

Q2 2024

# FINANCIAL STATEMENTS

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INTERNATIONALLY DIVERSIFIED | FREE CASH FLOW FOCUSED

VERMILION  
E N E R G Y



# 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; estimated volumes of reserves and resources; petroleum and natural gas sales; future production levels and the timing thereof, including Vermilion's 2024 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 2024; 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; the impact of Vermilion's dividend policy on its future cash flows; credit ratings; hedging program; expected earnings/(loss) and adjusted earnings/(loss); expected earnings/(loss) or adjusted earnings/(loss) per share; expected future cash flows and free cash flow and expected future cash flow and free cash flow per share; estimated future dividends; financial strength and flexibility; debt and equity market conditions; general economic and competitive conditions; ability of management to execute key priorities; and the effectiveness of various actions resulting from the Vermilion's strategic priorities.

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	June 30, 2024	December 31, 2023
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	11	267,672	141,456
Accounts receivable		258,471	242,926
Crude oil inventory		45,374	57,333
Derivative instruments		97,165	313,792
Prepaid expenses		72,200	68,007
Total current assets		740,882	823,514
Derivative instruments		33,905	76,107
Investments	3	80,129	73,261
Deferred taxes		139,461	182,051
Exploration and evaluation assets	5	209,920	198,379
Capital assets	4	4,978,527	4,882,509
Total assets		6,182,824	6,235,821
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		361,151	380,370
Dividends payable	9	18,981	16,227
Derivative instruments		16,274	732
Income taxes payable		283,072	298,745
Total current liabilities		679,478	696,074
Derivative instruments		61,212	21,050
Long-term debt	8	915,364	914,015
Lease obligations		93,234	33,001
Asset retirement obligations	6	1,225,699	1,159,063
Deferred taxes		377,210	380,970
Total liabilities		3,352,197	3,204,173
<b>Shareholders' Equity</b>			
Shareholders' capital	9	4,020,269	4,142,566
Contributed surplus		35,008	43,348
Accumulated other comprehensive income		107,871	109,302
Deficit		(1,332,521)	(1,263,568)
Total shareholders' equity		2,830,627	3,031,648
Total liabilities and shareholders' equity		6,182,824	6,235,821

### Approved by the Board

(Signed "Manjit Sharma")

Manjit Sharma, Director

(Signed "Dion Hatcher")

Dion Hatcher, Director

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

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

	Note	Three Months Ended		Six Months Ended	
		Jun 30, 2024	Jun 30, 2023	Jun 30, 2024	Jun 30, 2023
<b>Revenue</b>					
Petroleum and natural gas sales		478,925	471,356	986,960	1,024,054
Royalties		(46,610)	(46,993)	(95,163)	(114,337)
Sales of purchased commodities		28,651	38,278	67,021	87,290
<b>Petroleum and natural gas revenue</b>		<b>460,966</b>	<b>462,641</b>	<b>958,818</b>	<b>997,007</b>
<b>Expenses</b>					
Purchased commodities		28,651	38,278	67,021	87,290
Operating		140,230	136,749	289,541	273,574
Transportation		25,317	21,905	48,279	44,955
Equity based compensation		10,501	4,998	16,019	28,523
Loss (gain) on derivative instruments		79,772	(78,850)	47,901	(185,878)
Interest expense		21,062	20,210	39,454	42,085
General and administration		26,537	20,058	50,240	39,947
Foreign exchange (gain) loss		(5,336)	(38,803)	14,434	(18,554)
Other expense (income)		863	(3,488)	817	(6,547)
Accretion	6	18,209	18,599	36,143	38,650
Depletion and depreciation	4, 5	161,184	154,389	339,618	302,520
Gain on business combination		—	(12,544)	—	(445,094)
Loss on disposition		—	—	—	226,828
		<b>506,990</b>	<b>281,501</b>	<b>949,467</b>	<b>428,299</b>
<b>(Loss) earnings before income taxes</b>		<b>(46,024)</b>	<b>181,140</b>	<b>9,351</b>	<b>568,708</b>
<b>Income tax expense (recovery)</b>					
Deferred		20,667	(480)	37,312	(36,946)
Current		15,734	18,928	52,159	41,190
Windfall taxes		—	34,784	—	56,224
		<b>36,401</b>	<b>53,232</b>	<b>89,471</b>	<b>60,468</b>
<b>Net (loss) earnings</b>		<b>(82,425)</b>	<b>127,908</b>	<b>(80,120)</b>	<b>508,240</b>
<b>Other comprehensive (loss) income</b>					
Currency translation adjustments		(1,406)	(56,293)	(2,491)	(31,612)
Hedge accounting reserve, net of tax		1,631	1,634	3,263	3,789
Fair value adjustment on investment in securities, net of tax	3	—	5,884	(2,203)	151
<b>Comprehensive (loss) income</b>		<b>(82,200)</b>	<b>79,133</b>	<b>(81,551)</b>	<b>480,568</b>
<b>Net (loss) earnings per share</b>					
Basic		(0.52)	0.78	(0.50)	3.10
Diluted		(0.52)	0.76	(0.50)	3.04
<b>Weighted average shares outstanding ('000s)</b>					
Basic		159,525	164,997	160,373	163,798
Diluted		161,069	167,364	162,022	167,343

