

Q3 2023

# FINANCIAL STATEMENTS

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INTERNATIONALLY DIVERSIFIED | FREE CASH FLOW FOCUSED

VERMILION  
ENERGY



# Disclaimer

Certain statements included or incorporated by reference in this document may constitute forward-looking statements or information 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 and Vermilion's ability to fund such expenditures; Vermilion's additional debt capacity providing it with additional working capital; statements regarding the return of capital; the flexibility of Vermilion's capital program and operations; business strategies and objectives; operational and financial performance; petroleum and natural gas sales; future production levels and the timing thereof, including Vermilion's 2023 guidance, and rates of average annual production growth; the effect of changes in crude oil and natural gas prices, changes in exchange and inflation rates; significant declines in production or sales volumes due to unforeseen circumstances; the effect of possible changes in critical accounting estimates; statements regarding the growth and size of Vermilion's future project inventory, wells expected to be drilled in 2023; exploration and development plans and the timing thereof; Vermilion's ability to reduce its debt; statements regarding Vermilion's hedging program, its plans to add to its hedging positions, and the anticipated impact of Vermilion's hedging program on project economics and free cash flows; the potential financial impact of climate-related risks; 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 Vermilion's expectations regarding future taxes and taxability; 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, interest rates and inflation; 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 or involving Vermilion; and other risks and uncertainties described elsewhere in this document or in Vermilion's other filings with Canadian securities regulatory authorities.

This document contains references to sustainability/ESG data and performance that reflect metrics and concepts that are commonly used in such frameworks as the Global Reporting Initiative, the Task Force on Climate-related Financial Disclosures, and the Sustainability Accounting Standards Board. Vermilion has used best efforts to align with the most commonly accepted methodologies for ESG reporting, including with respect to climate data and information on potential future risks and opportunities, in order to provide a fuller context for our current and future operations. However, these methodologies are not yet standardized, are frequently based on calculation factors that change over time, and continue to evolve rapidly. Readers are particularly cautioned to evaluate the underlying definitions and measures used by other companies, as these may not be comparable to Vermilion's. While Vermilion will continue to monitor and adapt its reporting accordingly, the Company is not under any duty to update or revise the related sustainability/ESG data or statements except as required by applicable securities laws.

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, 2023	December 31, 2022
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		—	13,836
Accounts receivable		301,690	373,651
Crude oil inventory		26,943	19,657
Derivative instruments		265,048	162,843
Prepaid expenses		63,570	144,459
Total current assets		657,251	714,446
Derivative instruments		16,884	132,598
Investment in securities		68,287	56,366
Deferred taxes		135,840	125,533
Exploration and evaluation assets	5	235,233	270,593
Capital assets	2, 4	6,047,666	5,691,522
Total assets		7,161,161	6,991,058
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		368,671	481,444
Dividends payable	9	16,367	13,058
Derivative instruments		43,996	55,845
Income taxes payable		304,396	341,698
Total current liabilities		733,430	892,045
Derivative instruments		10,944	—
Long-term debt	8	966,505	1,081,351
Lease obligations		36,815	51,507
Asset retirement obligations	6	1,123,806	1,087,757
Deferred taxes		437,305	477,340
Total liabilities		3,308,805	3,590,000
<b>Shareholders' Equity</b>			
Shareholders' capital	9	4,182,110	4,243,794
Contributed surplus		38,839	35,409
Accumulated other comprehensive income		89,494	123,505
Deficit		(458,087)	(1,001,650)
Total shareholders' equity		3,852,356	3,401,058
Total liabilities and shareholders' equity		7,161,161	6,991,058

### Approved by the Board

(Signed "Manjit Sharma")

Manjit Sharma, Director

(Signed "Dion Hatcher")

