2013** | 326,162 |
| Additional obligations recognized | 19,919 |
| Obligations settled | (9,709) |
| Accretion | 17,726 |
| Changes in discount rates | 51,582 |
| Effect of movements in foreign exchange rates | (7,760) |
| **Balance at September 30, 2014** | 397,920 |

## 7. LONG-TERM DEBT

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

| | As At | |
|---|---|---|
| ($M) | Sept 30, 2014 | Dec 31, 2013 |
| Revolving credit facility | **974,857** | 766,898 |
| Senior unsecured notes | **223,791** | 223,126 |
| Long-term debt | **1,198,648** | 990,024 |

## 7. LONG-TERM DEBT (Continued)

### Revolving Credit Facility

At September 30, 2014, Vermilion had in place a bank revolving credit facility totalling $1.5 billion, of which approximately $974.9 million was drawn. In addition, Vermilion may, by adding lenders or seeking an increase to an existing lender's commitment, increase the total committed facility amount to no more than $1.75 billion. The facility, which matures on May 31, 2017, is fully revolving up to the date of maturity.

The facility is extendable from time to time, but not more than once per year, for a period not longer than three years, 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 repayable on the maturity date. This facility bears interest at a rate applicable to demand loans plus applicable margins. For the nine months ended September 30, 2014, the interest rate on the revolving credit facility was approximately 3.2%.
The amount available to Vermilion under this facility is reduced by certain outstanding letters of credit associated with Vermilion's operations totalling $10.3 million as at September 30, 2014 (December 31, 2013 - $8.1 million).

The facility is secured by various fixed and floating charges against the subsidiaries of Vermilion. Under the terms of the facility, Vermilion must maintain:

- A ratio of total bank borrowings (defined as consolidated total debt), to consolidated net earnings before interest, income taxes, depreciation, accretion and other certain non-cash items (defined as consolidated EBITDA) of not greater than 4.0.
- A ratio of consolidated total senior debt (defined as consolidated total debt excluding unsecured and subordinated debt) to consolidated EBITDA of not greater than 3.0.
- A ratio of consolidated total senior debt to total capitalization (defined as amounts classified as "Long-term debt" and "Shareholders' Equity" on the balance sheet) of less than 50%.

As at September 30, 2014, Vermilion was in compliance with all financial covenants.

### Senior Unsecured Notes

On February 10, 2011, Vermilion issued $225.0 million of senior unsecured notes at par. The notes bear interest at a rate of 6.5% per annum and will mature on February 10, 2016. As direct senior unsecured obligations of Vermilion, the notes rank pari passu with all other present and future unsecured and unsubordinated indebtedness of the Company.

Prior to February 10, 2015, Vermilion may redeem all or part of the senior unsecured notes at 103.25% of their principal amount plus any accrued and unpaid interest. Subsequent to February 10, 2015, Vermilion may redeem all or part of the senior unsecured notes at 100% of their principal amount plus any accrued and unpaid interest. The notes were initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using an effective interest rate of 7.1%.

## 8. SHAREHOLDERS' CAPITAL

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

| Shareholders' Capital | Number of Shares ('000s) | Amount ($M) |
|---|---|---|
| **Balance as at January 1, 2013** | 99,135 | 1,481,345 |
| Shares issued pursuant to the dividend reinvestment plan | 1,402 | 72,291 |
| Vesting of equity based awards | 1,372 | 54,370 |
| Share-settled dividends on vested equity based awards | 202 | 9,808 |
| Shares issued pursuant to the bonus plan | 12 | 629 |
| **Balance as at December 31, 2013** | 102,123 | 1,618,443 |
| Shares issued pursuant to corporate acquisition | 2,827 | 204,960 |
| Shares issued pursuant to the dividend reinvestment plan | 902 | 58,450 |
| Vesting of equity based awards | 950 | 47,657 |
| Share-settled dividends on vested equity based awards | 108 | 7,519 |
| Shares issued pursuant to the bonus plan | 11 | 721 |
| **Balance as at September 30, 2014** | 106,921 | 1,937,750 |

Dividends declared to shareholders for the nine months ended September 30, 2014 were $203.6 million (2013 - $181.4 million).

Subsequent to the end of the period and prior to the condensed consolidated interim financial statements being authorized for issue on November 6, 2014, Vermilion declared dividends totalling $23.0 million or $0.215 per share.