## Consolidated Statements of Cash Flows

thousands of Canadian dollars, unaudited

	Note	Three Months Ended		Six Months Ended	
		Jun 30, 2024	Jun 30, 2023	Jun 30, 2024	Jun 30, 2023
<b>Operating</b>					
Net (loss) earnings		(82,425)	127,908	(80,120)	508,240
Adjustments:					
Accretion	6	18,209	18,599	36,143	38,650
Depletion and depreciation	4, 5	161,184	154,389	339,618	302,520
Gain on business combination		—	(12,544)	—	(445,094)
Loss on disposition		—	—	—	226,828
Unrealized loss (gain) on derivative instruments		125,789	(11,177)	314,533	(103,875)
Equity based compensation		(3,860)	4,998	1,658	28,523
Unrealized foreign exchange (gain) loss		(3,069)	(35,124)	18,572	(19,646)
Unrealized other expense		208	540	345	1,076
Deferred tax expense (recovery)		20,667	(480)	37,312	(36,946)
Asset retirement obligations settled	6	(11,745)	(11,893)	(16,720)	(14,447)
Changes in non-cash operating working capital		41,364	(61,584)	(30,724)	76,432
Cash flows from operating activities		266,322	173,632	620,617	562,261
<b>Investing</b>					
Drilling and development	4	(109,350)	(164,070)	(291,648)	(317,398)
Exploration and evaluation	5	(1,260)	(2,775)	(9,404)	(4,267)
Acquisitions, net of cash acquired	4	(5,450)	(2,196)	(5,829)	(136,421)
Acquisition of securities	3	—	(632)	(9,373)	(2,108)
Dispositions	4	—	—	—	182,152
Changes in non-cash investing working capital		(36,965)	5,269	(18,114)	4,943
Cash flows used in investing activities		(153,025)	(164,404)	(334,368)	(273,099)
<b>Financing</b>					
Net repayments on the revolving credit facility	8	—	—	—	(146,591)
Repurchases of senior unsecured notes	8	(27,592)	—	(31,561)	—
Payments on lease obligations		(7,830)	(4,665)	(11,932)	(9,064)
Repurchase of shares	9	(46,555)	(24,316)	(82,964)	(54,457)
Cash dividends	9	(19,183)	(16,226)	(35,410)	(29,284)
Changes in non-cash financing working capital		1,627	—	1,627	—
Cash flows used in financing activities		(99,533)	(45,207)	(160,240)	(239,396)
Foreign exchange (loss) gain on cash held in foreign currencies		(743)	(13,165)	207	(12,902)
Net change in cash and cash equivalents		13,021	(49,144)	126,216	36,864
Cash and cash equivalents, beginning of period		254,651	99,844	141,456	13,836
Cash and cash equivalents, end of period		267,672	50,700	267,672	50,700
Supplementary information for cash flows from operating activities					
Interest paid		28,330	25,374	41,982	42,645
Income taxes paid		64,849	138,469	67,827	152,776