Dion Hatcher, Director

## Consolidated Statements of Net Earnings and Comprehensive Income

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

	Note	Three Months Ended		Nine Months Ended	
		Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
<b>Revenue</b>					
Petroleum and natural gas sales		475,532	964,678	1,499,586	2,633,701
Royalties		(32,209)	(82,854)	(146,546)	(237,714)
Sales of purchased commodities		51,252	83,460	138,542	194,619
<b>Petroleum and natural gas revenue</b>		<b>494,575</b>	<b>965,284</b>	<b>1,491,582</b>	<b>2,590,606</b>
<b>Expenses</b>					
Purchased commodities		51,252	83,460	138,542	194,619
Operating		122,870	125,987	396,444	352,787
Transportation		21,460	19,498	66,415	56,920
Equity based compensation		6,362	6,145	34,885	39,013
(Gain) loss on derivative instruments		(8,331)	94,109	(194,209)	370,846
Interest expense		20,218	24,455	62,303	60,352
General and administration		20,959	14,422	60,906	44,333
Foreign exchange loss (gain)		9,953	47,032	(8,601)	40,709
Other expense (income)		10,536	(5,530)	3,989	(12,852)
Accretion	6	20,068	14,285	58,718	41,669
Depletion and depreciation	4, 5	151,087	130,205	453,607	405,208
Impairment reversal	4	—	—	—	(192,094)
Gain on business combination	3	—	—	(445,094)	—
Loss on disposition	4	—	—	226,828	—
		<b>426,434</b>	<b>554,068</b>	<b>854,733</b>	<b>1,401,510</b>
<b>Earnings before income taxes</b>		<b>68,141</b>	<b>411,216</b>	<b>636,849</b>	<b>1,189,096</b>
<b>Income tax (recovery) expense</b>					
Deferred		(42,489)	84,570	(79,435)	91,974
Current		31,368	55,567	72,558	179,468
Windfall taxes		21,953	—	78,177	—
		<b>10,832</b>	<b>140,137</b>	<b>71,300</b>	<b>271,442</b>
<b>Net earnings</b>		<b>57,309</b>	<b>271,079</b>	<b>565,549</b>	<b>917,654</b>
<b>Other comprehensive income</b>					
Currency translation adjustments		(15,584)	10,896	(47,196)	(55,723)
Hedge accounting reserve, net of tax		1,631	1,633	5,420	4,897
Fair value adjustment on investment in securities		7,614	3,371	7,765	22,315
<b>Comprehensive income</b>		<b>50,970</b>	<b>286,979</b>	<b>531,538</b>	<b>889,143</b>
<b>Net earnings per share</b>					
Basic		0.35	1.65	3.45	5.61
Diluted		0.34	1.61	3.38	5.44
<b>Weighted average shares outstanding ('000s)</b>					
Basic		163,946	163,947	163,848	163,619
Diluted		166,392	168,494	167,167	168,658

## Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

	Note	Three Months Ended		Nine Months Ended	
		Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
<b>Operating</b>					
Net earnings		57,309	271,079	565,549	917,654
Adjustments:					
Accretion	6	20,068	14,285	58,718	41,669
Depletion and depreciation	5, 6	151,087	130,205	453,607	405,208
Impairment reversal	4	—	—	—	(192,094)
Gain on business combination	3	—	—	(445,094)	—
Loss on disposition	4	—	—	226,828	—
Unrealized loss (gain) on derivative instruments		65,294	(43,844)	(38,581)	8,892
Equity based compensation		6,362	6,145	34,885	39,013
Unrealized foreign exchange loss (gain)		12,042	44,929	(7,604)	37,059
Unrealized other expense		545	507	1,621	1,270
Deferred tax (recovery) expense		(42,489)	84,570	(79,435)	91,974
Asset retirement obligations settled	6	(13,582)	(10,386)	(28,029)	(21,006)
Changes in non-cash operating working capital		(138,200)	(49,882)	(61,768)	(10,614)
Cash flows from operating activities		118,436	447,608	680,697	1,319,025
<b>Investing</b>					
Drilling and development	4	(119,404)	(177,878)	(436,802)	(370,207)
Exploration and evaluation	5	(6,235)	(6,137)	(10,502)	(12,305)
Acquisitions, net of cash acquired	4	(3,191)	(2,203)	(139,612)	(506,715)
Acquisition of securities		(2,047)	(4,017)	(4,155)	(22,318)
Dispositions	4	—	—	182,152	—
Changes in non-cash investing working capital		(39,527)	21,960	(34,584)	20,306
Cash flows used in investing activities		(170,404)	(168,275)	(443,503)	(891,239)
<b>Financing</b>					
Net borrowings (repayments) on the revolving credit facility	8	32,858	(186,822)	(113,733)	(819,922)
Issuance of senior unsecured notes	8	—	—	—	499,037
Payments on lease obligations		(4,053)	(4,068)	(13,117)	(13,149)
Repurchase of shares	9	(11,645)	(71,659)	(66,102)	(71,659)
Cash dividends	9	(16,429)	(9,953)	(45,713)	(19,680)
Cash flows from (used in) financing activities		731	(272,502)	(238,665)	(425,373)
Foreign exchange gain (loss) on cash held in foreign currencies		537	307	(12,365)	(628)
Net change in cash and cash equivalents		(50,700)	7,138	(13,836)	1,785
Cash and cash equivalents, beginning of period		50,700	675	13,836	6,028
Cash and cash equivalents, end of period		—	7,813	—	7,813
Supplementary information for cash flows from operating activities					
Interest paid		13,742	19,432	56,387	49,457
Income taxes paid		149,721	57,885	302,497	82,076

## Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Note	Nine Months Ended	
		September 30, 2023	September 30, 2022
<b>Shareholders' capital</b>	9		
Balance, beginning of period		4,243,794	4,241,773
Vesting of equity based awards		21,175	41,193
Equity based compensation		10,280	13,123
Share-settled dividends on vested equity based awards		1,051	4,185
Repurchase of shares		(94,190)	(60,866)
Balance, end of period		4,182,110	4,239,408
<b>Contributed surplus</b>	9		
Balance, beginning of period		35,409	49,529
Equity based compensation		24,605	25,890
Vesting of equity based awards		(21,175)	(41,193)
Balance, end of period		38,839	34,226
<b>Accumulated other comprehensive income</b>			
Balance, beginning of period		123,505	28,467
Currency translation adjustments		(47,196)	(55,723)
Hedge accounting reserve, net of tax		5,420	4,897
Fair value adjustment on investment in securities		7,765	22,315
Balance, end of period		89,494	(44)
<b>Deficit</b>			
Balance, beginning of period		(1,001,650)	(2,253,624)
Net earnings		565,549	917,654
Dividends declared		(49,023)	(32,711)
Share-settled dividends on vested equity based awards		(1,051)	(4,185)
Repurchase of shares	9	28,088	(10,793)
Balance, end of period		(458,087)	(1,383,659)
<b>Total shareholders' equity</b>		<b>3,852,356</b>	<b>2,889,931</b>

## **Description of equity reserves**

### *Shareholders' capital*

Represents the recognized amount for common shares issued (net of equity issuance costs and deferred taxes) less the weighted-average carrying value of shares repurchased. The price paid to repurchase common shares is compared to the carrying value of the shares and the difference is recorded against deficit.

### *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, hedge accounting reserve and fair value adjustments on investments.

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.

Fair value adjustment on investment in securities, net of tax, are a result of changes in the fair value of investments that have been elected to be subsequently measured at fair value through other comprehensive income.

### *Deficit*

Represents the cumulative net earnings less distributed earnings and surplus of the price paid to repurchase common shares of Vermilion Energy Inc. over the weighted-average carrying value of the shares repurchased.



# Notes to the Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2023 and 2022

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, 2022.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion’s consolidated financial statements for the year ended December 31, 2022, which are contained within Vermilion’s Annual Report for the year ended December 31, 2022 and are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or on Vermilion’s website at [www.vermilionenergy.com](http://www.vermilionenergy.com).

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of Vermilion on November 1, 2023.

