VERMILION ENERGY

Q2 2015

SECOND QUARTER FINANCIAL STATEMENTS

EXCELLENCE. TRUST. RESPECT. RESPONSIBILITY.

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 crude 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 crude 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	June 30, 2015	December 31, 2014
ASSETS			
Current			
Cash and cash equivalents		98,038	120,405
Accounts receivable		154,843	171,820
Crude oil inventory		20,559	9,510
Derivative instruments		11,098	23,391
Prepaid expenses		17,485	13,033
		302,023	338,159
Derivative instruments		-	1,403
Deferred taxes		163,997	154,816
Exploration and evaluation assets	3	376,051	380,621
Capital assets	2	3,586,743	3,511,092
		4,428,814	4,386,091
LIABILITIES			
Current			
Accounts payable and accrued liabilities		203,519	298,196
Current portion of long-term debt	5	224,457	-
Dividends payable	6	23,608	23,070
Derivative instruments		2,169	-
Income taxes payable		26,095	44,463
		479,848	365,729
Long-term debt	5	1,200,077	1,238,080
Finance lease obligation	2	25,710	-
Asset retirement obligations	4	351,291	350,753
Deferred taxes		394,806	410,183
		2,451,732	2,364,745
SHAREHOLDERS' EQUITY			
Shareholders' capital	6	2,087,932	1,959,021
Contributed surplus		71,443	92,188
Accumulated other comprehensive (loss) income		(6,869)	5,722
Deficit		(175,424)	(35,585)
		1,977,082	2,021,346
		4,428,814	4,386,091

APPROVED BY THE BOARD

("Joseph F. Killi")

Joseph F. Killi, Director

("Lorenzo Donadeo")

Lorenzo Donadeo, Director

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

	Note	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
REVENUE					
Petroleum and natural gas sales		264,331	387,684	460,216	768,867
Royalties		(16,111)	(29,013)	(32,535)	(53,037)
Petroleum and natural gas revenue		248,220	358,671	427,681	715,830
EXPENSES					
Operating		58,616	58,213	102,467	116,199
Transportation		10,883	12,032	20,423	21,893
Equity based compensation	7	17,886	18,217	36,926	34,689
(Gain) loss on derivative instruments		(7,186)	(898)	6,527	(7,473)
Interest expense		14,550	12,334	27,848	23,794
General and administration		14,505	17,762	28,065	32,229
Foreign exchange (gain) loss		(2,291)	23,159	(752)	3,200
Other expense (income)		-	(178)	(31,736)	(145)
Accretion	4	5,713	5,950	11,388	11,662
Depletion and depreciation	2, 3	111,146	104,902	202,103	204,354
		223,822	251,493	403,259	440,402
EARNINGS BEFORE INCOME TAXES		24,398	107,178	24,422	275,428
INCOME TAXES					
Deferred		(3,130)	7,851	(24,358)	14,471
Current		20,715	45,334	40,692	104,176
		17,585	53,185	16,334	118,647
NET EARNINGS		6,813	53,993	8,088	156,781
OTHER COMPREHENSIVE INCOME (LOSS)					
Currency translation adjustments		27,543	(42,794)	(12,591)	2,741
COMPREHENSIVE INCOME (LOSS)		34,356	11,199	(4,503)	159,522
NET EARNINGS PER SHARE					
Basic		0.06	0.51	0.07	1.51
Diluted		0.06	0.50	0.07	1.49
WEIGHTED AVERAGE SHARES OUTSTANDING ('000s)					
Basic		109,319	105,577	108,421	103,936
Diluted		110,746	107,330	109,792	105,531