## 9. EQUITY BASED COMPENSATION

The following table summarizes the number of awards outstanding under the Vermilion Incentive Plan (“VIP”):

| Number of Awards ('000s) | 2014 | 2013 |
|---|---|---|
| Opening balance | **1,665** | 1,690 |
| Granted | **616** | 832 |
| Vested | **(512)** | (749) |
| Modified | **(21)** | - |
| Forfeited | **(53)** | (108) |
| Closing balance | **1,695** | 1,665 |

The fair value of a VIP award is determined on the grant date at the closing price of Vermilion’s common shares on the Toronto Stock Exchange, adjusted by the estimated performance factor that will ultimately be achieved.

On March 31, 2014, Vermilion modified the accounting for certain outstanding VIP awards to be settled by purchasing Vermilion common shares on the Toronto Stock Exchange upon vesting rather than by issuing common shares through treasury. Pursuant to this modification, $2.4 million was reclassified from “Contributed surplus” to “Accounts payable and accrued liabilities". Subsequent period expense relating to these outstanding awards will be recognized in “General and administration expense”.

## 10. SEGMENTED INFORMATION

Vermilion has operations principally in Canada, France, the Netherlands, Germany, Ireland, and Australia. Vermilion’s operating activities in each country relate solely to the exploration, development and production of petroleum and natural gas. Vermilion has a Corporate head office located in Calgary, Alberta. Costs incurred in the Corporate segment relate to Vermilion’s global hedging program and expenses incurred in financing and managing our operating business units.

Vermilion’s chief operating decision maker reviews the financial performance of the Company by assessing the fund flows from operations of each country individually. Fund flows from operations provides a measure of each business unit’s ability to generate cash (that is not subject to short-term movements in non-cash operating working capital) necessary to pay dividends, fund asset retirement obligations, and make capital investments.

| | Three Months Ended September 30, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ($M) | Canada | France | Netherlands | Germany | Ireland | Australia | Corporate | Total |
| Drilling and development | 88,116 | 34,883 | 10,087 | 1,358 | 30,050 | 15,985 | - | 180,479 |
| Exploration and evaluation | 9,277 | 199 | - | - | - | - | 78 | 9,554 |
| Oil and gas sales to external customers | 138,853 | 106,576 | 26,960 | 8,591 | - | 63,708 | - | 344,688 |
| Royalties | (19,034) | (6,978) | (942) | (2,046) | - | - | - | (29,000) |
| Revenue from external customers | 119,819 | 99,598 | 26,018 | 6,545 | - | 63,708 | - | 315,688 |
| Transportation expense | (4,048) | (4,741) | - | (675) | (1,515) | - | - | (10,979) |
| Operating expense | (19,074) | (15,215) | (5,409) | (2,227) | - | (14,302) | - | (56,227) |
| General and administration | (4,523) | (6,411) | (204) | (1,090) | (334) | (1,378) | (2,322) | (16,262) |
| PRRT | - | - | - | - | - | (13,834) | - | (13,834) |
| Corporate income taxes | - | (10,744) | (1,189) | (146) | - | (5,148) | (227) | (17,454) |
| Interest expense | - | - | - | - | - | - | (12,918) | (12,918) |
| Realized gain on derivative instruments | - | - | - | - | - | - | 8,837 | 8,837 |
| Realized foreign exchange gain | - | - | - | - | - | - | 812 | 812 |
| Realized other income | - | - | - | - | - | - | 235 | 235 |
| Fund flows from operations | 92,174 | 62,487 | 19,216 | 2,407 | (1,849) | 29,046 | (5,583) | 197,898 |