## 2. Segmented information

	Three Months Ended September 30, 2023								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	59,111	10,592	14,069	17,162	5,509	6,994	6,072	(105)	119,404
Exploration and evaluation	—	—	—	—	5,139	—	—	1,096	6,235
Crude oil and condensate sales	155,251	43,510	88,970	351	15,275	—	—	—	303,357
NGL sales	15,711	3,048	—	—	—	—	—	—	18,759
Natural gas sales	38,441	1,287	—	27,505	22,331	63,798	—	54	153,416
Sales of purchased commodities	—	—	—	—	—	—	—	51,252	51,252
Royalties	(26,856)	(13,633)	(12,351)	20,607	142	—	—	(118)	(32,209)
Revenue from external customers	182,547	34,212	76,619	48,463	37,748	63,798	—	51,188	494,575
Purchased commodities	—	—	—	—	—	—	—	(51,252)	(51,252)
Transportation	(10,709)	(169)	(4,351)	—	(3,674)	(2,557)	—	—	(21,460)
Operating	(59,191)	(3,947)	(21,810)	(3,411)	(14,008)	(10,372)	(9,937)	(194)	(122,870)
General and administration	(25,575)	(3,239)	(1,716)	(6,624)	(1,721)	(3,929)	(1,356)	23,201	(20,959)
PRRT	—	—	—	—	—	—	—	—	—
Corporate income taxes	—	—	(5,410)	(17,079)	(8,284)	(163)	(397)	(35)	(31,368)
Windfall taxes	—	—	—	—	—	—	—	(21,953)	(21,953)
Interest expense	—	—	—	—	—	—	—	(20,218)	(20,218)
Realized gain on derivative instruments	—	—	—	—	—	—	—	73,625	73,625
Realized foreign exchange gain	—	—	—	—	—	—	—	2,089	2,089
Realized other expense	—	—	—	—	—	—	—	(9,991)	(9,991)
<b>Fund flows from operations</b>	<b>87,072</b>	<b>26,857</b>	<b>43,332</b>	<b>21,349</b>	<b>10,061</b>	<b>46,777</b>	<b>(11,690)</b>	<b>46,460</b>	<b>270,218</b>

	Three Months Ended September 30, 2022								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	83,343	28,895	9,624	5,515	3,105	735	44,068	2,593	177,878
Exploration and evaluation	—	—	—	32	229	—	—	5,876	6,137
Crude oil and condensate sales	220,983	31,450	90,825	945	17,135	—	39,220	—	400,558
NGL sales	27,673	4,775	—	—	—	—	—	—	32,448
Natural gas sales	84,262	5,390	—	184,351	151,677	102,286	—	3,706	531,672
Sales of purchased commodities	—	—	—	—	—	—	—	83,460	83,460
Royalties	(54,919)	(11,230)	(10,402)	—	(4,713)	—	—	(1,590)	(82,854)
Revenue from external customers	277,999	30,385	80,423	185,296	164,099	102,286	39,220	85,576	965,284
Purchased commodities	—	—	—	—	—	—	—	(83,460)	(83,460)
Transportation	(11,299)	(73)	(4,877)	—	(2,342)	(907)	—	—	(19,498)
Operating	(66,245)	(7,338)	(14,461)	(13,200)	(9,188)	(4,715)	(10,349)	(491)	(125,987)
General and administration	(6,719)	(1,159)	(3,837)	(564)	(1,386)	68	(1,063)	238	(14,422)
PRRT	—	—	—	—	—	—	(4,545)	—	(4,545)
Corporate income taxes	—	—	(8,190)	(26,897)	(18,646)	—	2,865	(154)	(51,022)
Interest expense	—	—	—	—	—	—	—	(24,455)	(24,455)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(137,953)	(137,953)
Realized foreign exchange loss	—	—	—	—	—	—	—	(2,103)	(2,103)
Realized other income	—	—	—	—	—	—	—	6,037	6,037
<b>Fund flows from operations</b>	<b>193,736</b>	<b>21,815</b>	<b>49,058</b>	<b>144,635</b>	<b>132,537</b>	<b>96,732</b>	<b>26,128</b>	<b>(156,765)</b>	<b>507,876</b>