## Consolidated Statements of Changes in Shareholders' Equity

thousands of Canadian dollars, unaudited

	Note	Six Months Ended	
		June 30, 2024	June 30, 2023
<b>Shareholders' capital</b>	9		
Balance, beginning of period		4,142,566	4,243,794
Vesting of equity based awards		9,998	21,175
Equity based compensation		—	10,280
Share-settled dividends on vested equity based awards		1,257	1,051
Repurchase of shares		(133,552)	(78,112)
Balance, end of period		4,020,269	4,198,188
<b>Contributed surplus</b>	9		
Balance, beginning of period		43,348	35,409
Equity based compensation		1,658	18,243
Vesting of equity based awards		(9,998)	(21,175)
Balance, end of period		35,008	32,477
<b>Accumulated other comprehensive income</b>			
Balance, beginning of period		109,302	123,505
Currency translation adjustments		(2,491)	(31,612)
Hedge accounting reserve		3,263	3,789
Fair value adjustment on investment in securities, net of tax	3	(2,203)	151
Balance, end of period		107,871	95,833
<b>Deficit</b>			
Balance, beginning of period		(1,263,568)	(1,001,650)
Net (loss) earnings		(80,120)	508,240
Dividends declared		(38,164)	(32,656)
Share-settled dividends on vested equity based awards		(1,257)	(1,051)
Repurchase of shares	9	50,588	23,655
Balance, end of period		(1,332,521)	(503,462)
<b>Total shareholders' equity</b>		<b>2,830,627</b>	<b>3,823,036</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 (loss) 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 (loss) 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 (loss) 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 six months ended June 30, 2024 and 2023

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, 2023.

These condensed consolidated interim financial statements should be read in conjunction with Vermilion’s consolidated financial statements for the year ended December 31, 2023, which are contained within Vermilion’s Annual Report for the year ended December 31, 2023 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 July 31, 2024.

## 2. Segmented information

	Three Months Ended June 30, 2024								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	59,207	2,313	11,389	4,033	20,637	356	8,809	2,606	109,350
Exploration and evaluation	—	—	—	—	1,260	—	—	—	1,260
Crude oil and condensate sales	154,561	37,339	83,656	481	9,954	—	32,787	34	318,812
NGL sales	16,431	4,269	—	—	—	—	—	—	20,700
Natural gas sales	18,643	807	—	30,060	19,203	69,793	—	907	139,413
Sales of purchased commodities	—	—	—	—	—	—	—	28,651	28,651
Royalties	(22,166)	(12,487)	(10,283)	—	(1,435)	—	—	(239)	(46,610)
Revenue from external customers	167,469	29,928	73,373	30,541	27,722	69,793	32,787	29,353	460,966
Purchased commodities	—	—	—	—	—	—	—	(28,651)	(28,651)
Transportation	(13,573)	(551)	(6,401)	—	(2,386)	(2,406)	—	—	(25,317)
Operating	(63,140)	(6,346)	(14,606)	(10,709)	(14,430)	(16,453)	(14,174)	(372)	(140,230)
General and administration	(5,451)	(3,274)	(3,807)	(1,775)	(3,062)	(1,462)	(2,005)	(5,701)	(26,537)
PRRT	—	—	—	—	—	—	(3,638)	—	(3,638)
Corporate income taxes	(1)	—	(5,956)	(7,858)	(1,704)	(318)	(349)	4,090	(12,096)
Interest expense	—	—	—	—	—	—	—	(21,062)	(21,062)
Equity based compensation	—	—	—	—	—	—	—	(14,361)	(14,361)
Realized gain on derivative instruments	—	—	—	—	—	—	—	46,017	46,017
Realized foreign exchange gain	—	—	—	—	—	—	—	2,267	2,267
Realized other expense	—	—	—	—	—	—	—	(655)	(655)
<b>Fund flows from operations</b>	<b>85,304</b>	<b>19,757</b>	<b>42,603</b>	<b>10,199</b>	<b>6,140</b>	<b>49,154</b>	<b>12,621</b>	<b>10,925</b>	<b>236,703</b>

