Q1 2018

FINANCIAL STATEMENTS

EXCELLENCE. TRUST. RESPECT. RESPONSIBILITY.

INTERNATIONALLY DIVERSIFIED | SUSTAINABLE GROWTH AND INCOME

VERMILION ENERGY

Front Cover Theme

Sustainability is integrated into every facet of Vermilion's business. This 15-hectare greenhouse is an example of how Vermilion reduces greenhouse emissions with geothermal energy. At Vermilion's production facility in Parentis-en-Born, France, heat from our produced water is transferred to the heating system of the adjacent greenhouse. The result is an economically and ecologically viable greenhouse operation growing tomatoes with heat generated without carbon emissions.

Across the company, Vermilion has decreased our emissions intensity on a per unit of production basis. This is due to our energy efficiency programs, emission reduction initiatives and an operational structure that maximizes production while reducing our footprint and energy consumption intensity.

Read more about Vermilion's renewable energy projects in our Sustainability Report online at www.vermilionenergy.com.

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 net present value of future net revenue from such reserves; petroleum and natural gas sales; future production levels (including the timing thereof) and rates of average annual production growth; exploration and development plans; acquisition and disposition plans and the timing thereof; operating and other expenses, including the payment and amount of future dividends; royalty and income tax rates; and the timing of regulatory proceedings and approvals.

Such forward looking statements or information are based on a number of assumptions, all or any of which may prove to be incorrect. In addition to any other assumptions identified in this document, assumptions have been made regarding, among other things: the ability of Vermilion to obtain equipment, services and supplies in a timely manner to carry out its activities in Canada and internationally; the ability of Vermilion to market crude oil, natural gas liquids, and natural gas successfully to current and new customers; the timing and costs of pipeline and storage facility construction and expansion and the ability to secure adequate product transportation; the timely receipt of required regulatory approvals; the ability of Vermilion to obtain financing on acceptable terms; foreign currency exchange rates and interest rates; future crude oil, natural gas liquids, and natural gas prices; and management's expectations relating to the timing and results of exploration and development activities.

Although Vermilion believes that the expectations reflected in such forward looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because Vermilion can give no assurance that such expectations will prove to be correct. Financial outlooks are provided for the purpose of understanding Vermilion's financial position and business objectives, and the information may not be appropriate for other purposes. Forward looking statements or information are based on current expectations, estimates, and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Vermilion and described in the forward looking statements or information. These risks and uncertainties include, but are not limited to: the ability of management to execute its business plan; the risks of the oil and gas industry, both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil, natural gas liquids, and natural gas; risks and uncertainties involving geology of crude oil, natural gas liquids, and natural gas deposits; risks inherent in Vermilion's marketing operations, including credit risk; the uncertainty of reserves estimates and reserves life and estimates of resources and associated expenditures; the uncertainty of estimates and projections relating to production and associated expenditures; potential delays or changes in plans with respect to exploration or development projects; Vermilion's ability to enter into or renew leases on acceptable terms; fluctuations in crude oil, natural gas liquids, and natural gas prices, foreign currency exchange rates and interest rates; health, safety, and environmental risks; uncertainties as to the availability and cost of financing; the ability of Vermilion to add production and reserves through exploration and development activities; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; uncertainty in amounts and timing of royalty payments; risks associated with existing and potential future law suits and regulatory actions against Vermilion; and other risks and uncertainties described elsewhere in this document or in Vermilion's other filings with Canadian securities regulatory authorities.

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

Natural gas volumes have been converted on the basis of six thousand cubic feet of natural gas to one barrel of oil equivalent. Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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

