Q3 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: cash flows and capital expenditures including, without limitation, statements regarding our 2019 budget; business strategies and objectives; future production and production levels (including the timing thereof); permitting, workover and maintenance, exploration and development plans; drilling plans and schedules; the timing of the anticipated closing of the transition of ownership and operatorship of assets from Shell E&P Ireland Limited and the expected impact of that closing; expected benefits of Vermilion's acquisition of assets in the Powder River Basin in Wyoming; acquisition and disposition plans (including the costs, timing and completion thereof); statements regarding our hedging activities and plans; the ability of Vermilion to maintain its current dividend; the incurrence and rate of income taxes; tax pools and future income taxes; statements regarding our ability to finance planned capital expenditures, dividends, and abandonment and reclamation expenditures; 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.

Consolidated Interim Financial Statements

Consolidated Balance Sheet

thousands of Canadian dollars, unaudited

	Note	September 30, 2018	December 31, 2017
Assets			
Current			
Cash and cash equivalents		**23,994**	46,561
Accounts receivable		**247,596**	165,760
Crude oil inventory		**27,751**	17,105
Derivative instruments		**4,910**	17,988
Prepaid expenses		**20,445**	14,432
Total current assets		**324,696**	261,846
Derivative instruments		**458**	2,552
Deferred taxes		**257,743**	80,324
Exploration and evaluation assets	6	**298,510**	292,278
Capital assets	5	**5,037,223**	3,337,965
Total assets		**5,918,630**	3,974,965
Liabilities			
Current			
Accounts payable and accrued liabilities		**387,366**	219,084
Dividends payable	10	**35,074**	26,256
Derivative instruments		**165,970**	78,905
Income taxes payable		**41,483**	39,061
Total current liabilities		**629,893**	363,306
Derivative instruments		**74,155**	12,348
Long-term debt	9	**1,728,889**	1,270,330
Lease obligations	8	**110,719**	15,807
Asset retirement obligations	7	**598,083**	517,180
Deferred taxes		**251,133**	253,108
Total liabilities		**3,392,872**	2,432,079
Shareholders' equity			
Shareholders' capital	10	**4,001,774**	2,650,706
Contributed surplus		**63,438**	84,354
Accumulated other comprehensive income		**66,846**	71,829
Deficit		**(1,606,300)**	(1,264,003)
Total shareholders' equity		**2,525,758**	1,542,886
Total liabilities and shareholders' equity		**5,918,630**	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 (Loss) Earnings and Comprehensive (Loss) Income

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

		Three Months Ended		Nine Months Ended	
	Note	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Revenue					
Petroleum and natural gas sales		**508,411**	248,505	**1,221,178**	781,497
Royalties		**(53,786)**	(16,994)	**(108,293)**	(50,935)
Petroleum and natural gas revenue		**454,625**	231,511	**1,112,885**	730,562
Expenses					
Operating		**97,758**	61,832	**244,544**	177,027
Transportation		**13,721**	10,800	**34,949**	31,462
Equity based compensation		**13,056**	12,858	**43,767**	45,492
Loss (gain) on derivative instruments		**113,194**	15,475	**246,709**	(91,164)
Interest expense		**19,772**	13,400	**51,932**	43,603
General and administration		**13,234**	12,114	**39,115**	38,432
Foreign exchange loss (gain)		**26,144**	7,126	**32,528**	(30,499)
Other expense (income)		**26**	(14)	**(11)**	(68)
Accretion	7	**8,041**	6,850	**23,014**	19,980
Depletion and depreciation	5, 6	**166,343**	120,826	**434,621**	362,504
		471,289	261,267	**1,151,168**	596,769
(Loss) earnings before income taxes		**(16,664)**	(29,756)	**(38,283)**	133,793
Taxes					
Deferred		**(10,712)**	1,998	**(24,613)**	49,315
Current		**9,147**	7,437	**38,053**	30,865
		(1,565)	9,435	**13,440**	80,180
Net (loss) earnings		**(15,099)**	(39,191)	**(51,723)**	53,613
Other comprehensive (loss) income					
Currency translation adjustments		**(20,592)**	(5,407)	**(4,983)**	28,128
Comprehensive (loss) income		**(35,691)**	(44,598)	**(56,706)**	81,741
Net (loss) earnings per share					
Basic		**(0.10)**	(0.32)	**(0.38)**	0.45
Diluted		**(0.10)**	(0.32)	**(0.38)**	0.44
Weighted average shares outstanding ('000s)					
Basic		**152,432**	121,280	**136,585**	120,152
Diluted		**152,432**	121,280	**136,585**	121,963

Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

	Note	Three Months Ended Sep 30, 2018	Three Months Ended Sep 30, 2017	Nine Months Ended Sep 30, 2018	Nine Months Ended Sep 30, 2017
Operating					
Net (loss) earnings		**(15,099)**	(39,191)	**(51,723)**	53,613
Adjustments:					
Accretion	7	**8,041**	6,850	**23,014**	19,980
Depletion and depreciation	5, 6	**166,343**	120,826	**434,621**	362,504
Unrealized loss (gain) on derivative instruments		**75,829**	24,198	**163,770**	(78,950)
Equity based compensation		**13,056**	12,858	**43,767**	45,492
Unrealized foreign exchange loss (gain)		**23,044**	3,016	**26,877**	(31,082)
Unrealized other expense		**203**	200	**597**	440
Deferred taxes		**(10,712)**	1,998	**(24,613)**	49,315
Asset retirement obligations settled	7	**(2,986)**	(1,749)	**(9,203)**	(6,118)
Changes in non-cash operating working capital		**52,325**	12,574	**29,570**	27,961
Cash flows from operating activities		**310,044**	141,580	**636,677**	443,155
Investing					
Drilling and development	5	**(142,116)**	(75,837)	**(343,483)**	(228,682)
Exploration and evaluation	6	**(4,069)**	(15,545)	**(11,151)**	(17,464)
Acquisitions	4, 5	**(193,677)**	(20,976)	**(307,622)**	(24,589)
Changes in non-cash investing working capital		**8,122**	11,341	**9,158**	6,496
Cash flows used in investing activities		**(331,740)**	(101,017)	**(653,098)**	(264,239)
Financing					
Borrowings (repayments) on the revolving credit facility	9	**113,895**	43,829	**237,061**	(444,930)
Issuance of senior unsecured notes	9	**—**	—	**—**	391,906
Payments on lease obligations	8	**(5,441)**	(1,246)	**(13,679)**	(3,627)
Cash dividends		**(100,841)**	(54,227)	**(230,047)**	(143,353)
Cash flows from (used in) financing activities		**7,613**	(11,644)	**(6,665)**	(200,004)
Foreign exchange (loss) gain on cash held in foreign currencies		**(1,027)**	(2,444)	**519**	512
Net change in cash and cash equivalents		**(15,110)**	26,475	**(22,567)**	(20,576)
Cash and cash equivalents, beginning of period		**39,104**	15,724	**46,561**	62,775
Cash and cash equivalents, end of period		**23,994**	42,199	**23,994**	42,199
Supplementary information for cash flows from operating activities					
Interest paid		**24,914**	18,057	**56,084**	41,234
Income taxes paid		**1,505**	995	**35,631**	16,104

Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Nine Months Ended	
	Sep 30, 2018	**Sep 30, 2017**
Shareholders' capital		
Balance, beginning of period	**2,650,706**	2,452,722
Shares issued for acquisition	**1,234,676**	—
Shares issued for the Dividend Reinvestment Plan	**43,936**	88,676
Vesting of equity based awards	**54,057**	69,743
Equity based compensation	**10,626**	7,749
Share-settled dividends on vested equity based awards	**7,773**	8,478
Balance, end of period	**4,001,774**	2,627,368
Contributed surplus		
Balance, beginning of period	**84,354**	101,788
Equity based compensation	**33,141**	37,743
Vesting of equity based awards	**(54,057)**	(69,743)
Balance, end of period	**63,438**	69,788
Accumulated other comprehensive income		
Balance, beginning of period	**71,829**	30,339
Currency translation adjustments	**(4,983)**	28,128
Balance, end of period	**66,846**	58,467
Deficit		
Balance, beginning of period	**(1,264,003)**	(1,006,386)
Net (loss) earnings	**(51,723)**	53,613
Dividends declared	**(282,801)**	(232,744)
Share-settled dividends on vested equity based awards	**(7,773)**	(8,478)
Balance, end of period	**(1,606,300)**	(1,193,995)
Total shareholders' equity	**2,525,758**	1,561,628

Please refer to Financial Statement Note 10 (Shareholders' capital) for additional information.

Notes to the Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 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 October 24, 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, lease obligations, 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 and condensate, 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. Vermilion generally invoices customers for delivered products monthly, and payment terms for commodity sales are shortly thereafter. Vermilion does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, Vermilion does not adjust its revenue transactions for the time value of money.

IFRS 16 "Leases"

Vermilion is required to adopt IFRS 16 “Leases” by January 1, 2019, however Vermilion has elected to early adopt IFRS 16 effective January 1, 2018. IFRS 16 introduces a single lease accounting model for lessees which requires a right-of-use asset and lease liability to be recognized on the balance sheet for contracts that are, or contain, a lease.

Vermilion adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as a $97.1 million increase to right-of-use assets (included in "Capital assets") with a corresponding increase to lease obligations (the non-current portion of $86.1 million recorded in "lease obligations" and the current $11.0 million portion recorded in "Accounts payable and accrued liabilities"). The right-of-use assets recognized were measured at amounts equal to the lease obligations. The weighted average incremental borrowing rate used to determine the lease obligation at adoption was approximately 5.4%. The right-of-use assets and lease obligations recognized largely relate to the Company's head office lease in Calgary and long-term leases for oil storage facilities in France.

The adoption of IFRS 16 included the following elections:

- Vermilion elected to retain the classification of contracts previously identified as leases under IAS 17 and IFRIC 4.
- Vermilion elected to use hindsight in determining lease term.

The difference in operating lease commitments disclosed as at December 31, 2017 and lease liabilities recognised in the statement of financial position at January 1, 2018 is primarily due to the application of hindsight in determining lease terms, including the impact of extension options negotiated or exercised during the nine months ended September 30, 2018.

As a result of this adoption, Vermilion has revised the description of its accounting policy for leases as follows:

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term.

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of assets, liabilities, income, and expenses. Actual results could differ significantly from these estimates. Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- Incremental borrowing rate: The Incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease term: Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

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 September 30, 2018								
($M)	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
Drilling and development	89,837	15,682	5,148	4,271	(50)	16,061	11,386	(219)	142,116
Exploration and evaluation	—	97	(92)	2,226	—	—	—	1,838	4,069
Crude oil and condensate sales	209,219	100,840	634	7,898	—	35,848	11,740	—	366,179
NGL sales	15,680	—	—	—	—	—	1,919	—	17,599
Natural gas sales	18,117	—	41,159	13,154	50,228	—	892	1,083	124,633
Royalties	(33,801)	(12,765)	(1,049)	(2,448)	—	—	(3,444)	(279)	(53,786)
Revenue from external customers	209,215	88,075	40,744	18,604	50,228	35,848	11,107	804	454,625
Transportation	(9,057)	(2,013)	—	(1,191)	(1,460)	—	—	—	(13,721)
Operating	(55,577)	(13,733)	(5,812)	(4,863)	(3,354)	(11,585)	(2,633)	(201)	(97,758)
General and administration	(1,316)	(3,365)	(320)	(2,073)	(3,597)	(1,020)	(2,397)	854	(13,234)
PRRT	—	—	—	—	—	254	—	—	254
Corporate income taxes	—	(6,913)	1,729	—	—	(3,355)	—	(862)	(9,401)
Interest expense	—	—	—	—	—	—	—	(19,772)	(19,772)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(37,365)	(37,365)
Realized foreign exchange loss	—	—	—	—	—	—	—	(3,100)	(3,100)
Realized other income	—	—	—	—	—	—	—	177	177
Fund flows from operations	**143,265**	**62,051**	**36,341**	**10,477**	**41,817**	**20,142**	**6,077**	**(59,465)**	**260,705**

