

Q1 2021

FINANCIAL STATEMENTS

EXCELLENCE. TRUST. RESPECT. RESPONSIBILITY.



INTERNATIONALLY DIVERSIFIED | FREE CASH FLOW FOCUSED

VERMILION
ENERGY



Front Cover Theme

This year's front cover photo was taken at one of Vermilion's field offices in southern France. It represents the seeds of our international expansion in 1997, which was a major pillar of our free cash flow-generating business model, and our commitment to ESG matters of importance. Vermilion prioritizes health, safety and the environment in all of our operations – and we take this even further. Partnering with our stakeholders to enrich the lives of the people in the communities where we live and work is fundamental in our approach to what we do every day, and has been a focus for more than two decades.

The photo also represents a return to a more conservative approach to executing our business model, as we did with subsequent international expansions. This provides a renewed focus on our core business principles, which are (i) maintaining a strong balance sheet with low leverage; (ii) managing a total payout ratio of less than 100%; (iii) consistently delivering results that meet or exceed expectations; (iv) protecting equity to minimize dilution; and (v) maintaining a strong corporate culture. These principles were implemented when Vermilion started paying a distribution as an energy trust in 2003, and will shepherd us to providing long-term value creation for our shareholders moving forward.

Disclaimer

Certain statements included or incorporated by reference in this document may constitute forward looking statements or financial outlooks under applicable securities legislation. Such forward looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", or similar words suggesting future outcomes or statements regarding an outlook. Forward looking statements or information in this document may include, but are not limited to: capital expenditures; business strategies and objectives; operational and financial performance; estimated reserve quantities and the discounted net present value of future net revenue from such reserves; petroleum and natural gas sales; future production levels (including the timing thereof) and rates of average annual production growth; exploration and development plans; acquisition and disposition plans and the timing thereof; operating and other expenses, including the payment and amount of future dividends; royalty and income tax rates; and the timing of regulatory proceedings and approvals.

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

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

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

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

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

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
LSB	light sour blend crude oil reference price
mbbls	thousand barrels
mcf	thousand cubic feet
mmcf/d	million cubic feet per day
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
tCO ₂ e	tonnes of carbon dioxide equivalent
TTF	the price for natural gas in the Netherlands, quoted in megawatt hours of natural gas, 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

Consolidated Interim Financial Statements

Consolidated Balance Sheet

thousands of Canadian dollars, unaudited

	Note	March 31, 2021	December 31, 2020
Assets			
Current			
Cash and cash equivalents		3,603	6,904
Accounts receivable		240,527	196,077
Crude oil inventory		24,598	13,402
Derivative instruments		9,266	16,924
Prepaid expenses		22,050	27,686
Total current assets		300,044	260,993
Derivative instruments		397	2,451
Deferred taxes		354,447	484,497
Exploration and evaluation assets		247,025	254,094
Capital assets	3	3,824,631	3,107,104
Total assets		4,726,544	4,109,139
Liabilities			
Current			
Accounts payable and accrued liabilities		311,988	297,670
Derivative instruments		66,320	130,919
Income taxes payable		6,945	4,539
Total current liabilities		385,253	433,128
Derivative instruments		57,672	8,228
Long-term debt	6	1,911,466	1,933,848
Lease obligations		72,688	76,524
Asset retirement obligations	4	596,245	467,737
Deferred taxes		292,617	264,272
Total liabilities		3,315,941	3,183,737
Shareholders' Equity			
Shareholders' capital	7	4,186,875	4,181,160
Contributed surplus		77,075	66,250
Accumulated other comprehensive income		46,683	77,986
Deficit		(2,900,030)	(3,399,994)
Total shareholders' equity		1,410,603	925,402
Total liabilities and shareholders' equity		4,726,544	4,109,139

Approved by the Board

(Signed "Robert Michaleski")

Robert Michaleski, Director

(Signed "Lorenzo Donadeo")

Lorenzo Donadeo, Director

Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss)