	Three Months Ended June 30, 2023								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Drilling and development	73,471	62,252	11,326	5,815	5,220	(619)	5,470	1,135	164,070
Exploration and evaluation	—	—	—	—	2,633	—	—	142	2,775
Crude oil and condensate sales	141,027	29,547	79,718	398	13,817	30	—	—	264,537
NGL sales	13,207	3,517	—	—	—	—	—	—	16,724
Natural gas sales	33,555	1,127	—	37,858	28,436	88,659	—	460	190,095
Sales of purchased commodities	—	—	—	—	—	—	—	38,278	38,278
Royalties	(18,000)	(8,824)	(10,833)	(6,653)	(2,496)	—	—	(187)	(46,993)
Revenue from external customers	169,789	25,367	68,885	31,603	39,757	88,689	—	38,551	462,641
Purchased commodities	—	—	—	—	—	—	—	(38,278)	(38,278)
Transportation	(7,639)	(65)	(8,215)	—	(3,409)	(2,577)	—	—	(21,905)
Operating	(53,430)	(6,686)	(24,756)	(13,691)	(10,953)	(10,526)	(16,415)	(292)	(136,749)
General and administration	(21,925)	(1,273)	(7,848)	996	(4,643)	(4,763)	(2,583)	21,981	(20,058)
Corporate income taxes	1	—	(1,805)	(5,818)	(9,690)	(227)	(886)	(503)	(18,928)
Windfall tax	—	—	—	—	—	—	—	(34,784)	(34,784)
Interest expense	—	—	—	—	—	—	—	(20,210)	(20,210)
Realized gain on derivative instruments	—	—	—	—	—	—	—	67,673	67,673
Realized foreign exchange gain	—	—	—	—	—	—	—	3,679	3,679
Realized other income	—	—	—	—	—	—	—	4,028	4,028
<b>Fund flows from operations</b>	<b>86,796</b>	<b>17,343</b>	<b>26,261</b>	<b>13,090</b>	<b>11,062</b>	<b>70,596</b>	<b>(19,884)</b>	<b>41,845</b>	<b>247,109</b>

	Six Months Ended June 30, 2024								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Total assets	1,956,640	265,249	637,424	211,695	473,207	947,012	285,741	1,405,856	6,182,824
Drilling and development	183,489	14,540	22,404	8,631	41,047	3,449	14,980	3,108	291,648
Exploration and evaluation	—	—	—	—	4,878	—	—	4,526	9,404
Crude oil and condensate sales	283,049	69,005	172,652	1,755	18,431	—	107,613	34	652,539
NGL sales	33,764	8,839	—	—	—	—	—	—	42,603
Natural gas sales	47,867	2,782	—	63,752	41,910	134,257	—	1,250	291,818
Sales of purchased commodities	—	—	—	—	—	—	—	67,021	67,021
Royalties	(44,721)	(23,812)	(23,335)	(217)	(2,790)	—	—	(288)	(95,163)
Revenue from external customers	319,959	56,814	149,317	65,290	57,551	134,257	107,613	68,017	958,818
Purchased commodities	—	—	—	—	—	—	—	(67,021)	(67,021)
Transportation	(24,527)	(930)	(11,764)	—	(5,578)	(5,480)	—	—	(48,279)
Operating	(123,598)	(14,560)	(36,046)	(21,319)	(25,191)	(27,057)	(40,960)	(810)	(289,541)
General and administration	(18,448)	(6,540)	(8,996)	(3,713)	(5,634)	(3,632)	(3,743)	466	(50,240)
PRRT	—	—	—	—	—	—	(14,421)	—	(14,421)
Corporate income taxes	(2)	—	(11,781)	(18,869)	(6,076)	(769)	(1,190)	949	(37,738)
Interest expense	—	—	—	—	—	—	—	(39,454)	(39,454)
Equity based compensation	—	—	—	—	—	—	—	(14,361)	(14,361)
Realized gain on derivative instruments	—	—	—	—	—	—	—	266,632	266,632
Realized foreign exchange gain	—	—	—	—	—	—	—	4,138	4,138
Realized other expense	—	—	—	—	—	—	—	(472)	(472)
<b>Fund flows from operations</b>	<b>153,384</b>	<b>34,784</b>	<b>80,730</b>	<b>21,389</b>	<b>15,072</b>	<b>97,319</b>	<b>47,299</b>	<b>218,084</b>	<b>668,061</b>