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

		Three Months Ended		Six Months Ended	
	Note	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
OPERATING					
Net earnings		6,813	53,993	8,088	156,781
Adjustments:					
Accretion	4	5,713	5,950	11,388	11,662
Depletion and depreciation	2, 3	111,146	104,902	202,103	204,354
Unrealized (gain) loss on derivative instruments		(4,105)	1,521	15,865	(2,414)
Equity based compensation	7	17,886	18,217	36,926	34,689
Unrealized foreign exchange (gain) loss		(5,031)	23,746	(186)	1,746
Unrealized other expense (income)		204	(104)	465	150
Deferred taxes		(3,130)	7,851	(24,358)	14,471
Asset retirement obligations settled	4	(1,218)	(2,381)	(4,325)	(5,032)
Changes in non-cash operating working capital		6,390	(64,103)	(88,651)	(88,577)
Cash flows from operating activities		134,668	149,592	157,315	327,830
INVESTING					
Drilling and development	2	(90,173)	(117,975)	(264,484)	(286,815)
Exploration and evaluation	3	-	(17,098)	-	(44,633)
Property acquisitions	2, 3	(480)	-	(515)	(178,227)
Corporate acquisitions, net of cash acquired		-	(176,179)	-	(176,179)
Changes in non-cash investing working capital		(39,305)	(24,010)	(27,162)	15,463
Cash flows used in investing activities		(129,958)	(335,262)	(292,161)	(670,391)
FINANCING					
Increase in long-term debt		32,947	255,727	187,861	205,727
Cash dividends		(28,226)	(48,665)	(76,149)	(94,185)
Cash flows from financing activities		4,721	207,062	111,712	111,542
Foreign exchange gain (loss) on cash held in foreign currencies		415	(7,232)	767	6,957
Net change in cash and cash equivalents		9,846	14,160	(22,367)	(224,062)
Cash and cash equivalents, beginning of period		88,192	151,337	120,405	389,559
Cash and cash equivalents, end of period		98,038	165,497	98,038	165,497
Supplementary information for operating activities - cash payments					
Interest paid		12,510	11,721	30,755	25,815
Income taxes paid (refunded)		(11,685)	56,486	58,828	77,560

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

	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		-	-	-	156,781	156,781
Currency translation adjustments		-	-	2,741	-	2,741
Equity based compensation expense		-	33,968	-	-	33,968
Dividends declared	6	-	-	-	(134,717)	(134,717)
Shares issued pursuant to the dividend reinvestment plan	6	38,034	-	-	-	38,034
Shares issued pursuant to corporate acquisition		204,960	-	-	-	204,960
Modification of equity based awards		-	(2,395)	-	-	(2,395)
Vesting of equity based awards	6, 7	47,657	(47,657)	-	-	-
Share-settled dividends on vested equity based awards	6, 7	7,519	-	-	(7,519)	-
Shares issued pursuant to the bonus plan	6	721	-	-	-	721
Balances as at June 30, 2014		1,917,334	59,343	49,883	(10,092)	2,016,468

	Note	Shareholders’ Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders’ Equity
Balances as at January 1, 2015		1,959,021	92,188	5,722	(35,585)	2,021,346
Net earnings		-	-	-	8,088	8,088
Currency translation adjustments		-	-	(12,591)	-	(12,591)
Equity based compensation expense	7	-	36,110	-	-	36,110
Dividends declared	6	-	-	-	(140,366)	(140,366)
Shares issued pursuant to the dividend reinvestment and Premium Dividend™ plans	6	63,679	-	-	-	63,679
Vesting of equity based awards	6, 7	56,855	(56,855)	-	-	-
Share-settled dividends on vested equity based awards	6, 7	7,561	-	-	(7,561)	-
Shares issued pursuant to the employee savings and bonus plans	6	816	-	-	-	816
Balances as at June 30, 2015		2,087,932	71,443	(6,869)	(175,424)	1,977,082

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 (loss) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(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 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, 2014.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion’s consolidated financial statements for the year ended December 31, 2014, which are contained within Vermilion’s Annual Report for the year ended December 31, 2014 and are available on SEDAR at www.sedar.com or on Vermilion’s website at www.vermilionenergy.com.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of Vermilion on August 6, 2015.

2. 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, 2014	2,784,634	15,211	2,799,845
Additions	608,709	9,980	618,689
Property acquisitions	176,625	-	176,625
Corporate acquisitions	390,523	-	390,523
Changes in estimate for asset retirement obligations	19,107	-	19,107
Depletion and depreciation	(412,768)	(5,072)	(417,840)
Effect of movements in foreign exchange rates	(75,635)	(222)	(75,857)
Balance at December 31, 2014	3,491,195	19,897	3,511,092
Additions	263,466	1,018	264,484
Property acquisitions	515	-	515
Changes in estimate for asset retirement obligations	(5,773)	-	(5,773)
Depletion and depreciation	(201,193)	(2,335)	(203,528)
Recognition of finance lease obligation	31,028	-	31,028
Effect of movements in foreign exchange rates	(11,065)	(10)	(11,075)
Balance at June 30, 2015	3,568,173	18,570	3,586,743

As part of the Elkhorn acquisition in April of 2014, Vermilion assumed an agreement for the construction and use of a solution gas facility which was under construction at the time of acquisition. The substance of the arrangement has been determined to be a lease and has been classified as a finance lease. The carrying amount of the asset and liability at the commencement date in the first quarter of 2015 was $31.0 million, with the liability being apportioned between current ($3.9 million) and long-term ($27.1 million).