Consolidated Interim Financial Statements

Consolidated Balance Sheet

thousands of Canadian dollars, unaudited

	Note	March 31, 2018	December 31, 2017
Assets			
Current			
Cash and cash equivalents		**19,299**	46,561
Accounts receivable		**165,779**	165,760
Crude oil inventory		**22,286**	17,105
Derivative instruments		**16,581**	17,988
Prepaid expenses		**10,242**	14,432
Total current assets		**234,187**	261,846
Derivative instruments		**2,205**	2,552
Deferred taxes		**96,648**	80,324
Exploration and evaluation assets	6	**297,616**	292,278
Capital assets	5	**3,555,878**	3,337,965
Total assets		**4,186,534**	3,974,965
Liabilities			
Current			
Accounts payable and accrued liabilities		**241,840**	219,084
Dividends payable	9	**26,395**	26,256
Derivative instruments		**64,813**	78,905
Income taxes payable		**52,281**	39,061
Total current liabilities		**385,329**	363,306
Derivative instruments		**7,617**	12,348
Long-term debt	8	**1,363,502**	1,270,330
Finance lease obligation		**14,420**	15,807
Asset retirement obligations	7	**588,035**	517,180
Deferred taxes		**260,411**	253,108
Total liabilities		**2,619,314**	2,432,079
Shareholders' equity			
Shareholders' capital	9	**2,677,791**	2,650,706
Contributed surplus		**96,660**	84,354
Accumulated other comprehensive income		**110,638**	71,829
Deficit		**(1,317,869)**	(1,264,003)
Total shareholders' equity		**1,567,220**	1,542,886
Total liabilities and shareholders' equity		**4,186,534**	3,974,965

Approved by the Board

(Signed "Catherine L. Williams")

Catherine L. Williams, Director

(Signed "Anthony Marino")

Anthony Marino, Director

Consolidated Statements of Net Earnings and Comprehensive Income

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

	Note	Three Months Ended March 31, 2018	March 31, 2017
Revenue			
Petroleum and natural gas sales		**318,269**	261,601
Royalties		**(22,995)**	(16,205)
Petroleum and natural gas revenue		**295,274**	245,396
Expenses			
Operating		**68,375**	52,121
Transportation		**11,019**	9,819
Equity based compensation		**19,750**	18,738
Loss (gain) on derivative instruments		**372**	(78,014)
Interest expense		**14,334**	14,695
General and administration		**14,544**	13,151
Foreign exchange (gain) loss		**(10,179)**	1,972
Other income		**(6)**	(12)
Accretion	7	**7,154**	6,382
Depletion and depreciation	5, 6	**121,559**	115,409
		246,922	154,261
Earnings before income taxes		**48,352**	91,135
Taxes			
Deferred		**9,651**	33,682
Current		**13,562**	12,913
		23,213	46,595
Net earnings		**25,139**	44,540
Other comprehensive income			
Currency translation adjustments		**38,809**	11,178
Comprehensive income		**63,948**	55,718
Net earnings per share			
Basic		**0.21**	0.38
Diluted		**0.20**	0.37
Weighted average shares outstanding ('000s)			
Basic		**122,390**	118,632
Diluted		**124,304**	120,722

Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

	Note	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Operating			
Net earnings		**25,139**	44,540
Adjustments:			
Accretion	7	**7,154**	6,382
Depletion and depreciation	5, 6	**121,559**	115,409
Unrealized gain on derivative instruments		**(17,343)**	(79,865)
Equity based compensation		**19,750**	18,738
Unrealized foreign exchange (gain) loss		**(8,625)**	4,518
Unrealized other expense		**195**	30
Deferred taxes		**9,651**	33,682
Asset retirement obligations settled	7	**(3,591)**	(2,249)
Changes in non-cash operating working capital		**17,796**	31,451
Cash flows from operating activities		**171,685**	172,636
Investing			
Drilling and development	5	**(124,811)**	(95,164)
Exploration and evaluation	6	**(3,807)**	(725)
Acquisitions	4, 5	**(56,355)**	(2,620)
Changes in non-cash investing working capital		**20,847**	7,194
Cash flows used in investing activities		**(164,126)**	(91,315)
Financing			
Borrowings (repayments) on the revolving credit facility	8	**23,909**	(494,028)
Issuance of senior unsecured notes	8	**—**	391,906
Decrease in finance lease obligation		**(1,264)**	(1,231)
Cash dividends		**(59,225)**	(40,918)
Cash flows used in financing activities		**(36,580)**	(144,271)
Foreign exchange gain on cash held in foreign currencies		**1,759**	1,325
Net change in cash and cash equivalents		**(27,262)**	(61,625)
Cash and cash equivalents, beginning of period		**46,561**	62,775
Cash and cash equivalents, end of period		**19,299**	1,150
Supplementary information for cash flows from operating activities			
Interest paid		**18,134**	12,334
Income taxes paid		**342**	5,008

Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Three Months Ended	
	March 31, 2018	March 31, 2017
Shareholders' capital		
Balance, beginning of period	**2,650,706**	2,452,722
Shares issued for the Dividend Reinvestment Plan	**19,641**	35,506
Equity based compensation	**7,444**	4,894
Balance, end of period	**2,677,791**	2,493,122
Contributed surplus		
Balance, beginning of period	**84,354**	101,788
Equity based compensation	**12,306**	13,844
Balance, end of period	**96,660**	115,632
Accumulated other comprehensive income		
Balance, beginning of period	**71,829**	30,339
Currency translation adjustments	**38,809**	11,178
Balance, end of period	**110,638**	41,517
Deficit		
Balance, beginning of period	**(1,264,003)**	(1,006,386)
Net earnings	**25,139**	44,540
Dividends declared	**(79,005)**	(76,593)
Balance, end of period	**(1,317,869)**	(1,038,439)
Total shareholders' equity	**1,567,220**	1,611,832

Please refer to Financial Statement Note 9 (Shareholders' capital) for additional information.

Notes to the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2018 and 2017

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

1. Basis of presentation

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

These condensed consolidated interim financial statements are in compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting". Except as described in Note 2, these condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as Vermilion's consolidated financial statements for the year ended December 31, 2017.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion's consolidated financial statements for the year ended December 31, 2017, which are contained within Vermilion's Annual Report for the year ended December 31, 2017 and are available on SEDAR at www.sedar.com or on Vermilion's website at www.vermilionenergy.com.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of Vermilion on April 26, 2018.

2. Changes in accounting pronouncements

IFRS 9 "Financial instruments"

On January 1, 2018, Vermilion adopted IFRS 9 *"Financial Instruments"* as issued by the IASB. IFRS 9 includes a new classification and measurement approach for financial assets and a forward-looking 'expected credit loss' model. The adoption of IFRS 9 did not have a material impact on Vermilion's consolidated financial statements. Vermilion has revised the description of its accounting policy for financial instruments to reflect the new classification approach as follows:

Financial instruments

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

- Fair value through profit or loss: Financial instruments under this classification include cash and cash equivalents and derivative assets and liabilities.
- Amortized cost: Financial instruments under this classification include accounts receivable, accounts payable and accrued liabilities, dividends payable, finance lease obligation, and long-term debt.

IFRS 15 "Revenue from contracts with customers"

On January 1, 2018, Vermilion adopted IFRS 15 "Revenue from Contracts with Customers" IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized. Vermilion's revenue relates to the sale of petroleum and natural gas to customers at specified delivery points at benchmark prices.

Vermilion adopted IFRS 15 using the modified retrospective approach. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. No adjustment to retained earnings was required upon adoption of IFRS 15.

IFRS 15 requires additional disclosure relating to the disaggregation of revenue - this additional disclosure is included in Financial Statement Note 3 (Segmented Information). In addition, as a result of this adoption, Vermilion has revised the description of its accounting policy for revenue recognition as follows:

Revenue recognition

Revenue associated with the sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as Vermilion satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. Vermilion principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

IFRS 16 "Leases"

Vermilion is required to adopt IFRS 16 "Leases" by January 1, 2019. IFRS 16 requires lessees to recognize a lease obligation and right-of-use asset for the majority of leases. On adoption, non-current assets, current liabilities, and non-current liabilities on Vermilion's consolidated balance sheet will increase. Interest expense will be recognized on the lease obligation and lease payments will be applied against the lease obligation. This is expected to result in a decrease to operating expense and general and administration expense and an increase to interest expense and fund flows from operations. The quantitative impact of the adoption of IFRS 16 is currently being evaluated.

3. Segmented information

Vermilion's chief operating decision maker regularly reviews fund flows from operations generated by each of Vermilion's operating segments. Fund flows from operations is a measure of profit or loss that provides the chief operating decision maker with the ability to assess the operating segments' profitability and, correspondingly, the ability of each operating segment to fund its share of dividends, asset retirement obligations, and capital investments.