## 10. SEGMENTED INFORMATION (Continued)

| ($M) | Three Months Ended September 30, 2013 Canada | France | Netherlands | Germany | Ireland | Australia | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| Drilling and development | 61,719 | 23,664 | 8,316 | - | 35,028 | 5,880 | 503 | 135,110 |
| Exploration and evaluation | 551 | - | - | - | - | - | - | 551 |
| Oil and gas sales to external customers | 100,000 | 120,574 | 27,382 | - | - | 79,229 | - | 327,185 |
| Royalties | (11,156) | (7,574) | - | - | - | - | - | (18,730) |
| Revenue from external customers | 88,844 | 113,000 | 27,382 | - | - | 79,229 | - | 308,455 |
| Transportation expense | (3,272) | (2,713) | - | - | (564) | - | - | (6,549) |
| Operating expense | (12,770) | (14,599) | (5,209) | - | - | (13,668) | - | (46,246) |
| General and administration | (3,484) | (4,964) | (333) | - | (312) | (1,414) | (1,526) | (12,033) |
| PRRT | - | - | - | - | - | (15,649) | - | (15,649) |
| Corporate income taxes | - | (31,717) | (6,810) | - | - | (7,666) | (260) | (46,453) |
| Interest expense | - | - | - | - | - | - | (10,109) | (10,109) |
| Realized loss on derivative instruments | - | - | - | - | - | - | (4,765) | (4,765) |
| Realized foreign exchange loss | - | - | - | - | - | - | (1,227) | (1,227) |
| Realized other income | - | - | - | - | - | - | 221 | 221 |
| Fund flows from operations | 69,318 | 59,007 | 15,030 | - | (876) | 40,832 | (17,666) | 165,645 |

| ($M) | Nine Months Ended September 30, 2014 Canada | France | Netherlands | Germany | Ireland | Australia | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| Total assets | 1,857,012 | 894,060 | 237,070 | 164,025 | 809,296 | 269,959 | 206,305 | 4,437,727 |
| Drilling and development | 215,860 | 99,564 | 43,512 | 2,184 | 73,507 | 32,667 | - | 467,294 |
| Exploration and evaluation | 33,440 | 11,099 | 8,206 | - | - | - | 1,442 | 54,187 |
| Oil and gas sales to external customers | 425,294 | 348,753 | 98,395 | 28,603 | - | 212,510 | - | 1,113,555 |
| Royalties | (49,937) | (22,125) | (3,843) | (6,132) | - | - | - | (82,037) |
| Revenue from external customers | 375,357 | 326,628 | 94,552 | 22,471 | - | 212,510 | - | 1,031,518 |
| Transportation expense | (11,170) | (14,879) | - | (2,149) | (4,674) | - | - | (32,872) |
| Operating expense | (56,863) | (48,185) | (17,841) | (5,824) | - | (43,713) | - | (172,426) |
| General and administration | (13,951) | (17,164) | (1,128) | (2,488) | (868) | (4,245) | (8,647) | (48,491) |
| PRRT | - | - | - | - | - | (46,772) | - | (46,772) |
| Corporate income taxes | - | (60,769) | (6,278) | (1,189) | - | (19,678) | (778) | (88,692) |
| Interest expense | - | - | - | - | - | - | (36,712) | (36,712) |
| Realized gain on derivative instruments | - | - | - | - | - | - | 13,896 | 13,896 |
| Realized foreign exchange loss | - | - | - | - | - | - | (642) | (642) |
| Realized other income | - | - | - | - | - | - | 530 | 530 |
| Fund flows from operations | 293,373 | 185,631 | 69,305 | 10,821 | (5,542) | 98,102 | (32,353) | 619,337 |

| ($M) | Nine Months Ended September 30, 2013 Canada | France | Netherlands | Germany | Ireland | Australia | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| Total assets | 1,141,499 | 930,568 | 144,813 | - | 697,120 | 301,350 | 209,075 | 3,424,425 |
| Drilling and development | 158,519 | 68,479 | 14,472 | - | 76,426 | 69,511 | 2,228 | 389,635 |
| Exploration and evaluation | 12,433 | - | - | - | - | - | 807 | 13,240 |
| Oil and gas sales to external customers | 284,638 | 342,558 | 100,119 | - | - | 221,412 | - | 948,727 |
| Royalties | (29,852) | (20,468) | - | - | - | - | - | (50,320) |
| Revenue from external customers | 254,786 | 322,090 | 100,119 | - | - | 221,412 | - | 898,407 |
| Transportation expense | (8,152) | (7,883) | - | - | (3,808) | - | - | (19,843) |
| Operating expense | (42,586) | (51,473) | (14,438) | - | - | (38,406) | - | (146,903) |
| General and administration | (10,501) | (14,577) | (1,171) | - | (959) | (4,310) | (4,438) | (35,956) |
| PRRT | - | - | - | - | - | (39,392) | - | (39,392) |
| Corporate income taxes | - | (66,500) | (25,865) | - | - | (25,525) | (839) | (118,729) |
| Interest expense | - | - | - | - | - | - | (28,134) | (28,134) |
| Realized loss on derivative instruments | - | - | - | - | - | - | (5,782) | (5,782) |
| Realized foreign exchange loss | - | - | - | - | - | - | (572) | (572) |
| Realized other income | - | - | - | - | - | - | 770 | 770 |
| Fund flows from operations | 193,547 | 181,657 | 58,645 | - | (4,767) | 113,779 | (38,995) | 503,866 |