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

	Note	Three Months Ended	
		Mar 31, 2021	Mar 31, 2020
Revenue			
Petroleum and natural gas sales		368,137	328,314
Royalties		(36,446)	(31,125)
Sales of purchased commodities		43,764	56,108
Petroleum and natural gas revenue		375,455	353,297
Expenses			
Purchased commodities		43,764	56,108
Operating		96,241	121,138
Transportation		17,021	17,330
Equity based compensation		16,540	12,997
Loss (gain) on derivative instruments		20,191	(58,735)
Interest expense		19,235	19,982
General and administration		11,730	13,317
Foreign exchange loss		31,091	1,459
Other (income) expense		(5,273)	3,518
Accretion	4	10,507	9,738
Depletion and depreciation	3	106,013	157,807
Impairment (reversal) expense	3	(662,866)	1,564,854
		(295,806)	1,919,513
Earnings (loss) before income taxes		671,261	(1,566,216)
Income tax expense (recovery)			
Deferred	3	171,228	(257,542)
Current		69	9,830
		171,297	(247,712)
Net earnings (loss)		499,964	(1,318,504)
Other comprehensive income (loss)			
Currency translation adjustments		(32,936)	89,411
Unrealized gain (loss) on hedges		1,633	(2,443)
Comprehensive income (loss)		468,661	(1,231,536)
Net earnings (loss) per share			
Basic		3.15	(8.42)
Diluted		3.10	(8.42)
Weighted average shares outstanding ('000s)			
Basic		158,892	156,562
Diluted		161,397	156,562

Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

	Note	Three Months Ended	
		Mar 31, 2021	Mar 31, 2020
Operating			
Net earnings (loss)		499,964	(1,318,504)
Adjustments:			
Accretion	4	10,507	9,738
Depletion and depreciation	3	106,013	157,807
Impairment (reversal) expense	3	(662,866)	1,564,854
Unrealized gain on derivative instruments		(5,442)	(9,316)
Equity based compensation		16,540	12,997
Unrealized foreign exchange loss		25,910	9,982
Unrealized other expense		197	209
Deferred taxes		171,228	(257,542)
Asset retirement obligations settled	4	(7,023)	(3,732)
Changes in non-cash operating working capital		(35,881)	111,946
Cash flows from operating activities		119,147	278,439
Investing			
Drilling and development	3	(79,512)	(227,433)
Exploration and evaluation		(3,851)	(6,271)
Acquisitions	3	(393)	(11,337)
Changes in non-cash investing working capital		9,097	58,038
Cash flows used in investing activities		(74,659)	(187,003)
Financing			
(Repayments) borrowings on the revolving credit facility	6	(41,454)	3,113
Payments on lease obligations		(5,752)	(7,226)
Cash dividends		—	(100,312)
Cash flows used in financing activities		(47,206)	(104,425)
Foreign exchange (loss) gain on cash held in foreign currencies		(583)	596
Net change in cash and cash equivalents		(3,301)	(12,393)
Cash and cash equivalents, beginning of period		6,904	29,028
Cash and cash equivalents, end of period		3,603	16,635
Supplementary information for cash flows from operating activities			
Interest paid		23,937	19,680
Income taxes (refunded) paid		(2,337)	9,947

Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Note	Three Months Ended	
		Mar 31, 2021	Mar 31, 2020
Shareholders' capital	7		
Balance, beginning of period		4,181,160	4,119,031
Shares issued for the Dividend Reinvestment Plan		—	7,645
Equity based compensation		5,715	2,117
Balance, end of period		4,186,875	4,128,793
Contributed surplus	7		
Balance, beginning of period		66,250	75,735
Equity based compensation		10,825	10,880
Balance, end of period		77,075	86,615
Accumulated other comprehensive income			
Balance, beginning of period		77,986	49,578
Currency translation adjustments		(32,936)	76,973
Hedge accounting reserve		1,633	9,995
Balance, end of period		46,683	136,546
Deficit			
Balance, beginning of period		(3,399,994)	(1,791,039)
Net earnings (loss)		499,964	(1,318,504)
Dividends declared		—	(90,067)
Balance, end of period		(2,900,030)	(3,199,610)
Total shareholders' equity		1,410,603	1,152,344

Description of equity reserves

Shareholders' capital

Represents the recognized amount for common shares when issued, net of equity issuance costs and deferred taxes.

Contributed surplus

Represents the recognized value of unvested equity based awards that will be settled in shares. Once vested, the value of the awards are transferred to shareholders' capital.

Accumulated other comprehensive income

Represents currency translation adjustments and hedge accounting reserve.

Currency translation adjustments result from translating the balance sheets of subsidiaries with a foreign functional currency to Canadian dollars at period-end rates. These amounts may be reclassified to net earnings if there is a disposal or partial disposal of a subsidiary.

The hedge accounting reserve represents the effective portion of the change in fair value related to cash flow and net investment hedges recognized in other comprehensive income, net of tax and reclassified to the consolidated statement of net earnings in the same period in which the transaction associated with the hedged item occurs. For the three months ended March 31, 2021, accumulated losses of \$1.2 million and \$0.4 million were recognized on the cash flow hedges and net investment hedges, respectively, and will be recognized in net earnings through 2025 when the senior unsecured notes mature.