	Three Months Ended March 31, 2018								
($M)	Canada	France	Netherlands	Germany	Ireland	Australia	United States	Corporate	Total
Total assets	1,649,339	893,181	242,703	305,103	665,450	227,375	90,508	112,875	4,186,534
Drilling and development	69,117	29,938	3,245	1,954	47	4,555	15,868	87	124,811
Exploration and evaluation	—	34	33	461	—	—	—	3,279	3,807
Crude oil and condensate sales	62,623	72,745	475	9,299	—	38,170	3,953	—	187,265
NGL sales	11,639	—	—	—	—	—	66	—	11,705
Natural gas sales	18,671	—	35,711	11,202	53,675	—	40	—	119,299
Royalties	(9,848)	(9,438)	(850)	(1,737)	—	—	(1,122)	—	(22,995)
Revenue from external customers	83,085	63,307	35,336	18,764	53,675	38,170	2,937	—	295,274
Transportation	(4,540)	(3,195)	—	(1,998)	(1,286)	—	—	—	(11,019)
Operating	(24,348)	(13,159)	(7,757)	(6,186)	(3,209)	(13,150)	(566)	—	(68,375)
General and administration	(1,867)	(3,513)	(968)	(1,596)	(1,309)	(1,534)	(1,317)	(2,440)	(14,544)
PRRT	—	—	—	—	—	(4,848)	—	—	(4,848)
Corporate income taxes	—	(2,053)	(5,805)	—	—	(670)	—	(186)	(8,714)
Interest expense	—	—	—	—	—	—	—	(14,334)	(14,334)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(17,715)	(17,715)
Realized foreign exchange gain	—	—	—	—	—	—	—	1,554	1,554
Realized other income	—	—	—	—	—	—	—	201	201
Fund flows from operations	**52,330**	**41,387**	**20,806**	**8,984**	**47,871**	**17,968**	**1,054**	**(32,920)**	**157,480**

	Three Months Ended March 31, 2017								
($M)	Canada	France	Netherlands	Germany	Ireland	Australia	United States	Corporate	Total
Total assets	1,552,230	806,099	202,477	292,225	719,761	272,149	73,195	65,397	3,983,533
Drilling and development	57,457	20,916	1,712	906	(804)	3,438	11,539	—	95,164
Exploration and evaluation	—	—	—	—	—	—	—	725	725
Crude oil and condensate sales	46,639	59,609	400	5,838	—	34,987	2,026	—	149,499
NGL sales	5,795	—	—	—	—	—	56	—	5,851
Natural gas sales	23,066	1	26,362	12,130	44,648	—	44	—	106,251
Royalties	(8,499)	(5,320)	(419)	(1,368)	—	—	(599)	—	(16,205)
Revenue from external customers	67,001	54,290	26,343	16,600	44,648	34,987	1,527	—	245,396
Transportation	(4,103)	(3,032)	—	(1,485)	(1,199)	—	—	—	(9,819)
Operating	(16,670)	(11,369)	(4,841)	(4,921)	(3,999)	(10,036)	(285)	—	(52,121)
General and administration	(1,698)	(3,070)	(596)	(1,880)	(438)	(2,430)	(1,005)	(2,034)	(13,151)
PRRT	—	—	—	—	—	(5,434)	—	—	(5,434)
Corporate income taxes	—	(4,982)	(907)	—	—	(1,396)	—	(194)	(7,479)
Interest expense	—	—	—	—	—	—	—	(14,695)	(14,695)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(1,851)	(1,851)
Realized foreign exchange gain	—	—	—	—	—	—	—	2,546	2,546
Realized other income	—	—	—	—	—	—	—	42	42
Fund flows from operations	**44,530**	**31,837**	**19,999**	**8,314**	**39,012**	**15,691**	**237**	**(16,186)**	**143,434**

Reconciliation of fund flows from operations to net earnings:

	Three Months Ended	
($M)	Mar 31, 2018	Mar 31, 2017
Fund flows from operations	**157,480**	143,434
Accretion	**(7,154)**	(6,382)
Depletion and depreciation	**(121,559)**	(115,409)
Unrealized gain (loss) on derivative instruments	**17,343**	79,865
Equity based compensation	**(19,750)**	(18,738)
Unrealized foreign exchange gain (loss)	**8,625**	(4,518)
Unrealized other expense	**(195)**	(30)
Deferred tax	**(9,651)**	(33,682)
Net earnings	**25,139**	44,540

4. Business combinations

Corporate acquisition

On February 15, 2018, Vermilion acquired 100% of the issued and outstanding common shares of a private producer with assets in southeast Saskatchewan and southwest Manitoba. The acquisition comprised of light oil producing fields near Vermilion's existing operations in southeast Saskatchewan. The acquisition complements Vermilion's existing southeast Saskatchewan operations and aligns with the Company's sustainable growth-and-income model. The acquisition was funded through Vermilion's revolving credit facility.