	Six Months Ended June 30, 2023								
	Canada	USA	France	Netherlands	Germany	Ireland	Australia	Corporate	Total
Total assets	2,412,745	665,025	809,150	204,546	380,429	1,185,195	251,980	1,270,918	7,179,988
Drilling and development	175,321	76,472	23,011	16,197	12,936	1,439	10,602	1,420	317,398
Exploration and evaluation	—	—	—	1	3,081	—	—	1,185	4,267
Crude oil and condensate sales	323,810	55,373	144,184	882	27,161	32	—	—	551,442
NGL sales	34,846	7,625	—	—	—	—	—	—	42,471
Natural gas sales	93,230	3,448	—	106,455	86,564	138,144	—	2,300	430,141
Sales of purchased commodities	—	—	—	—	—	—	—	87,290	87,290
Royalties	(50,896)	(17,427)	(17,924)	(21,482)	(5,399)	—	—	(1,209)	(114,337)
Revenue from external customers	400,990	49,019	126,260	85,855	108,326	138,176	—	88,381	997,007
Purchased commodities	—	—	—	—	—	—	—	(87,290)	(87,290)
Transportation	(20,753)	(132)	(14,415)	—	(6,173)	(3,482)	—	—	(44,955)
Operating	(123,097)	(13,238)	(41,303)	(26,603)	(21,616)	(15,144)	(31,746)	(827)	(273,574)
General and administration	(45,462)	(3,789)	(12,681)	(1,115)	(7,384)	(6,040)	(4,318)	40,842	(39,947)
Corporate income taxes	—	—	(3,015)	(12,512)	(22,772)	(227)	(1,515)	(1,149)	(41,190)
Windfall tax	—	—	—	—	—	—	—	(56,224)	(56,224)
Interest expense	—	—	—	—	—	—	—	(42,085)	(42,085)
Realized gain on derivative instruments	—	—	—	—	—	—	—	82,003	82,003
Realized foreign exchange loss	—	—	—	—	—	—	—	(1,092)	(1,092)
Realized other income	—	—	—	—	—	—	—	7,623	7,623
<b>Fund flows from operations</b>	<b>211,678</b>	<b>31,860</b>	<b>54,846</b>	<b>45,625</b>	<b>50,381</b>	<b>113,283</b>	<b>(37,579)</b>	<b>30,182</b>	<b>500,276</b>

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

	Three Months Ended		Six Months Ended	
	Jun 30, 2024	Jun 30, 2023	Jun 30, 2024	Jun 30, 2023
Fund flows from operations	236,703	247,109	668,061	500,276
Equity based compensation	3,860	(4,998)	(1,658)	(28,523)
Unrealized (loss) gain on derivative instruments	(125,789)	11,177	(314,533)	103,875
Unrealized foreign exchange gain (loss)	3,069	35,124	(18,572)	19,646
Accretion	(18,209)	(18,599)	(36,143)	(38,650)
Depletion and depreciation	(161,184)	(154,389)	(339,618)	(302,520)
Deferred tax (expense) recovery	(20,667)	480	(37,312)	36,946
Gain on business combination	—	12,544	—	445,094
Loss on disposition	—	—	—	(226,828)
Unrealized other expense	(208)	(540)	(345)	(1,076)
<b>Net (loss) earnings</b>	<b>(82,425)</b>	<b>127,908</b>	<b>(80,120)</b>	<b>508,240</b>

### 3. Investments

*Adoption of accounting policy - Investment in associate*

Associates are entities for which the company has significant influence, but not control or joint control over the financial and operational decisions. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost and adjusted thereafter for the change in the company's share of the associate's net income and comprehensive income less distributions received until the date that significant influence ceases, within other income on the consolidated statements of net earnings and comprehensive income.

Subsequent to February 29, 2024, Vermilion owns approximately 21% of the issued and outstanding common shares of Coelacanth Energy Inc. ("CEI"), an oil and natural gas company, actively engaged in the acquisition, development, exploration, and production of oil and natural gas reserves in northeastern British Columbia, Canada. As such, Vermilion has concluded that it has significant influence over the entity and should be accounted for using the equity method of accounting. Prior to February 29, 2024, this investment was accounted for under IFRS 9 as an investment in securities using the fair value method of accounting. The transaction was treated as a disposal of the original investment at fair value and an acquisition of an investment in associate, with no resulting gain or loss recognized in the consolidated statement of net earnings.