	Nine Months Ended September 30, 2023								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	234,432	87,064	37,080	33,359	18,445	8,433	16,674	1,315	436,802
Exploration and evaluation	—	—	—	1	8,220	—	—	2,281	10,502
Crude oil and condensate sales	479,061	98,883	233,154	1,233	42,436	32	—	—	854,799
NGL sales	50,557	10,673	—	—	—	—	—	—	61,230
Natural gas sales	131,671	4,735	—	133,960	108,895	201,942	—	2,354	583,557
Sales of purchased commodities	—	—	—	—	—	—	—	138,542	138,542
Royalties	(77,752)	(31,060)	(30,275)	(875)	(5,257)	—	—	(1,327)	(146,546)
Revenue from external customers	583,537	83,231	202,879	134,318	146,074	201,974	—	139,569	1,491,582
Purchased commodities	—	—	—	—	—	—	—	(138,542)	(138,542)
Transportation	(31,462)	(301)	(18,766)	—	(9,847)	(6,039)	—	—	(66,415)
Operating	(182,288)	(17,185)	(63,113)	(30,014)	(35,624)	(25,516)	(41,683)	(1,021)	(396,444)
General and administration	(71,037)	(7,028)	(14,397)	(7,739)	(9,105)	(9,969)	(5,674)	64,043	(60,906)
Corporate income taxes	—	—	(8,425)	(29,591)	(31,056)	(390)	(1,912)	(1,184)	(72,558)
Windfall taxes	—	—	—	—	—	—	—	(78,177)	(78,177)
Interest expense	—	—	—	—	—	—	—	(62,303)	(62,303)
Realized gain on derivative instruments	—	—	—	—	—	—	—	155,628	155,628
Realized foreign exchange gain	—	—	—	—	—	—	—	997	997
Realized other expense	—	—	—	—	—	—	—	(2,368)	(2,368)
<b>Fund flows from operations</b>	<b>298,750</b>	<b>58,717</b>	<b>98,178</b>	<b>66,974</b>	<b>60,442</b>	<b>160,060</b>	<b>(49,269)</b>	<b>76,642</b>	<b>770,494</b>

	Nine Months Ended September 30, 2022								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	163,720	60,944	28,546	7,732	15,243	1,707	89,420	2,895	370,207
Exploration and evaluation	—	—	2	(312)	825	—	—	11,790	12,305
Crude oil and condensate sales	697,481	95,364	287,521	2,148	44,311	—	125,767	—	1,252,592
NGL sales	92,085	13,889	—	—	—	—	—	—	105,974
Natural gas sales	238,821	12,582	—	441,041	315,938	259,592	—	7,161	1,275,135
Sales of purchased commodities	—	—	—	—	—	—	—	194,619	194,619
Royalties	(157,258)	(32,229)	(31,059)	—	(14,829)	—	—	(2,339)	(237,714)
Revenue from external customers	871,129	89,606	256,462	443,189	345,420	259,592	125,767	199,441	2,590,606
Purchased commodities	—	—	—	—	—	—	—	(194,619)	(194,619)
Transportation	(31,930)	(523)	(15,511)	—	(6,130)	(2,826)	—	—	(56,920)
Operating	(177,594)	(17,983)	(44,950)	(34,674)	(28,231)	(11,893)	(36,187)	(1,275)	(352,787)
General and administration	(21,982)	(3,589)	(11,411)	(2,239)	(3,977)	435	(2,964)	1,394	(44,333)
PRRT	—	—	—	—	—	—	(13,273)	—	(13,273)
Corporate income taxes	—	—	(24,881)	(114,111)	(29,554)	—	2,650	(299)	(166,195)
Interest expense	—	—	—	—	—	—	—	(60,352)	(60,352)
Realized loss on derivative instruments	—	—	—	—	—	—	—	(361,954)	(361,954)
Realized foreign exchange loss	—	—	—	—	—	—	—	(3,650)	(3,650)
Realized other income	—	—	—	—	—	—	—	14,122	14,122
<b>Fund flows from operations</b>	<b>639,623</b>	<b>67,511</b>	<b>159,709</b>	<b>292,165</b>	<b>277,528</b>	<b>245,308</b>	<b>75,993</b>	<b>(407,192)</b>	<b>1,350,645</b>

Reconciliation of fund flows from operations to net earnings:

	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Fund flows from operations	270,218	507,876	770,494	1,350,645
Equity based compensation	(6,362)	(6,145)	(34,885)	(39,013)
Unrealized (loss) gain on derivative instruments	(65,294)	43,844	38,581	(8,892)
Unrealized foreign exchange (loss) gain	(12,042)	(44,929)	7,604	(37,059)
Accretion	(20,068)	(14,285)	(58,718)	(41,669)
Depletion and depreciation	(151,087)	(130,205)	(453,607)	(405,208)
Deferred tax recovery (expense)	42,489	(84,570)	79,435	(91,974)
Gain on business combination	—	—	445,094	—
Loss on disposition	—	—	(226,828)	—
Impairment reversal	—	—	—	192,094
Unrealized other expense	(545)	(507)	(1,621)	(1,270)
<b>Net earnings</b>	<b>57,309</b>	<b>271,079</b>	<b>565,549</b>	<b>917,654</b>

### 3. Business combination

#### *Equinor Energy Ireland Limited*

On March 31, 2023, Vermilion purchased 100% of the shares outstanding of Equinor Energy Ireland Limited ("EEIL") from Equinor ASA. The acquisition adds an incremental 36.5% interest in the Corrib Natural Gas Project, increasing Vermilion's operated interest to 56.5%. The acquisition makes Vermilion the largest provider of domestic natural gas in Ireland.