3. 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, 2014	136,259
Additions	69,035
Changes in estimate for asset retirement obligations	22
Property acquisitions	46,135
Corporate acquisitions	138,264
Depreciation	(5,038)
Effect of movements in foreign exchange rates	(4,056)
Balance at December 31, 2014	380,621
Changes in estimate for asset retirement obligations	(21)
Depreciation	(4,117)
Effect of movements in foreign exchange rates	(432)
Balance at June 30, 2015	376,051

4. ASSET RETIREMENT OBLIGATIONS

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

($M)	Asset Retirement Obligations
Balance at January 1, 2014	326,162
Additional obligations recognized	22,565
Changes in estimates for asset retirement obligations	(3,434)
Obligations settled	(15,956)
Accretion	23,913
Changes in discount rates	9,404
Effect of movements in foreign exchange rates	(11,901)
Balance at December 31, 2014	350,753
Additional obligations recognized	3,395
Obligations settled	(4,325)
Accretion	11,388
Changes in discount rates	(9,189)
Effect of movements in foreign exchange rates	(731)
Balance at June 30, 2015	351,291

5. LONG-TERM DEBT

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

	As at	
($M)	June 30, 2015	Dec 31, 2014
Revolving credit facility	1,200,077	1,014,067
Senior unsecured notes [(1)]	224,457	224,013
Long-term debt	1,424,534	1,238,080

(1) The senior unsecured notes, which will mature on February 10, 2016, are included in the current portion of long-term debt as at June 30, 2015.

Revolving Credit Facility

At June 30, 2015, Vermilion had in place a bank revolving credit facility totalling $2 billion, of which approximately $1.20 billion was drawn. The facility, which matures on May 31, 2019, 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 four 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 due at the maturity date. This facility bears interest at a rate applicable to demand loans plus applicable margins. For the six months ended June 30, 2015, the interest rate on the revolving credit facility was approximately 3.0% (2014 – 3.1%).

The amount available to Vermilion under this facility is reduced by certain outstanding letters of credit associated with Vermilion's operations totalling $26.5 million as at June 30, 2015 (December 31, 2014 - $8.6 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", "Current portion of long-term debt", "Finance lease obligation", and "Shareholders' equity" on the balance sheet) of less than 50%.

As at June 30, 2015, 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. 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%.

6. 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, 2014	102,123	1,618,443
Shares issued pursuant to corporate acquisition	2,827	204,960
Shares issued pursuant to the dividend reinvestment plan	1,279	79,430
Vesting of equity based awards	955	47,925
Share-settled dividends on vested equity based awards	108	7,542
Shares issued pursuant to the bonus plan	11	721
Balance as at December 31, 2014	107,303	1,959,021
Shares issued pursuant to the dividend reinvestment and Premium Dividend™ plans	1,195	63,679
Vesting of equity based awards	1,158	56,855
Share-settled dividends on vested equity based awards	135	7,561
Shares issued pursuant to the employee savings and bonus plans	15	816
Balance as at June 30, 2015	109,806	2,087,932

Dividends declared to shareholders for the six months ended June 30, 2015 were $140.4 million (2014 - $134.7 million).

Subsequent to the end of the period and prior to the condensed consolidated interim financial statements being authorized for issue on August 6, 2015, Vermilion declared dividends totalling $23.7 million or $0.215 per share.

7. EQUITY BASED COMPENSATION

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

	Six Months	Full Year
Number of Awards ('000s)	2015	2014
Opening balance	1,775	1,665
Granted	585	707
Vested	(587)	(515)
Modified	-	(21)
Forfeited	(44)	(61)
Closing balance	1,729	1,775

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.

8. SEGMENTED INFORMATION

Vermilion has operations in three core areas: North America, Europe, 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.