The following table reconciles the change in Vermilion's investments:

	2024
<b>Balance at January 1</b>	<b>73,261</b>
Acquisition of securities	9,373
Fair value adjustment <sup>(1)</sup>	(2,203)
<b>Investment in securities prior to reclassification to Investment in associate</b>	<b>80,431</b>
Investment loss <sup>(2)</sup>	(302)
<b>Balance at June 30</b>	<b>80,129</b>

(1) The investment was classified as a level 1 instrument on the fair value hierarchy and used observable inputs when making fair value adjustments and was recorded until the date of significant influence, on February 29, 2024.

(2) Investment losses are recognized within other income on the consolidated statements of net earnings and comprehensive income.

The following tables summarize financial information of CEI and Vermilion's share based on their most recently available publicly available documents as at and for the three months ended March 31, 2024:

Current assets	64,539
Non-current assets	121,464
Current liabilities	(6,053)
Non-current liabilities	(7,604)
Net assets	172,346
<b>Vermilion's share of net assets</b>	<b>35,865</b>

	Four Months Ended June 30, 2024
Total Revenue	5,089
Net loss	(1,446)
<b>Vermilion's share of net loss</b>	<b>(302)</b>

At June 30, 2024, the fair value of Vermilion's investment in CEI is \$82.6 million or \$0.75/share (December 31, 2023 - \$73.3 million or \$0.75/share).

#### 4. Capital assets

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

	2024
<b>Balance at January 1</b>	<b>4,882,509</b>
Acquisitions	5,829
Additions	291,648
Increase in right-of-use assets	78,410
Depletion and depreciation	(336,932)
Changes in asset retirement obligations	43,828
Foreign exchange	13,235
<b>Balance at June 30</b>	<b>4,978,527</b>

#### *Right-of-use assets*

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 six months ended June 30, 2024:

(\$M)	As at Jun 30, 2024		As at Dec 31, 2023	
	Depreciation	Balance	Depreciation	Balance
Office space	4,102	26,344	8,115	25,893
Processing facilities	10,860	81,278	7,691	6,326
Oil storage facilities	1,300	5,248	2,667	7,037
Vehicles and equipment	794	5,053	5,433	9,760
<b>Total</b>	<b>17,056</b>	<b>117,923</b>	<b>23,906</b>	<b>49,016</b>

In May 2024, Vermilion recognized a seven-year lease for a processing facility in the Canadian Business Unit adding \$76.4 million of right-of-use assets offset with lease liabilities (\$4.3 million current; \$72.1 million non-current). The rate implicit in the lease is 11.7%.

#### 5. Exploration and evaluation assets

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

	2024
<b>Balance at January 1</b>	<b>198,379</b>
Additions	9,404
Depreciation	(75)
Foreign exchange	2,212
<b>Balance at June 30</b>	<b>209,920</b>

## 6. Asset retirement obligations

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

	2024
<b>Balance at January 1</b>	<b>1,159,063</b>
Additional obligations recognized	398
Obligations settled	(16,720)
Accretion	36,143
Changes in rates	43,430
Foreign exchange	3,385
<b>Balance at June 30</b>	<b>1,225,699</b>

Vermilion calculated the present value of the obligations using a credit-adjusted risk-free rate, calculated using a credit spread of 2.8% as at June 30, 2024 (December 31, 2023 - 3.6%) 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:

	Jun 30, 2024	Dec 31, 2023
Canada	3.3 %	3.0 %
United States	4.5 %	4.2 %
France	3.6 %	3.0 %
Netherlands	2.9 %	2.1 %
Germany	2.6 %	2.3 %
Ireland	3.1 %	2.7 %
Australia	4.5 %	4.0 %

## 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, share buybacks, and asset retirement obligations.

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

	Jun 30, 2024	Dec 31, 2023
Long-term debt	915,364	914,015
Adjusted working capital <sup>(1)</sup>	(8,649)	164,552
<b>Net debt</b>	<b>906,715</b>	<b>1,078,567</b>
<b>Ratio of net debt to four quarter trailing fund flows from operations</b>	<b>0.7</b>	<b>0.9</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	
	Jun 30, 2024	Dec 31, 2023
2025 senior unsecured notes	378,471	395,839
2030 senior unsecured notes	536,893	518,176
<b>Long-term debt</b>	<b>915,364</b>	<b>914,015</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 June 30, 2024 was \$378.4 million (December 31, 2023 - \$392.7 million). The fair value of the 2030 senior unsecured notes as at June 30, 2024 was \$538.0 million (December 31, 2023 - \$511.7 million).