The total consideration paid and the fair value of the assets acquired and liabilities assumed at the date of acquisition are detailed in the table below. The initial accounting for the working capital deficit has been determined on a provisional basis as final working capital amounts related to accounts receivable, accounts payable, and taxes payable are unavailable due to the timing of close.

	Consideration
<b>Cash consideration paid</b>	<b>488,893</b>
	<b>Allocation of consideration</b>
Cash acquired	400,002
Capital assets	768,026
Acquired working capital deficit	(103,527)
Asset retirement obligations	(42,277)
Derivative liability	(51,789)
Deferred tax liability	(36,448)
<b>Net assets acquired</b>	<b>933,987</b>
Gain on business combination	(445,094)
<b>Total net assets acquired, net of gain on business combination</b>	<b>488,893</b>

The gain on the business combination primarily resulted from increases in working capital and the fair value of capital assets from when the purchase and sale agreement was entered into in November 2021 and when the acquisition closed in March 2023.

The results of operations from the assets acquired and liabilities assumed have been included in Vermilion's consolidated financial statements beginning March 31, 2023 and have contributed revenues net of royalties of \$95.5 million and net earnings of \$31.0 million. Had the acquisition occurred on January 1, 2023, revenues would have increased by \$90.3 million and net earnings would have increased by \$55.0 million for the nine months ended September 30, 2023.

## 4. Capital assets

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

	2023
<b>Balance at January 1</b>	<b>5,691,522</b>
Acquisitions	833,626
Dispositions	(534,016)
Additions	436,802
Increase in right-of-use assets	1,376
Depletion and depreciation	(434,624)
Changes in asset retirement obligations	99,167
Foreign exchange	(46,187)
<b>Balance at September 30</b>	<b>6,047,666</b>

### *Southeast Saskatchewan disposition*

In March 2023, Vermilion sold non-core assets in southeast Saskatchewan for net proceeds of \$182.2 million and resulted in a loss on disposition of \$226.8 million. The book value of the net assets disposed of was \$409.0 million and consisted of \$534.0 million of capital assets, \$25.9 million of exploration and evaluation assets, and \$150.9 million of asset retirement obligations.

### *Minor acquisition*

In March 2023, Vermilion completed a minor acquisition of Alberta assets for total consideration of \$19.0 million where \$33.9 million of capital assets and \$14.9 million of asset retirement obligations were recognized.

## 5. Exploration and evaluation assets

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

	2023
<b>Balance at January 1</b>	<b>270,593</b>
Additions	10,502
Dispositions	(25,862)
Changes in asset retirement obligations	2
Depreciation	(18,983)
Foreign exchange	(1,019)
<b>Balance at September 30</b>	<b>235,233</b>

## 6. Asset retirement obligations

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

	2023
<b>Balance at January 1</b>	<b>1,087,757</b>
Additional obligations recognized	59,589
Dispositions	(150,885)
Obligations settled	(28,029)
Accretion	58,718
Changes in rates	110,312
Foreign exchange	(13,656)
<b>Balance at September 30</b>	<b>1,123,806</b>

Vermilion calculated the present value of the obligations using a credit-adjusted risk-free rate, calculated using a credit spread of 3.2% as at September 30, 2023 (December 31, 2022 - 4.5%) added to risk-free rates based on long-term, risk-free government bonds. Vermilion's credit spread is determined using the Company's expected cost of borrowing at the end of the reporting period.