### 10. SEGMENTED INFORMATION (Continued)

**Reconciliation of fund flows from operations to net earnings**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| **($M)** | **Sep 30, 2014** | **Sep 30, 2013** | **Sep 30, 2014** | **Sep 30, 2013** |
| Fund flows from operations | **197,898** | 165,645 | **619,337** | 503,866 |
| Equity based compensation | **(14,720)** | (12,779) | **(49,409)** | (39,639) |
| Unrealized gain (loss) on derivative instruments | **7,800** | (3,699) | **10,214** | 3,839 |
| Unrealized foreign exchange (loss) gain | **(11,867)** | 4,232 | **(13,613)** | 29,738 |
| Unrealized other expense | **(597)** | (276) | **(747)** | (1,029) |
| Accretion | **(6,064)** | (6,214) | **(17,726)** | (18,038) |
| Depletion and depreciation | **(104,159)** | (78,826) | **(308,513)** | (238,692) |
| Deferred taxes | **(14,388)** | (287) | **(28,859)** | (13,914) |
| Net earnings | **53,903** | 67,796 | **210,684** | 226,131 |

### 11. CAPITAL DISCLOSURES

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| **($M except as indicated)** | **September 30, 2014** | **September 30, 2013** | **September 30, 2014** | **September 30, 2013** |
| Long-term debt | **1,198,648** | 781,074 | **1,198,648** | 781,074 |
| Current liabilities | **431,175** | 389,757 | **431,175** | 389,757 |
| Current assets | **(386,385)** | (470,545) | **(386,385)** | (470,545) |
| Net debt [1] | **1,243,438** | 700,286 | **1,243,438** | 700,286 |
| | | | | |
| Cash flows from operating activities | **235,010** | 158,236 | **562,840** | 528,022 |
| Changes in non-cash operating working capital | **(41,789)** | 4,671 | **46,788** | (30,652) |
| Asset retirement obligations settled | **4,677** | 2,738 | **9,709** | 6,496 |
| Fund flows from operations | **197,898** | 165,645 | **619,337** | 503,866 |
| Annualized fund flows from operations [2] | **791,592** | 662,580 | **825,783** | 671,821 |
| | | | | |
| Ratio of net debt to annualized fund flows from operations ([1] ÷ [2]) | **1.6** | 1.1 | **1.5** | 1.0 |

Long-term debt as at September 30, 2014 increased to $1.2 billion from $990.0 million as at December 31, 2013 as a result of draws on the revolving credit facility during the current year to fund the acquisitions in Germany and Saskatchewan coupled with the assumption of $47.5 million of long-term debt pursuant to the latter acquisition. This increase in long-term debt resulted in an increase to net debt from $749.7 million to $1.2 billion.

As year-to-date fund flows does not include a full year of fund flows from the acquisitions in Germany and Saskatchewan, the ratio of net debt to annualized fund flows increased to 1.5.

## 12. FINANCIAL INSTRUMENTS

### Classification of Financial Instruments

The following table summarizes information relating to Vermilion's financial instruments as at September 30, 2014 and December 31, 2013:

| | | | | As at Sep 30, 2014 | | As at Dec 31, 2013 | | |
|---|---|---|---|---|---|---|---|---|
| Class of financial instrument | Consolidated balance sheet caption | Accounting designation | Related caption on Statement of Net Earnings | Carrying value ($M) | Fair value ($M) | Carrying value ($M) | Fair value ($M) | Fair value measurement hierarchy |
| Cash | Cash and cash equivalents | HFT | Gains and losses on foreign exchange are included in foreign exchange loss (gain) | **142,520** | **142,520** | 389,559 | 389,559 | Level 1 |
| Receivables | Accounts receivable | LAR | Gains and losses on foreign exchange are included in foreign exchange loss (gain) and impairments are recognized as general and administration expense | **199,574** | **199,574** | 167,618 | 167,618 | Not applicable |
| Derivative assets | Derivative instruments | HFT | (Gain) loss on derivative instruments | **9,341** | **9,341** | 2,285 | 2,285 | Level 2 |
| Derivative liabilities | Derivative instruments | HFT | (Gain) loss on derivative instruments | **(1,704)** | **(1,704)** | (3,572) | (3,572) | Level 2 |
| Payables | Accounts payable and accrued liabilities<br><br>Dividends payable | OTH | Gains and losses on foreign exchange are included in foreign exchange loss (gain) | **(346,735)** | **(346,735)** | (288,257) | (288,257) | Not applicable |
| Long-term debt | Long-term debt | OTH | Interest expense | **(1,198,648)** | **(1,199,295)** | (990,024) | (998,648) | Level 2 |