8. SEGMENTED INFORMATION (Continued)

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 June 30, 2015								
($M)	Canada	France	Netherlands	Germany	Ireland	Australia	United States	Corporate	Total
Drilling and development	21,881	16,697	18,885	3,231	20,267	6,468	2,744	-	90,173
Oil and gas sales to external customers	91,284	81,627	23,913	10,626	-	56,204	677	-	264,331
Royalties	(5,768)	(6,620)	(1,294)	(2,238)	-	-	(191)	-	(16,111)
Revenue from external customers	85,516	75,007	22,619	8,388	-	56,204	486	-	248,220
Transportation expense	(4,469)	(3,526)	-	(1,240)	(1,648)	-	-	-	(10,883)
Operating expense	(21,534)	(12,102)	(5,414)	(1,373)	-	(18,083)	(110)	-	(58,616)
General and administration	(5,510)	(4,874)	(454)	(1,435)	(628)	(1,141)	(963)	500	(14,505)
PRRT	-	-	-	-	-	(3,371)	-	-	(3,371)
Corporate income taxes	-	(9,316)	(2,347)	-	-	(5,134)	-	(547)	(17,344)
Interest expense	-	-	-	-	-	-	-	(14,550)	(14,550)
Realized gain on derivative instruments	-	-	-	-	-	-	-	3,081	3,081
Realized foreign exchange loss	-	-	-	-	-	-	-	(2,740)	(2,740)
Realized other income	-	-	-	-	-	-	-	204	204
Fund flows from operations	54,003	45,189	14,404	4,340	(2,276)	28,475	(587)	(14,052)	129,496

	Three Months Ended June 30, 2014								
($M)	Canada	France	Netherlands	Germany	Ireland	Australia	United States	Corporate	Total
Drilling and development	26,071	34,828	18,234	630	27,221	10,991	-	-	117,975
Exploration and evaluation	10,897	2,786	3,279	-	-	-	-	136	17,098
Oil and gas sales to external customers	163,261	124,617	29,881	11,097	-	58,828	-	-	387,684
Royalties	(18,240)	(7,796)	(693)	(2,284)	-	-	-	-	(29,013)
Revenue from external customers	145,021	116,821	29,188	8,813	-	58,828	-	-	358,671
Transportation expense	(4,024)	(5,385)	-	(1,052)	(1,571)	-	-	-	(12,032)
Operating expense	(21,179)	(16,550)	(6,390)	(2,043)	-	(12,051)	-	-	(58,213)
General and administration	(6,560)	(5,559)	(326)	(830)	(252)	(1,661)	-	(2,574)	(17,762)
PRRT	-	-	-	-	-	(12,699)	-	-	(12,699)
Corporate income taxes	-	(24,761)	(1,301)	(506)	-	(5,689)	-	(378)	(32,635)
Interest expense	-	-	-	-	-	-	-	(12,334)	(12,334)
Realized gain on derivative instruments	-	-	-	-	-	-	-	2,419	2,419
Realized foreign exchange gain	-	-	-	-	-	-	-	587	587
Realized other income	-	-	-	-	-	-	-	74	74
Fund flows from operations	113,258	64,566	21,171	4,382	(1,823)	26,728	-	(12,206)	216,076

	Six Months Ended June 30, 2015								
($M)	Canada	France	Netherlands	Germany	Ireland	Australia	United States	Corporate	Total
Total assets	1,931,640	854,608	211,587	163,069	856,739	233,956	18,785	158,430	4,428,814
Drilling and development	136,730	50,811	23,218	4,199	33,222	12,923	3,381	-	264,484
Oil and gas sales to external customers	169,168	141,459	50,731	22,021	-	75,488	1,349	-	460,216
Royalties	(14,360)	(11,722)	(2,220)	(3,836)	-	-	(397)	-	(32,535)
Revenue from external customers	154,808	129,737	48,511	18,185	-	75,488	952	-	427,681
Transportation expense	(8,411)	(6,537)	-	(2,134)	(3,341)	-	-	-	(20,423)
Operating expense	(40,633)	(22,928)	(11,240)	(3,372)	-	(23,969)	(325)	-	(102,467)
General and administration	(9,525)	(9,985)	(1,191)	(3,043)	(1,140)	(2,595)	(2,043)	1,457	(28,065)
PRRT	-	-	-	-	-	(5,725)	-	-	(5,725)
Corporate income taxes	-	(23,597)	(4,735)	-	-	(5,711)	-	(924)	(34,967)
Interest expense	-	-	-	-	-	-	-	(27,848)	(27,848)
Realized gain on derivative instruments	-	-	-	-	-	-	-	9,338	9,338
Realized foreign exchange gain	-	-	-	-	-	-	-	566	566
Realized other income	-	31,775	-	-	-	-	-	426	32,201
Fund flows from operations	96,239	98,465	31,345	9,636	(4,481)	37,488	(1,416)	(16,985)	250,291