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

	Sep 30, 2023	Dec 31, 2022
Canada	3.9 %	3.3 %
United States	4.9 %	4.1 %
France	3.8 %	3.4 %
Netherlands	3.0 %	2.7 %
Germany	3.0 %	2.5 %
Ireland	3.6 %	3.2 %
Australia	4.4 %	4.2 %

## 7. Capital disclosures

Vermilion defines capital as net debt and shareholders' capital. Net debt consists of long-term debt (excluding unrealized foreign exchange on swapped USD borrowings) plus adjusted working capital (defined as current assets less current liabilities, excluding current derivatives and current lease liabilities). 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:

	Sep 30, 2023	Dec 31, 2022
Long-term debt	966,505	1,081,351
Adjusted working capital deficit <sup>(1)</sup>	276,017	265,111
Unrealized FX on swapped USD borrowings	—	(1,876)
<b>Net debt</b>	<b>1,242,522</b>	<b>1,344,586</b>
<b>Ratio of net debt to four quarter trailing fund flows from operations</b>	<b>1.2</b>	<b>0.8</b>

(1) Adjusted working capital is defined as current assets (excluding current derivatives), less current liabilities (excluding current derivatives and current lease liabilities).

## 8. Long-term debt

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

	As at	
	Sep 30, 2023	Dec 31, 2022
Revolving credit facility	32,858	147,666
2025 senior unsecured notes	404,371	404,463
2030 senior unsecured notes	529,276	529,222
<b>Long-term debt</b>	<b>966,505</b>	<b>1,081,351</b>

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 2025 senior unsecured notes as at September 30, 2023 was \$395.0 million (December 31, 2022 - \$391.3 million). The fair value of the 2030 senior unsecured notes as at September 30, 2023 was \$513.1 million (December 31, 2022 - \$496.8 million).

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

	2023
<b>Balance at January 1</b>	<b>1,081,351</b>
Net repayments on the revolving credit facility	(113,733)
Amortization of transaction costs	1,621
Foreign exchange	(2,734)
<b>Balance at September 30</b>	<b>966,505</b>

### Revolving credit facility

As at September 30, 2023, Vermilion had in place a bank revolving credit facility maturing May 29, 2027 with the following terms:

	As at	
	Sep 30, 2023	Dec 31, 2022
Total facility amount	1,600,000	1,600,000
Amount drawn	(32,858)	(147,666)
Letters of credit outstanding	(25,992)	(13,527)
<b>Unutilized capacity</b>	<b>1,541,150</b>	<b>1,438,807</b>

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.

On May 19, 2023, the maturity date of the facility was extended to May 28, 2027 (previously May 29, 2026) and the total facility amount of \$1.6 billion was unchanged. As at September 30, 2023, \$32.9 million was drawn on the facility.

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

As at September 30, 2023, the revolving credit facility was subject to the following financial covenants:

Financial covenant	Limit	As at	
		Sep 30, 2023	Dec 31, 2022
Consolidated total debt to consolidated EBITDA	Less than 4.0	0.58	0.51
Consolidated total senior debt to consolidated EBITDA	Less than 3.5	0.02	0.07
Consolidated EBITDA to consolidated interest expense	Greater than 2.5	20.60	27.10

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 consolidated balance sheet.
- Consolidated total senior debt: Consolidated total debt excluding unsecured and subordinated debt.
- Consolidated EBITDA: 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 September 30, 2023, 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 September 30, 2023 and December 31, 2022, Vermilion was in compliance with the above covenants.

### *2025 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.

Subsequent to March 15, 2023, Vermilion may redeem some or all of the senior unsecured notes at a 100.000% redemption price plus any accrued and unpaid interest.

### *2030 senior unsecured notes*

On April 26, 2022, Vermilion closed a private offering of US \$400.0 million 8-year senior unsecured notes. The notes were priced at 99.241% of par, mature on May 1, 2030, and bear interest at a rate of 6.875% per annum. Interest is paid semi-annually on May 1 and November 1, commencing on November 1, 2022. The notes are senior unsecured obligations of Vermilion and rank equally with existing and future senior unsecured indebtedness.

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:

- On or after May 1, 2025, Vermilion may redeem some or all of the senior unsecured notes at the redemption prices set forth below, together with accrued and unpaid interest.
- Prior to May 1, 2025, Vermilion may redeem up to 35% of the original principal amount of the notes with an amount of cash not greater than the net cash proceeds of certain equity offerings at a redemption price of 106.875% of the principal amount of the notes, together with accrued and unpaid interest.
- Prior to May 1, 2025, Vermilion may also redeem some or all of the notes at a price equal to 100% of the principal amount of the notes, plus a "make-whole premium," together with applicable premium, accrued and unpaid interest.