The total consideration paid and the provisional estimates of the fair value of the assets acquired and liabilities assumed at the date of acquisition are detailed in the table below. Subsequent amendments may be made to these amounts as estimates are finalized.

($M)	Consideration
Cash paid to vendor	53,288
Total consideration	**53,288**

($M)	Allocation of consideration
Capital assets	67,549
Asset retirement obligations	(4,452)
Deferred tax assets	26,914
Acquired working capital	1,577
Long-term debt	(38,300)
Net assets acquired	**53,288**

For the three months ended March 31, 2018, the acquisition contributed revenues of $2.8 million, fund flows from operations of $2.1 million, and net earnings of $1.0 million. Had the acquisition occurred on January 1, 2018, revenues would have increased by an additional $2.9 million, fund flows from operations would have increased by $2.2 million, and net earnings would be have increased by $1.0 million for the three months ended March 31, 2018.

Minor acquisitions

Vermilion completed minor acquisitions during the three months ended March 31, 2018 for total cash consideration of $2.8 million, in which $47.0 million of capital assets and $45.3 million of asset retirement obligations were recognized.

5. Capital assets

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

($M)	2018
Balance at January 1	**3,337,965**
Additions	**124,811**
Acquisitions	**114,812**
Changes in asset retirement obligations	**(2,585)**
Depletion and depreciation	**(120,462)**
Foreign exchange	**101,337**
Balance at March 31	**3,555,878**

6. Exploration and evaluation assets

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

($M)	2018
Balance at January 1	**292,278**
Additions	**3,807**
Changes in asset retirement obligations	**431**
Depreciation	**(2,515)**
Foreign exchange	**3,615**
Balance at March 31	**297,616**

7. Asset retirement obligations

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

($M)	2018
Balance at January 1	**517,180**
Additional obligations recognized	**51,606**
Changes in estimates	**(2,242)**
Obligations settled	**(3,591)**
Accretion	**7,154**
Changes in discount rates	**(1,767)**
Foreign exchange	**19,695**
Balance at March 31	**588,035**

8. Long-term debt

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

	As at	
($M)	Mar 31, 2018	Dec 31, 2017
Revolving credit facility	**982,253**	899,595
Senior unsecured notes	**381,249**	370,735
Long-term debt	**1,363,502**	1,270,330

The fair value of the revolving credit facility is equal to its carrying value due to the use of short-term borrowing instruments at market rates of interest. The fair value of the senior unsecured notes as at March 31, 2018 was $380.0 million.

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

($M)	2018
Balance at January 1	**1,270,330**
Borrowings on the revolving credit facility	**23,909**
Assumed on acquisition[1]	**38,300**
Amortization of transaction costs and prepaid interest	**1,469**
Foreign exchange	**29,494**
Balance at March 31	**1,363,502**

[1] The acquired company's credit facility was assumed on acquisition and extinguished immediately following the acquisition using proceeds from Vermilion's revolving credit facility.

Revolving credit facility

At March 31, 2018, Vermilion had in place a bank revolving credit facility maturing May 31, 2021 with the following terms:

	As at	
($M)	Mar 31, 2018	Dec 31, 2017
Total facility amount	**1,400,000**	1,400,000
Amount drawn	**(982,253)**	(899,595)
Letters of credit outstanding	**(7,700)**	(7,400)
Unutilized capacity	**410,047**	493,005

The facility can be extended from time to time at the option of the lenders and upon notice from Vermilion. If no extension is granted by the lenders, the amounts owing pursuant to the facility are due at the maturity date. The facility is secured by various fixed and floating charges against the subsidiaries of Vermilion.