	Three Months Ended September 30, 2017								
($M)	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
Drilling and development	43,746	14,071	4,548	855	1,101	10,154	1,362	—	75,837
Exploration and evaluation	—	1,685	7,042	2,165	—	—	—	4,653	15,545
Crude oil and condensate sales	48,834	66,100	353	5,491	—	35,257	4,513	—	160,548
NGL sales	10,767	—	—	—	—	—	136	—	10,903
Natural gas sales	17,637	—	20,905	10,172	28,218	—	122	—	77,054
Royalties	(6,653)	(6,399)	(360)	(2,261)	—	—	(1,321)	—	(16,994)
Revenue from external customers	70,585	59,701	20,898	13,402	28,218	35,257	3,450	—	231,511
Transportation	(4,485)	(3,434)	—	(1,603)	(1,252)	—	(26)	—	(10,800)
Operating	(22,071)	(13,148)	(4,498)	(3,477)	(5,717)	(12,292)	(629)	—	(61,832)
General and administration	(2,239)	(2,543)	(510)	(1,708)	(670)	(1,675)	(935)	(1,834)	(12,114)
PRRT	—	—	—	—	—	(4,345)	—	—	(4,345)
Corporate income taxes	—	(1,396)	(1,983)	—	—	(193)	—	480	(3,092)
Interest expense	—	—	—	—	—	—	—	(13,400)	(13,400)
Realized gain on derivative instruments	—	—	—	—	—	—	—	8,723	8,723
Realized foreign exchange loss	—	—	—	—	—	—	—	(4,110)	(4,110)
Realized other income	—	—	—	—	—	—	—	214	214
Fund flows from operations	**41,790**	**39,180**	**13,907**	**6,614**	**20,579**	**16,752**	**1,860**	**(9,927)**	**130,755**

($M)	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
				Nine Months Ended September 30, 2018					
Total assets	3,107,387	864,425	199,212	284,368	575,195	227,055	327,353	333,635	5,918,630
Drilling and development	187,646	62,581	15,671	7,776	84	31,878	37,956	(109)	343,483
Exploration and evaluation	—	169	(642)	3,450	—	—	—	8,174	11,151
Crude oil and condensate sales	394,897	274,713	1,741	25,962	—	111,382	20,690	—	829,385
NGL sales	40,544	—	—	—	—	—	2,160	—	42,704
Natural gas sales	49,423	—	111,238	34,590	151,765	—	990	1,083	349,089
Royalties	(59,112)	(34,805)	(2,644)	(5,436)	—	—	(6,017)	(279)	(108,293)
Revenue from external customers	425,752	239,908	110,335	55,116	151,765	111,382	17,823	804	1,112,885
Transportation	(18,783)	(7,184)	—	(4,968)	(4,014)	—	—	—	(34,949)
Operating	(115,435)	(40,675)	(19,916)	(16,433)	(10,869)	(37,442)	(3,573)	(201)	(244,544)
General and administration	(3,907)	(10,378)	(1,238)	(5,093)	(6,349)	(3,527)	(4,910)	(3,713)	(39,115)
PRRT	—	—	—	—	—	(7,246)	—	—	(7,246)
Corporate income taxes	—	(14,200)	(9,069)	—	—	(6,379)	—	(1,159)	(30,807)
Interest expense	—	—	—	—	—	—	—	(51,932)	(51,932)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(82,939)	(82,939)
Realized foreign exchange loss	—	—	—	—	—	—	—	(5,651)	(5,651)
Realized other income	—	—	—	—	—	—	—	608	608
Fund flows from operations	**287,627**	**167,471**	**80,112**	**28,622**	**130,533**	**56,788**	**9,340**	**(144,183)**	**616,310**