Year	Redemption price
2025	103.438 %
2026	102.292 %
2027	101.146 %
2028 and thereafter	100.000 %



## 9. Shareholders' capital

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

Shareholders' Capital	2023	
	Shares ('000s)	Amount
<b>Balance at January 1</b>	<b>163,227</b>	<b>4,243,794</b>
Vesting of equity based awards	3,428	21,175
Shares issued for equity based compensation	600	10,280
Share-settled dividends on vested equity based awards	57	1,051
Repurchase of shares	(3,646)	(94,190)
<b>Balance at September 30</b>	<b>163,666</b>	<b>4,182,110</b>

Dividends are approved by the Board of Directors and are paid quarterly. Dividends declared to shareholders for the nine months ended September 30, 2023 were \$49.0 million or \$0.30 per common share (nine months ended September 30, 2022 - \$32.7 million or \$0.20 per common share).

On July 10, 2023, the Toronto Stock Exchange approved our notice of intention to renew our normal course issuer bid ("the NCIB"). The NCIB renewal allows Vermilion to purchase up to 16,308,587 common shares (representing approximately 10% of outstanding common shares) beginning July 12, 2023 and ending July 11, 2024. Common shares purchased under the NCIB will be cancelled.

In the third quarter of 2023, Vermilion purchased 0.6 million common shares under the NCIB for total consideration of \$11.6 million. The common shares purchased under the NCIB were cancelled.

## 10. 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.

	Sep 30, 2023
<b>Currency risk - Euro to Canadian dollar</b>	
\$0.01 increase in strength of the Canadian dollar against the Euro	5,792
\$0.01 decrease in strength of the Canadian dollar against the Euro	(5,792)
<b>Currency risk - US dollar to Canadian dollar</b>	
\$0.01 increase in strength of the Canadian dollar against the US \$	5,577
\$0.01 decrease in strength of the Canadian dollar against the US \$	(5,577)
<b>Commodity price risk - Crude oil</b>	
US \$5.00/bbl increase in crude oil price used to determine the fair value of derivatives	(33,631)
US \$5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	33,631
<b>Commodity price risk - European natural gas</b>	
€5.0/GJ increase in European natural gas price used to determine the fair value of derivatives	(224,783)
€5.0/GJ decrease in European natural gas price used to determine the fair value of derivatives	250,034

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<sup>1</sup> Chairman (Independent)

<sup>2</sup> Audit Committee Chair (Independent)

<sup>3</sup> Audit Committee Member (Independent)

<sup>4</sup> Governance and Human Resources Committee Chair (Independent)

<sup>5</sup> Governance and Human Resources Committee Member (Independent)

<sup>6</sup> Health, Safety and Environment Committee Chair (Independent)

<sup>7</sup> Health, Safety and Environment Committee Member (Independent)

<sup>8</sup> Independent Reserves Committee Chair (Independent)

<sup>9</sup> Independent Reserves Committee Member (Independent)

<sup>10</sup> Sustainability Committee Chair (Independent)

<sup>11</sup> Sustainability Committee Member (Independent)

**OFFICERS / CORPORATE SECRETARY**

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Tamar Epstein  
General Counsel

Lars Glemser \*  
Vice President & Chief Financial Officer

Terry Hergott  
Vice President Marketing

Yvonne Jeffery  
Vice President Sustainability

Darcy Kerwin \*  
Vice President International & HSE

Bryce Kremnica \*  
Vice President North America

Geoff MacDonald  
Vice President Geosciences

Kyle Preston  
Vice President Investor Relations

Averyl Schraven  
Vice President People & Culture

Jenson Tan \*  
Vice President Business Development

Gerard Schut  
Vice President European Operations

Jamie Gagner  
Interim Corporate Secretary

\* Executive Committee

**AUDITORS**

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Calgary, Alberta

**BANKERS**

The Toronto-Dominion Bank

Alberta Treasury Branches

Bank of America N.A., Canada Branch

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

La Caisse Centrale Desjardins du Québec

Citibank N.A., Canadian Branch - Citibank Canada

Canadian Western Bank

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