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

As at March 31, 2018, the revolving credit facility was subject to the following financial covenants:

		As at	
Financial covenant	Limit	Mar 31, 2018	Dec 31, 2017
Consolidated total debt to consolidated EBITDA	4.0	**1.96**	1.87
Consolidated total senior debt to consolidated EBITDA	3.5	**1.42**	1.30
Consolidated total senior debt to total capitalization	55%	**34%**	32%

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

- Consolidated total debt: Includes all amounts classified as "Long-term debt", "Current portion of long-term debt", and "Finance lease obligation" (including the current portion included within "Accounts payable and accrued liabilities").
- Consolidated total senior debt: Defined as consolidated total debt excluding unsecured and subordinated debt.
- Consolidated EBITDA: Defined as consolidated net earnings before interest, income taxes, depreciation, accretion and certain other non-cash items.
- Total capitalization: Includes all amounts classified as "Shareholders' equity" plus consolidated total debt as defined above.

As at March 31, 2018 and 2017, Vermilion was in compliance with the above covenants.

Senior unsecured notes

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

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

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

- Prior to March 15, 2020, Vermilion may redeem up to 35% of the original principal amount of the senior unsecured notes with the proceeds of certain equity offerings by the Company at a redemption price of 105.625% of the principal amount plus any accrued and unpaid interest to the applicable redemption date.
- Prior to March 15, 2020, Vermilion may redeem some or all of the senior unsecured notes at a price equal to 100% of the principal amount of the senior unsecured notes, plus an applicable premium and any accrued and unpaid interest.
- On or after March 15, 2020, Vermilion may redeem some or all of the senior unsecured notes at the redemption prices set forth in the following table plus any accrued and unpaid interest.

Year	Redemption price
2020	104.219%
2021	102.813%
2022	101.406%
2023 and thereafter	100.000%

9. Shareholders' capital

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

	2018	
Shareholders' Capital	**Shares ('000s)**	**Amount ($M)**
Balance at January 1	**122,119**	**2,650,706**
Shares issued for the Dividend Reinvestment Plan	**466**	**19,641**
Shares issued for equity based compensation	**184**	**7,444**
Balance at March 31	**122,769**	**2,677,791**

Dividends declared to shareholders for the three months ended March 31, 2018 were $79.0 million (2017 - $76.6 million).

Subsequent to the end of the period and prior to the condensed consolidated interim financial statements being authorized for issue, Vermilion declared dividends of $28.5 million or $0.23 per share

10. Capital disclosures

Vermilion defines capital as net debt (long-term debt plus net working capital) and shareholders' capital.

In managing capital, Vermilion reviews whether fund flows from operations is sufficient to fund capital expenditures, dividends, and asset retirement obligations.

The following table calculates Vermilion's ratio of net debt to fund flows from operations:

	Three Months Ended	
($M except as indicated)	**Mar 31, 2018**	**Mar 31, 2017**
Long-term debt	**1,363,502**	1,267,334
Current liabilities	**385,330**	268,282
Current assets	**(234,187)**	(157,980)
Net debt	**1,514,645**	1,377,636
Ratio of net debt to annualized fund flows from operations	**2.4**	2.4

11. Financial instruments

The following table summarizes the increase (positive values) or decrease (negative values) to net earnings before tax due to a change in the value of Vermilion's financial instruments as a result of a change in the relevant market risk variable. This analysis does not attempt to reflect any interdependencies between the relevant risk variables.

($M)	Mar 31, 2018
Currency risk - Euro to Canadian dollar	
$0.01 increase in strength of the Canadian dollar against the Euro	**(4,129)**
$0.01 decrease in strength of the Canadian dollar against the Euro	**4,129**
Currency risk - US dollar to Canadian dollar	
$0.01 increase in strength of the Canadian dollar against the US $	**2,294**
$0.01 decrease in strength of the Canadian dollar against the US $	**(2,294)**
Commodity price risk - Crude oil	
US $5.00/bbl increase in crude oil price used to determine the fair value of derivatives	**(19,555)**
US $5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	**13,318**
Commodity price risk - European natural gas	
€ 0.5/GJ increase in European natural gas price used to determine the fair value of derivatives	**(43,149)**
€ 0.5/GJ decrease in European natural gas price used to determine the fair value of derivatives	**34,765**

12. Subsequent events

On April 16, 2018, Vermilion entered into an arrangement agreement ("Arrangement") to acquire Spartan Energy Corp., a publicly traded southeast Saskatchewan oil and gas producer, for total consideration of approximately $1.40 billion (comprised of $1.23 billion in Vermilion common shares based the issuance of approximately 27.8 million Vermilion common shares at Vermilion's closing share price of $44.04 on April 13, 2018, plus the assumption of approximately $175.0 million in debt). The Arrangement is subject to customary closing conditions, including receipt of applicable court, Spartan Energy Corp. shareholder, and other regulatory approvals and is expected to close on or about June 15, 2018.