8. SEGMENTED INFORMATION (Continued)

	Six Months Ended June 30, 2014								
($M)	Canada	France	Netherlands	Germany	Ireland	Australia	United States	Corporate	Total
Total assets	1,854,501	916,712	235,723	174,735	799,394	277,624	-	125,726	4,384,415
Drilling and development	127,744	64,681	33,425	826	43,457	16,682	-	-	286,815
Exploration and evaluation	24,163	10,900	8,206	-	-	-	-	1,364	44,633
Oil and gas sales to external customers	286,441	242,177	71,435	20,012	-	148,802	-	-	768,867
Royalties	(30,903)	(15,147)	(2,901)	(4,086)	-	-	-	-	(53,037)
Revenue from external customers	255,538	227,030	68,534	15,926	-	148,802	-	-	715,830
Transportation expense	(7,122)	(10,138)	-	(1,474)	(3,159)	-	-	-	(21,893)
Operating expense	(37,789)	(32,970)	(12,432)	(3,597)	-	(29,411)	-	-	(116,199)
General and administration	(9,428)	(10,753)	(924)	(1,398)	(534)	(2,867)	-	(6,325)	(32,229)
PRRT	-	-	-	-	-	(32,938)	-	-	(32,938)
Corporate income taxes	-	(50,025)	(5,089)	(1,043)	-	(14,530)	-	(551)	(71,238)
Interest expense	-	-	-	-	-	-	-	(23,794)	(23,794)
Realized gain on derivative instruments	-	-	-	-	-	-	-	5,059	5,059
Realized foreign exchange loss	-	-	-	-	-	-	-	(1,454)	(1,454)
Realized other income	-	-	-	-	-	-	-	295	295
Fund flows from operations	201,199	123,144	50,089	8,414	(3,693)	69,056	-	(26,770)	421,439

Reconciliation of fund flows from operations to net earnings

	Three Months Ended		Six Months Ended	
($M)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Fund flows from operations	129,496	216,076	250,291	421,439
Equity based compensation	(17,886)	(18,217)	(36,926)	(34,689)
Unrealized gain (loss) on derivative instruments	4,105	(1,521)	(15,865)	2,414
Unrealized foreign exchange gain (loss)	5,031	(23,746)	186	(1,746)
Unrealized other (expense) income	(204)	104	(465)	(150)
Accretion	(5,713)	(5,950)	(11,388)	(11,662)
Depletion and depreciation	(111,146)	(104,902)	(202,103)	(204,354)
Deferred taxes	3,130	(7,851)	24,358	(14,471)
Net earnings	6,813	53,993	8,088	156,781

9. CAPITAL DISCLOSURES

	Three Months Ended		Six Months Ended	
($M except as indicated)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Long-term debt	1,200,077	1,198,866	1,200,077	1,198,866
Current liabilities(1)	479,848	377,710	479,848	377,710
Current assets	(302,023)	(407,578)	(302,023)	(407,578)
Net debt [1]	1,377,902	1,168,998	1,377,902	1,168,998
Cash flows from operating activities	134,668	149,592	157,315	327,830
Changes in non-cash operating working capital	(6,390)	64,103	88,651	88,577
Asset retirement obligations settled	1,218	2,381	4,325	5,032
Fund flows from operations	129,496	216,076	250,291	421,439
Annualized fund flows from operations [2]	517,984	864,304	500,582	842,878
Ratio of net debt to annualized fund flows from operations ([1] ÷ [2])	2.7	1.4	2.8	1.4

(1) Includes the current portion of long-term debt, which, as at June 30, 2015, represents the senior unsecured notes that will mature on February 10, 2016.

Long-term debt, including the current portion, as at June 30, 2015 increased to $1.42 billion from $1.24 billion as at December 31, 2014, primarily as a result of draws on the revolving credit facility to fund capital expenditures as fund flows from operations for the six months ended June 30, 2015 were lower due to weakening crude oil and North American natural gas prices. The increase in long-term debt resulted in an increase in net debt from $1.27 billion to $1.38 billion.

9. CAPITAL DISCLOSURES (Continued)

Due to this increase in net debt as well as the lower commodity price environment, lower sales volumes, and the aforementioned capital expenditures, the ratio of net debt to fund flows from operations increased to 2.8 for the six months ended June 30, 2015.