The accounting designations used in the above table refer to the following:

HFT – Classified as "Held for trading" in accordance with International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". These financial assets and liabilities are carried at fair value on the consolidated balance sheets with associated gains and losses reflected in net earnings.

LAR – "Loans and receivables" are initially recognized at fair value and are subsequently measured at amortized cost. Impairments and foreign exchange gains and losses are recognized in net earnings.

OTH – "Other financial liabilities" are initially recognized at fair value net of transaction costs directly attributable to the issuance of the instrument and subsequently are measured at amortized cost. Interest is recognized in net earnings using the effective interest method. Foreign exchange gains and losses are recognized in net earnings.

Level 1 – Fair value measurement is determined by reference to unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Fair value measurement is determined based on inputs other than unadjusted quoted prices that are observable, either directly or indirectly.

Level 3 – Fair value measurement is based on inputs for the asset or liability that are not based on observable market data.

### Determination of Fair Values

The level in the fair value hierarchy into which the fair value measurements are categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Transfers between levels on the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Fair values for derivative assets and derivative liabilities are determined using pricing models incorporating future prices that are based on assumptions which are supported by prices from observable market transactions and are adjusted for credit risk.

The carrying value of receivables approximate their fair value due to their short maturities.

The carrying value of long-term debt outstanding on the revolving credit facility approximates its fair value due to the use of short-term borrowing instruments at market rates of interest.

The fair value of the senior unsecured notes changes in response to changes in the market rates of interest payable on similar instruments and was determined with reference to prevailing market rates for such instruments.

### 12. FINANCIAL INSTRUMENTS (Continued)

**Nature and Extent of Risks Arising from Financial Instruments**

*Market risk:*

Vermilion's financial instruments are exposed to currency risk related to changes in foreign currency denominated financial instruments and commodity price risk related to outstanding derivative positions. The following table summarizes what the impact on comprehensive income before tax would be for the nine months ended September 30, 2014 given changes in the relevant risk variables that Vermilion considers were reasonably possible at the balance sheet date. The impact on comprehensive income before tax associated with changes in these risk variables for assets and liabilities that are not considered financial instruments are excluded from this analysis. This analysis does not attempt to reflect any interdependencies between the relevant risk variables.

| Risk ($M) | Description of change in risk variable | Before tax effect on comprehensive income - increase (decrease) September 30, 2014 |
|---|---|---|
| Currency risk - Euro to Canadian | **Increase** in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates | (4,565) |
| | **Decrease** in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates | 4,565 |
| Currency risk - US $ to Canadian | **Increase** in strength of the Canadian dollar against the US $ by 5% over the relevant closing rates | (4,029) |
| | **Decrease** in strength of the Canadian dollar against the US $ by 5% over the relevant closing rates | 4,029 |
| Commodity price risk | **Increase** in relevant oil reference price within option pricing models used to determine the fair value of financial derivatives by US $5.00/bbl at the relevant valuation dates | (5,015) |
| | **Decrease** in relevant oil reference price within option pricing models used to determine the fair value of financial derivatives by US $5.00/bbl at the relevant valuation dates | 4,686 |
| Interest rate risk | **Increase** in average Canadian prime interest rate by 100 basis points during the relevant periods | (6,519) |
| | **Decrease** in average Canadian prime interest rate by 100 basis points during the relevant periods | 6,519 |

## CORPORATE INFORMATION

### DIRECTORS

Larry J. Macdonald [1, 2, 3, 4, 5]
Chairman & CEO, Point Energy Ltd.
Calgary, Alberta

W. Kenneth Davidson [2, 3]
Toronto, Ontario

Lorenzo Donadeo
Calgary, Alberta

Claudio A. Ghersinich [2, 5]
Executive Director, Carrera Investments Corp.
Calgary, Alberta