Deficit

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

Notes to the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2021 and 2020

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

1. Basis of presentation

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

These condensed consolidated interim financial statements are in compliance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as Vermilion’s consolidated financial statements for the year ended December 31, 2020.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion’s consolidated financial statements for the year ended December 31, 2020, which are contained within Vermilion’s Annual Report for the year ended December 31, 2020 and are available on SEDAR at www.sedar.com or on Vermilion’s website at www.vermilionenergy.com.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of Vermilion on April 28, 2021.

2. Segmented information

	Three Months Ended March 31, 2021								Total
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	
Total assets	2,227,573	381,672	693,791	163,901	205,049	244,047	207,711	602,800	4,726,544
Drilling and development	54,321	4,792	6,874	4,133	2,300	66	6,839	187	79,512
Exploration and evaluation	—	—	5	—	199	—	—	3,647	3,851
Crude oil and condensate sales	132,502	14,574	51,529	328	4,435	—	27,382	—	230,750
NGL sales	18,076	3,278	—	—	—	—	—	—	21,354
Natural gas sales	45,230	6,474	—	28,223	8,660	27,068	—	378	116,033
Sales of purchased commodities	—	—	—	—	—	—	—	43,764	43,764
Royalties	(21,774)	(6,306)	(7,236)	(97)	(955)	—	—	(78)	(36,446)
Revenue from external customers	174,034	18,020	44,293	28,454	12,140	27,068	27,382	44,064	375,455
Purchased commodities	—	—	—	—	—	—	—	(43,764)	(43,764)
Transportation	(10,236)	(248)	(4,405)	—	(1,021)	(1,111)	—	—	(17,021)
Operating	(53,166)	(4,115)	(11,791)	(7,411)	(6,302)	(3,657)	(9,738)	(61)	(96,241)
General and administration	(4,459)	(898)	(2,414)	(267)	(1,122)	712	(725)	(2,557)	(11,730)
PRRT	—	—	—	—	—	—	(1,414)	—	(1,414)
Corporate income taxes	—	—	—	—	—	—	1,559	(214)	1,345
Interest expense	—	—	—	—	—	—	—	(19,235)	(19,235)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(25,633)	(25,633)
Realized foreign exchange loss	—	—	—	—	—	—	—	(5,181)	(5,181)
Realized other income	—	—	—	—	—	—	—	5,470	5,470
Fund flows from operations	106,173	12,759	25,683	20,776	3,695	23,012	17,064	(47,111)	162,051

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

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

	Three Months Ended	
	Mar 31, 2021	Mar 31, 2020
Fund flows from operations	162,051	170,225
Equity based compensation	(16,540)	(12,997)
Unrealized gain on derivative instruments	5,442	9,316
Unrealized foreign exchange loss	(25,910)	(9,982)
Accretion	(10,507)	(9,738)
Depletion and depreciation	(106,013)	(157,807)
Deferred tax (expense) recovery	(171,228)	257,542
Impairment reversal (expense)	662,866	(1,564,854)
Unrealized other expense	(197)	(209)
Net earnings (loss)	499,964	(1,318,504)

3. Capital assets

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

	2021
Balance at January 1	3,107,104
Acquisitions	393
Additions	79,512
Increase in right-of-use assets	2,472
Impairment reversal	662,866
Depletion and depreciation	(105,852)
Changes in asset retirement obligations	141,741
Foreign exchange	(63,605)
Balance at March 31	3,824,631

In the first quarter of 2021, indicators of impairment reversal were present in our Australia, Alberta, Saskatchewan, and United States cash generating units ("CGU") due to an increase and stabilization in forecast oil prices. As a result of the indicators of impairment reversal, the Company performed impairment reversal calculations on the identified CGUs and the recoverable amounts were determined using fair value less costs to sell, which considered future after-tax cash flows from proved plus probable reserves and an after-tax discount rate of 12.0%. Based on the results of the impairment reversal calculations completed, recoverable amounts were determined to be greater than the carrying values of the CGUs tested and \$492.2 million (net of \$170.7 million deferred income tax expense) of impairment reversal was recorded. Inputs used in the measurement of capital assets are not based on observable market data and fall within level 3 of the fair value hierarchy.