($M)	Canada	France	Netherlands	Germany	Ireland	Australia	USA	Corporate	Total
				Nine Months Ended September 30, 2017					
Total assets	1,546,888	822,316	207,330	288,348	667,006	247,296	75,166	156,587	4,010,937
Drilling and development	121,802	51,530	12,233	2,087	224	22,750	18,056	—	228,682
Exploration and evaluation	—	1,824	7,042	2,165	—	—	—	6,433	17,464
Crude oil and condensate sales	147,791	189,325	1,221	16,484	—	118,305	10,484	—	483,610
NGL sales	23,756	—	—	—	—	—	292	—	24,048
Natural gas sales	64,834	—	65,925	33,314	109,537	—	229	—	273,839
Royalties	(23,957)	(17,966)	(1,075)	(4,857)	—	—	(3,080)	—	(50,935)
Revenue from external customers	212,424	171,359	66,071	44,941	109,537	118,305	7,925	—	730,562
Transportation	(12,532)	(10,152)	—	(5,043)	(3,709)	—	(26)	—	(31,462)
Operating	(58,088)	(36,670)	(14,231)	(14,151)	(14,619)	(37,967)	(1,301)	—	(177,027)
General and administration	(7,064)	(9,326)	(1,666)	(5,687)	(1,803)	(5,001)	(3,067)	(4,818)	(38,432)
PRRT	—	—	—	—	—	(16,247)	—	—	(16,247)
Corporate income taxes	—	(8,208)	(3,644)	—	—	(2,781)	—	15	(14,618)
Interest expense	—	—	—	—	—	—	—	(43,603)	(43,603)
Realized gain on derivative instruments	—	—	—	—	—	—	—	12,214	12,214
Realized foreign exchange loss	—	—	—	—	—	—	—	(583)	(583)
Realized other income	—	—	—	—	—	—	—	508	508
Fund flows from operations	**134,740**	**107,003**	**46,530**	**20,060**	**89,406**	**56,309**	**3,531**	**(36,267)**	**421,312**

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

	Three Months Ended		Nine Months Ended	
($M)	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Fund flows from operations	**260,705**	130,755	**616,310**	421,312
Accretion	**(8,041)**	(6,850)	**(23,014)**	(19,980)
Depletion and depreciation	**(166,343)**	(120,826)	**(434,621)**	(362,504)
Unrealized (loss) gain on derivative instruments	**(75,829)**	(24,198)	**(163,770)**	78,950
Equity based compensation	**(13,056)**	(12,858)	**(43,767)**	(45,492)
Unrealized foreign exchange (loss) gain	**(23,044)**	(3,016)	**(26,877)**	31,082
Unrealized other expense	**(203)**	(200)	**(597)**	(440)
Deferred tax	**10,712**	(1,998)	**24,613**	(49,315)
Net (loss) earnings	**(15,099)**	(39,191)	**(51,723)**	53,613

4. Business combinations

Private Producer in Southeast Saskatchewan and Southwest Manitoba

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.

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

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

For the nine months ended September 30, 2018, the acquisition contributed revenues of $14.4 million and net earnings of $5.5 million. Had the acquisition occurred on January 1, 2018, revenues would have increased by $2.9 million and net earnings would have increased by $1.0 million for the nine months ended September 30, 2018.

Spartan Energy Corp.

On May 28, 2018, Vermilion acquired 100% of the issued and outstanding common shares of Spartan Energy Corp., a publicly traded oil and gas producer with light oil producing properties in southeast Saskatchewan as well as other areas in Saskatchewan, Alberta, and Manitoba. The acquisition increases Vermilion's position in southeast Saskatchewan and aligns with the Company's sustainable growth-and-income model.