Joseph F. Killi [2, 3]
Chairman, Parkbridge Lifestyle Communities Inc.
Vice Chairman, Realex Properties Corp.
Calgary, Alberta

Loren M. Leiker [5]
Houston, Texas

William F. Madison [2, 4, 5]
Sugar Land, Texas

Timothy R. Marchant [3, 4, 5]
Calgary, Alberta

Sarah E. Raiss [3]
Calgary, Alberta

[1] Chairman of the Board
[2] Audit Committee
[3] Governance and Human Resources Committee
[4] Health, Safety and Environment Committee
[5] Independent Reserves Committee

### ABBREVIATIONS

| | |
|---|---|
| \$M | thousand dollars |
| \$MM | million dollars |
| AECO | the daily average benchmark price for natural gas at the AECO 'C' hub in southeast Alberta |
| bbl(s) | barrel(s) |
| bbls/d | barrels per day |
| bcf | billion cubic feet |
| boe | barrel of oil equivalent, including: crude oil, 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 |
| mbbls | thousand barrels |
| mboe | thousand barrel of oil equivalent |
| mcf | thousand cubic feet |
| mcf/d | thousand cubic feet per day |
| mmboe | million barrel of oil equivalent |
| mmcf | million cubic feet |
| mmcf/d | million cubic feet per day |
| MWh | megawatt hour |
| NGLs | natural gas liquids |
| PRRT | Petroleum Resource Rent Tax, a profit based tax levied on petroleum projects in Australia |
| TTF | the day-ahead price for natural gas in the Netherlands, quoted in MWh of natural gas, at the Title Transfer Facility Virtual Trading Point operated by Dutch TSO Gas Transport Services |
| WTI | West Texas Intermediate, the reference price paid for crude oil of standard grade in U.S. dollars at Cushing, Oklahoma |

### OFFICERS AND KEY PERSONNEL

***CANADA***

Lorenzo Donadeo, P.Eng.
Chief Executive Officer

Anthony Marino, P.Eng.
President & Chief Operating Officer

John D. Donovan, FCA
Executive Vice President Business Development

Curtis W. Hicks, CA
Executive Vice President & Chief Financial Officer

Mona Jasinski, M.B.A., C.H.R.P.
Executive Vice President People

Terry Hergott, CMA
Vice President Marketing

Michael Kaluza, P.Eng.
Vice President Canada Business Unit

Daniel Goulet, P.Eng.
Director Corporate HSE

Dion Hatcher, P.Eng.
Director Alberta Foothills – Canada Business Unit

Bryce Kremnica, P.Eng.
Director Field Operations – Canada Business Unit

Dean N. Morrison, CFA
Director Investor Relations

Mike Prinz
Director Information Technology & Information Systems

Jenson Tan, P.Eng.
Director New Ventures

Robert (Bob) J. Engbloom, LL.B
Corporate Secretary

***UNITED STATES***

Daniel Anderson
Managing Director – U.S. Business Unit

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

***EUROPE***

Gerard Schut, P.Eng.
Vice President European Operations

Darcy Kerwin, P.Eng.
Managing Director - France Business Unit

Neil Wallace
Managing Director - Netherlands Business Unit

Albrecht Moehring
Managing Director - Germany Business Unit

***AUSTRALIA***

Bruce D. Lake, P.Eng.
Managing Director
Australia Business Unit

### AUDITORS

Deloitte LLP
Calgary, Alberta

### BANKERS

The Toronto-Dominion Bank

Royal Bank of Canada

The Bank of Nova Scotia

Canadian Imperial Bank of Commerce

Bank of Montreal

National Bank of Canada

Wells Fargo Bank N.A., Canadian Branch

Alberta Treasury Branches

La Caisse Centrale Desjardins du Québec

HSBC Bank Canada

JPMorgan Chase Bank, N.A., Toronto Branch

Citibank N.A., Canadian Branch - Citibank Canada

Union Bank, Canada Branch

Bank of America N.A., Canada Branch

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

Computershare Trust Company of Canada

### STOCK EXCHANGE LISTINGS

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

### INVESTOR RELATIONS

Dean Morrison, Director Investor Relations

VERMILION ENERGY

## 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 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@vermilionenergy.com

**vermilionenergy.com**