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 ⁽²⁾
Brent Crude (\$ US/bbl) ⁽¹⁾	64.50	62.08	61.69	62.84	64.02	65.22	66.45	67.70	68.97	70.35
WTI Crude (\$ US/bbl) ⁽¹⁾	62.00	58.58	57.69	58.84	60.02	61.22	62.45	63.70	64.97	66.27
Exchange rate (CAD/USD)	0.80	0.79	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78

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

(2) In 2031 and beyond, commodity price forecasts are inflated at a rate of 2.0% per annum. In 2031 and beyond there is no escalation of exchange rates.

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

Operating Segment	CGU	Impairment Reversal	Recoverable Amount	1% increase in discount rate	5% decrease in pricing
Australia	Australia	82,016	189,749	6,921	19,756
Canada	Alberta	232,724	859,706	46,223	81,212
Canada	Saskatchewan	290,241	1,206,343	69,104	143,281
United States	United States	57,885	364,242	24,180	41,345
Total		662,866	2,620,040	146,428	285,594

4. Asset retirement obligations

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

	2021
Balance at January 1	467,737
Additional obligations recognized	180
Changes in estimated abandonment timing and costs	726
Obligations settled	(7,023)
Accretion	10,507
Changes in discount rates	140,846
Foreign exchange	(16,728)
Balance at March 31	596,245

Vermilion calculated the present value of the obligations using a credit-adjusted risk-free rate, calculated using a credit spread of 6.8% (as at December 31, 2020 - 9.5%) added to risk-free rates based on long-term, risk-free government bonds. Vermilion's credit spread is determined as the yield to maturity on its senior unsecured notes as at the reporting period.

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

	Mar 31, 2021	Dec 31, 2020
Canada	1.9 %	1.2 %
United States	2.3 %	1.6 %
France	0.6 %	0.3 %
Netherlands	(0.5)%	(0.6)%
Germany	0.2 %	(0.2)%
Ireland	0.3 %	(0.1)%
Australia	2.0 %	1.3 %

5. Capital disclosures

Vermilion defines capital as net debt (long-term debt plus net working capital) and shareholders' capital. In managing capital, Vermilion reviews whether fund flows from operations is sufficient to fund capital expenditures, dividends, and asset retirement obligations.

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

	Mar 31, 2021	Dec 31, 2020
Long-term debt	1,911,466	1,933,848
Current liabilities	385,253	433,128
Current assets	(300,044)	(260,993)
Net debt	1,996,675	2,105,983
Ratio of net debt to four quarter trailing fund flows from operations	4.04	4.19

6. Long-term debt

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

	As at	
	Mar 31, 2021	Dec 31, 2020
Revolving credit facility	1,537,158	1,555,215
Senior unsecured notes	374,308	378,633
Long-term debt	1,911,466	1,933,848

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, 2021 was \$358.9 million.

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

	2021
Balance at January 1	1,933,848
(Repayments) borrowings on the revolving credit facility	(41,454)
Amortization of transaction costs	197
Foreign exchange	18,875
Balance at March 31	1,911,466

Revolving credit facility

In Q1 2020, we negotiated an extension to our \$2.1 billion revolving credit facility to extend the maturity to May 31, 2024.

As at March 31, 2021, Vermilion had in place a bank revolving credit facility maturing May 31, 2024 with the following terms:

	As at	
	Mar 31, 2021	Dec 31, 2020
Total facility amount	2,100,000	2,100,000
Amount drawn	(1,537,158)	(1,555,215)
Letters of credit outstanding	(23,013)	(23,210)
Unutilized capacity	539,829	521,575

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, 2021, the revolving credit facility was subject to the following financial covenants:

Financial covenant	Limit	As at	
		Mar 31, 2021	Dec 31, 2020
Consolidated total debt to consolidated EBITDA	Less than 4.0	3.51	3.48
Consolidated total senior debt to consolidated EBITDA	Less than 3.5	2.84	2.82
Consolidated EBITDA to consolidated interest expense	Greater than 2.5	7.93	8.12

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

- Consolidated total debt: Includes all amounts classified as "Long-term debt" and "Lease obligations" (including the current portion included within "Accounts payable and accrued liabilities" but excluding operating leases as defined under IAS 17) on the balance sheet.
- Consolidated total senior debt: Defined as consolidated total debt excluding unsecured and subordinated debt.
- Consolidated EBITDA: Defined as consolidated net earnings before interest, income taxes, depreciation, accretion and certain other non-cash items, adjusted for the impact of the acquisition of a material subsidiary.
- Consolidated total interest expense: Includes all amounts classified as "Interest expense", but excludes interest on operating leases as defined under IAS 17.