Consideration consisted of the issuance of 27.9 million Vermilion common shares valued at approximately $1.2 billion (based on the closing price per Vermilion common share of $44.30 on the Toronto Stock Exchange on May 28, 2018). Acquisition-related costs of $1.3 million were incurred in the six months ended June 30, 2018.

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

($M)	Consideration
Shares issued for acquisition	1,235,221
Total consideration	**1,235,221**

($M)	Allocation of consideration
Deferred tax assets	123,813
Capital assets	1,401,686
Assumed working capital deficit	(22,478)
Long-term debt	(150,196)
Lease obligations	(25,455)
Asset retirement obligations	(92,149)
Net assets acquired	**1,235,221**

For the nine months ended September 30, 2018, the acquisition contributed revenues of $156.9 million and net earnings of $40.3 million. Had the acquisition occurred on January 1, 2018, revenues would have increased by $182.4 million and net earnings would have increased by $35.0 million for the nine months ended September 30, 2018.

Assets in Wyoming

In August 2018, Vermilion acquired oil and gas producing assets and mineral leasehold land from a private oil company for total cash consideration of approximately $186 million. The assets are located in Campbell County, Wyoming in the Powder River Basin, approximately 65 kilometres northwest of Vermilion's existing operations. The acquired assets complement Vermilion's existing Powder River operations and align 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	186,356
Total consideration	**186,356**

($M)	Allocation of consideration
Capital assets	192,802
Acquired working capital deficit	(1,623)
Asset retirement obligations	(4,823)
Net assets acquired	**186,356**

For the nine months ended September 30, 2018, the acquisition contributed revenues of $5.0 million and net earnings of $0.4 million. Had the acquisition occurred on January 1, 2018, revenues would have increased by $18.5 million and net earnings would have increased by $5.9 million for the nine months ended September 30, 2018.

Minor acquisitions

Vermilion completed minor acquisitions during the nine months ended September 30, 2018 for total cash consideration of $59.5 million, in which $117.1 million of capital assets and $55.9 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**
Acquisitions	**1,787,655**
Additions	**343,483**
Increase in right-of-use assets	**98,042**
Changes in asset retirement obligations	**(83,362)**
Depletion and depreciation	**(433,122)**
Foreign exchange	**(13,438)**
Balance at September 30	**5,037,223**

The following table discloses the carrying balance and depreciation charge relating to right-of-use assets by class of underlying asset as at and for the nine months ended September 30, 2018:

($M)	Depreciation	Balance
Office space	**6,779**	**64,334**
Gas processing facilities	**3,704**	**43,576**
Oil storage facilities	**2,060**	**20,635**
Vehicles and equipment	**1,237**	**3,410**
	13,780	**131,955**

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	**11,151**
Changes in asset retirement obligations	**260**
Depreciation	**(4,785)**
Foreign exchange	**(394)**
Balance at September 30	**298,510**

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	**161,019**
Changes in estimates	**(68,995)**
Obligations settled	**(9,203)**
Accretion	**23,014**
Changes in discount rates	**(17,833)**
Foreign exchange	**(7,099)**
Balance at September 30	**598,083**

8. Leases

Vermilion had the following future commitments associated with its lease obligations:

($M)	As at Sep 30, 2018
Less than 1 year	**29,090**
1 - 3 years	**64,968**
4 - 5 years	**33,222**
After 5 years	**28,506**
Total lease payments	**155,786**
Amounts representing interest	**(21,835)**
Present value of net lease payments	**133,951**
Current portion of lease obligations	**23,232**
Non-current portion of lease obligations	**110,719**

For the nine months ended September 30, 2018, interest expense of $5.2 million and total cash outflow of $18.9 million were recognized relating to lease obligations.