DIRECTORS

Lorenzo Donadeo [1]
Calgary, Alberta

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

Stephen P. Larke [3, 4]
Calgary, Alberta

Loren M. Leiker [6]
Houston, Texas

William F. Madison [5, 6]
Sugar Land, Texas

Timothy R. Marchant [5, 6]
Calgary, Alberta

Anthony Marino
Calgary, Alberta

Robert Michaleski [3, 4]
Calgary, Alberta

Sarah E. Raiss [4, 5]
Calgary, Alberta

William Roby [5, 6]
Katy, Texas

Catherine L. Williams [3, 4]
Calgary, Alberta

1 Chairman of the Board
2 Lead Director
3 Audit Committee
4 Governance and Human Resources Committee
5 Health, Safety and Environment Committee
6 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 Alberta
bbl(s)	barrel(s)
bbls/d	barrels per day
boe	barrel of oil equivalent, including: crude oil, condensate, natural gas liquids, and natural gas (converted on the basis of one boe for six mcf of natural gas)
boe/d	barrel of oil equivalent per day
GJ	gigajoules
HH	Henry Hub, a reference price paid for natural gas in US dollars at Erath, Louisiana
mbbls	thousand barrels
mcf	thousand cubic feet
mmbtu	million British thermal units
mmcf/d	million cubic feet per day
MWh	megawatt hour
NBP	the reference price paid for natural gas in the United Kingdom at the National Balancing Point Virtual Trading Point.
NGLs	natural gas liquids, which includes butane, propane, and ethane
PRRT	Petroleum Resource Rent Tax, a profit based tax levied on petroleum projects in Australia
TTF	the price for natural gas in the Netherlands at the Title Transfer Facility Virtual Trading Point.
WTI	West Texas Intermediate, the reference price paid for crude oil of standard grade in US dollars at Cushing, Oklahoma

OFFICERS AND KEY PERSONNEL

CANADA

Anthony Marino
President & Chief Executive Officer

Lars Glemser
Vice President & Chief Financial Officer

Mona Jasinski
Executive Vice President, People and Culture

Michael Kaluza
Executive Vice President & Chief Operating Officer

Dion Hatcher
Vice President Canada Business Unit

Terry Hergott
Vice President Marketing

Jenson Tan
Vice President Business Development

Daniel Goulet
Director Corporate HSE

Jeremy Kalanuk
Director Operations Accounting

Bryce Kremnica
Director Field Operations - Canada Business Unit

Kyle Preston
Director Investor Relations

Mike Prinz
Director Information Technology & Information Systems

Robert (Bob) J. Engbloom
Corporate Secretary

UNITED STATES

Scott Seatter
Managing Director - U.S. Business Unit

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

EUROPE

Gerard Schut
Vice President European Operations

Sylvain Nothhelfer
Managing Director - France Business Unit

Sven Tummers
Managing Director - Netherlands Business Unit

Albrecht Moehring
Managing Director - Germany Business Unit

Darcy Kerwin
Managing Director - Ireland Business Unit

Bryan Sralla
Managing Director - Central & Eastern Europe Business Unit

AUSTRALIA

Bruce D. Lake
Managing Director - Australia Business Unit

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

The Toronto-Dominion Bank

Bank of Montreal

Canadian Imperial Bank of Commerce

National Bank of Canada

The Bank of Nova Scotia

Royal Bank of Canada

Alberta Treasury Branches

Bank of America N.A., Canada Branch

Citibank N.A., Canadian Branch - Citibank Canada

HSBC Bank Canada

JPMorgan Chase Bank, N.A., Toronto Branch

La Caisse Centrale Desjardins du Québec

Wells Fargo Bank N.A., Canadian Branch

Barclays Bank PLC

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

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

EXCELLENCE

We aim for exceptional results in everything we do.

TRUST

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

RESPECT

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

RESPONSIBILITY

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

VERMILION
ENERGY

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