In addition, our revolving credit facility has provisions relating to our liability management ratings in Alberta and Saskatchewan whereby if our security adjusted liability management ratings fall below specified limits in a province, a portion of the asset retirement obligations are included in the definitions of consolidated total debt and consolidated total senior debt. An event of default occurs if our security adjusted liability management ratings breach additional lower limits for a period greater than 90 days. As of March 31, 2021, Vermilion's liability management ratings were higher than the specified levels, and as such, no amounts relating to asset retirement obligations were included in the calculation of consolidated total debt and consolidated total senior debt.

As at March 31, 2021 and December 31, 2020, 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 redeem some or all of the senior unsecured notes at the redemption prices set forth in the following table plus any accrued and unpaid interest, if redeemed during the twelve-month period beginning on March 15 of each of the years indicated below:

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

7. Shareholders' capital

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

Shareholders' Capital	2021	
	Shares ('000s)	Amount
Balance at January 1	158,724	4,181,160
Shares issued for equity based compensation	625	5,715
Balance at March 31	159,349	4,186,875

8. 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.

	Mar 31, 2021
Currency risk - Euro to Canadian dollar	
\$0.01 increase in strength of the Canadian dollar against the Euro	(902)
\$0.01 decrease in strength of the Canadian dollar against the Euro	902
Currency risk - US dollar to Canadian dollar	
\$0.01 increase in strength of the Canadian dollar against the US \$	2,875
\$0.01 decrease in strength of the Canadian dollar against the US \$	(2,875)
Commodity price risk - Crude oil	
US \$5.00/bbl increase in crude oil price used to determine the fair value of derivatives	(10,437)
US \$5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	9,686
Commodity price risk - European natural gas	
€0.5/GJ increase in European natural gas price used to determine the fair value of derivatives	(17,229)
€0.5/GJ decrease in European natural gas price used to determine the fair value of derivatives	17,057
Share price risk - Equity swaps	
\$1.00 increase from initial share price of the equity swap	3,750
\$1.00 decrease from initial share price of the equity swap	(3,750)

DIRECTORS

Lorenzo Donadeo¹
Calgary, Alberta

Larry J. Macdonald^{2, 4, 6, 8}
Calgary, Alberta

Carin Knickel^{5, 8, 12}
Golden, Colorado

Stephen P. Larke^{4, 6, 12}
Calgary, Alberta

Loren M. Leiker^{10, 13}
McKinney, Texas

Timothy R. Marchant^{7, 10, 11}
Calgary, Alberta

Robert Michaleski^{3, 6}
Calgary, Alberta

William Roby^{8, 9, 12}
Katy, Texas

Catherine L. Williams^{4, 6}
Calgary, Alberta

¹ Executive Chairman

² Lead Director (Independent)

³ Audit Committee Chair (Independent)

⁴ Audit Committee Member

⁵ Governance and Human Resources Committee Chair (Independent)

⁶ Governance and Human Resources Committee Member

⁷ Health, Safety and Environment Committee Chair (Independent)

⁸ Health, Safety and Environment Committee Member

⁹ Independent Reserves Committee Chair (Independent)

¹⁰ Independent Reserves Committee Member

¹¹ Sustainability Committee Chair (Independent)

¹² Sustainability Committee Member

¹³ New Venture Working Team Chair (Independent)

OFFICERS / CORPORATE SECRETARY

Lorenzo Donadeo^{*}
Executive Chairman

Curtis Hicks^{*}
President

Lars Glemser^{*}
Vice President & Chief Financial Officer

Dion Hatcher^{*}
Vice President North America

Terry Hergott
Vice President Marketing

Darcy Kerwin^{*}
Vice President International & HSE

Kyle Preston
Vice President Investor Relations

Jenson Tan^{*}
Vice President Business Development

Gerard Schut^{*}
Vice President European Operations

Robert (Bob) J. Engbloom
Corporate Secretary

^{*} Executive Committee

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

The Toronto-Dominion Bank

Bank of Montreal

Canadian Imperial Bank of Commerce

Export Development Canada

National Bank of Canada

Royal Bank of Canada

The Bank of Nova Scotia

Wells Fargo Bank N.A., Canadian Branch

Bank of America N.A., Canada Branch

Citibank N.A., Canadian Branch - Citibank Canada

JPMorgan Chase Bank, N.A., Toronto Branch

La Caisse Centrale Desjardins du Québec

Alberta Treasury Branches

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

Odyssey Trust Company

STOCK EXCHANGE LISTINGS

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

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EXCELLENCE

We aim for exceptional results in everything we do.

TRUST

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

RESPECT

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

RESPONSIBILITY

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

VERMILION
E N E R G Y



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