9. Long-term debt

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

	As at	
($M)	Sep 30, 2018	Dec 31, 2017
Revolving credit facility	**1,345,730**	899,595
Senior unsecured notes	**383,159**	370,735
Long-term debt	**1,728,889**	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 September 30, 2018 was $386.0 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	**237,061**
Assumed on acquisitions (1)	**188,496**
Amortization of transaction costs and prepaid interest	**1,229**
Foreign exchange	**31,773**
Balance at September 30	**1,728,889**

(1) Pursuant to the acquisitions described in Financial Statement Note 4 (Business Combinations), Vermilion assumed the credit facilities of the acquired companies and immediately extinguished them following the respective acquisitions using proceeds from Vermilion's revolving credit facility.

Revolving credit facility

At September 30, 2018, Vermilion had in place a bank revolving credit facility maturing May 31, 2022 with the following terms:

	As at	
($M)	Sep 30, 2018	Dec 31, 2017
Total facility amount	**1,800,000**	1,400,000
Amount drawn	**(1,345,730)**	(899,595)
Letters of credit outstanding	**(8,800)**	(7,400)
Unutilized capacity	**445,470**	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 September 30, 2018, the revolving credit facility was subject to the following financial covenants:

		As at	
Financial covenant	Limit	Sep 30, 2018	Dec 31, 2017
Consolidated total debt to consolidated EBITDA	4.0	**1.67**	1.87
Consolidated total senior debt to consolidated EBITDA	3.5	**1.30**	1.30
Consolidated total senior debt to total capitalization	55%	**32%**	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” 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.
- Total capitalization: Includes all amounts classified as “Shareholders’ equity” plus consolidated total debt as defined above.

As at September 30, 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%

10. 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 acquisition	**27,883**	**1,234,676**
Shares issued for the Dividend Reinvestment Plan	**1,030**	**43,936**
Vesting of equity based awards	**1,025**	**54,057**
Shares issued for equity based compensation	**256**	**10,626**
Share-settled dividends on vested equity based awards	**184**	**7,773**
Balance at September 30	**152,497**	**4,001,774**

Dividends declared to shareholders for the nine months ended September 30, 2018 were $282.8 million (2017 - $232.7 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 $35.1 million or $0.23 per share

11. 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		Nine Months Ended	
($M except as indicated)	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Long-term debt	**1,728,889**	1,301,757	**1,728,889**	1,301,757
Current liabilities	**629,893**	298,236	**629,893**	298,236
Current assets	**(324,696)**	(228,998)	**(324,696)**	(228,998)
Net debt	**2,034,086**	1,370,995	**2,034,086**	1,370,995
Ratio of net debt to annualized fund flows from operations	**1.95**	2.62	**2.48**	2.44

12. 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)	Sep 30, 2018
Currency risk - Euro to Canadian dollar	
$0.01 increase in strength of the Canadian dollar against the Euro	**(3,400)**
$0.01 decrease in strength of the Canadian dollar against the Euro	**3,400**
Currency risk - US dollar to Canadian dollar	
$0.01 increase in strength of the Canadian dollar against the US $	**3,281**
$0.01 decrease in strength of the Canadian dollar against the US $	**(3,281)**
Commodity price risk - Crude oil	
US $5.00/bbl increase in crude oil price used to determine the fair value of derivatives	**(30,961)**
US $5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	**26,147**
Commodity price risk - European natural gas	
€ 0.5/GJ increase in European natural gas price used to determine the fair value of derivatives	**(42,065)**
€ 0.5/GJ decrease in European natural gas price used to determine the fair value of derivatives	**40,881**

DIRECTORS

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Chairman & CEO, Point Energy Ltd.
Calgary, Alberta

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Catherine L. Williams [3, 6]
Calgary, Alberta

1 Chairman of the Board
2 Lead Director
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

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
LNG	liquefied natural gas
LSB	light sour blend crude oil reference price
mbbls	thousand barrels
mcf	thousand cubic feet
mmbtu	million British thermal units
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
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

Bill Liutkus
Managing Director - Germany Business Unit

Darcy Kerwin
Managing Director - Ireland Business Unit

Bryan Sralla
Managing Director - Central & Eastern Europe Business Unit

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Bruce D. Lake
Managing Director - Australia Business Unit