10. FINANCIAL INSTRUMENTS

Classification of Financial Instruments

The following table summarizes information relating to Vermilion's financial instruments as at June 30, 2015 and December 31, 2014:

				As at Jun 30, 2015		As at Dec 31, 2014		
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 (gain) loss	98,038	98,038	120,405	120,405	Level 1
Receivables	Accounts receivable	LAR	Gains and losses on foreign exchange are included in foreign exchange (gain) loss and impairments are recognized as general and administration expense	154,843	154,843	171,820	171,820	Not applicable
Derivative assets	Derivative instruments	HFT	(Gain) loss on derivative instruments	11,098	11,098	24,794	24,794	Level 2
Derivative liabilities	Derivative instruments	HFT	(Gain) loss on derivative instruments	(2,169)	(2,169)	-	-	Level 2
Payables	Accounts payable and accrued liabilities Dividends payable	OTH	Gains and losses on foreign exchange are included in foreign exchange (gain) loss	(227,127)	(227,127)	(321,266)	(321,266)	Not applicable
Long-term debt	Long-term debt	OTH	Interest expense	(1,424,534)	(1,425,921)	(1,238,080)	(1,238,505)	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.

10. FINANCIAL INSTRUMENTS (Continued)

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.

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 six months ended June 30, 2015 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) June 30, 2015
Currency risk - Euro to Canadian	Increase in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates	(2,390)
	Decrease in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates	2,390
Currency risk - US $ to Canadian	Increase in strength of the Canadian dollar against the US $ by 5% over the relevant closing rates	(5,147)
	Decrease in strength of the Canadian dollar against the US $ by 5% over the relevant closing rates	5,147
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	(1,742)
	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	1,888
	Increase in relevant TTF reference price within option pricing models used to determine the fair value of financial derivatives by € 0.5/GJ at the relevant valuation dates	(8,404)
	Decrease in relevant TTF reference price within option pricing models used to determine the fair value of financial derivatives by € 0.5/GJ at the relevant valuation dates	8,399
Interest rate risk	Increase in average Canadian prime interest rate by 100 basis points during the relevant periods	(5,506)
	Decrease in average Canadian prime interest rate by 100 basis points during the relevant periods	5,506

11. SIGNIFICANT TRANSACTIONS

During Q1 2015, Vermilion was awarded a recovery of costs resulting from an oil spill at the Ambès oil terminal in France that occurred in 2007. The French court awarded Vermilion approximately €25 million (before taxes), of which 50% was due immediately to Vermilion upon posting a surety bond. The payment was received in Q2 2015, with the remainder due upon conclusion of the appeal process. Based on the recent court decision and the conclusions of the expert engaged by the French court, Vermilion is virtually certain that the award will be upheld.

DIRECTORS

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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
HH Henry Hub, a reference price paid for natural gas in US dollars at Erath, Louisiana
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
NGTL NOVA Gas Transmission Ltd., a wholly owned subsidiary of TransCanada is the owner of a gas transmission system known as the NGTL system. The NGTL system is a 23,500 km pipeline that gathers natural gas for both use in Alberta, and to deliver it to provincial border points for export to North American markets.
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 US dollars at Cushing, Oklahoma

OFFICERS AND KEY PERSONNEL

CANADA

Lorenzo Donadeo, P.Eng.
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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 and Culture

Terry Hergott, CMA
Vice President Marketing

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

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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

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Timothy R. Morris
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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

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Calgary, Alberta

BANKERS

The Toronto-Dominion Bank

Bank of Montreal

Canadian Imperial Bank of Commerce

Royal Bank of Canada

The Bank of Nova Scotia

National Bank of Canada

Alberta Treasury Branches

HSBC Bank Canada

La Caisse Centrale Desjardins du Québec

Wells Fargo Bank N.A., Canadian Branch

Bank of America N.A., Canada Branch

BNP Paribas, Canada Branch

Citibank N.A., Canadian Branch - Citibank Canada

JPMorgan Chase Bank, N.A., Toronto Branch

Union Bank, Canada Branch

Canadian Western Bank

Goldman Sachs Lending Partners LLC

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

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Calgary, Alberta

TRANSFER AGENT

Computershare Trust Company of Canada

STOCK EXCHANGE LISTINGS

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

EXCELLENCE

We aim for exceptional results in everything we do.

TRUST

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

RESPECT

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

RESPONSIBILITY

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

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