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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

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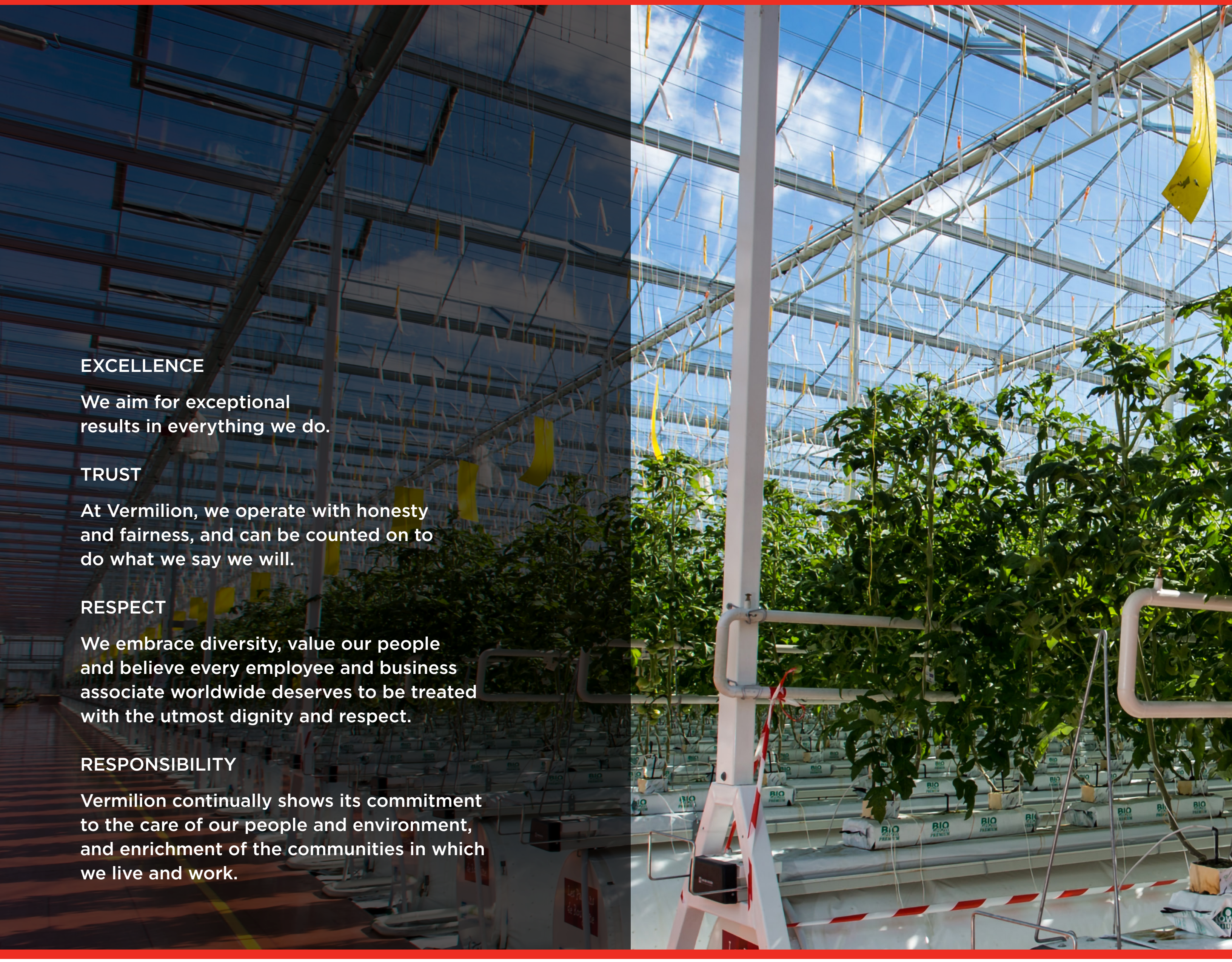

EXCELLENCE

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.

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