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

	2024
<b>Balance at January 1</b>	<b>914,015</b>
Repurchases of senior unsecured notes	(31,561)
Amortization of transaction costs	1,128
Foreign exchange	31,782
<b>Balance at June 30</b>	<b>915,364</b>

### Revolving credit facility

As at June 30, 2024, Vermilion had in place a bank revolving credit facility maturing May 26, 2028 with the following terms:

	As at	
	Jun 30, 2024	Dec 31, 2023
Total facility amount	1,350,000	1,600,000
Letters of credit outstanding	(20,234)	(18,116)
<b>Unutilized capacity</b>	<b>1,329,766</b>	<b>1,581,884</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 17, 2024, the maturity date of the facility was extended to May 26, 2028 (previously May 28, 2027) and the total facility amount of \$1.6 billion was reduced to \$1.35 billion, with an accordion feature to increase the aggregate amount available under the facility to \$1.6 billion. As at June 30, 2024, the revolving credit facility was undrawn.

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

As at June 30, 2024, the revolving credit facility was subject to the following financial covenants:

Financial covenant	Limit	As at	
		Jun 30, 2024	Dec 31, 2023
Consolidated total debt to consolidated EBITDA	Less than 4.0	0.67	0.65
Consolidated total senior debt to consolidated EBITDA	Less than 3.5	0.05	—
Consolidated EBITDA to consolidated interest expense	Greater than 2.5	18.57	17.33

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 (loss) 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 June 30, 2024, 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 June 30, 2024 and December 31, 2023, 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 100.00% redemption price plus any accrued and unpaid interest.

During the first quarter of 2024, Vermilion purchased \$31.6 million of senior unsecured notes on the open market which were subsequently cancelled.

The Company has the right to roll over the senior unsecured notes under the existing revolving credit facility which matures May 26, 2028 thus has continued to classify the senior unsecured notes as non-current.

### *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:

- 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.
- 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.

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	2024	
	Shares ('000s)	Amount
<b>Balance at January 1</b>	<b>162,271</b>	<b>4,142,566</b>
Vesting of equity based awards	996	9,998
Share-settled dividends on vested equity based awards	78	1,257
Repurchase of shares	(5,171)	(133,552)
<b>Balance at June 30</b>	<b>158,174</b>	<b>4,020,269</b>

Dividends are approved by the Board of Directors and are paid quarterly. Dividends declared to shareholders for the six months ended June 30, 2024 were \$38.2 million or \$0.24 per common share (2023 - \$32.7 million or \$0.20 per common share).

On July 8, 2024, 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 15,689,839 common shares (representing approximately 10% of outstanding common shares) beginning July 12, 2024 and ending July 11, 2025. Common shares purchased under the NCIB will be cancelled.

In the second quarter of 2024, Vermilion purchased 2.8 million common shares under the NCIB for total consideration of \$46.6 million. Year-to-date, Vermilion purchased 5.2 million common shares under the NCIB for total consideration of 83.0 million. The common shares purchased under the NCIB were cancelled.

Subsequent to June 30, 2024, Vermilion purchased and cancelled 0.9 million shares under the NCIB for total consideration of \$13.2 million.

## 10. Financial instruments

The following table summarizes the increase (positive values) or decrease (negative values) to net (loss) 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.

	Jun 30, 2024
<b>Currency risk - Euro to Canadian dollar</b>	
\$0.01 increase in strength of the Canadian dollar against the Euro	5,495
\$0.01 decrease in strength of the Canadian dollar against the Euro	(5,495)
<b>Currency risk - US dollar to Canadian dollar</b>	
\$0.01 increase in strength of the Canadian dollar against the US \$	4,406
\$0.01 decrease in strength of the Canadian dollar against the US \$	(4,406)
<b>Commodity price risk - Crude oil</b>	
US \$5.00/bbl increase in crude oil price used to determine the fair value of derivatives	(14,762)
US \$5.00/bbl decrease in crude oil price used to determine the fair value of derivatives	14,762
<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	(233,814)
€5.0/GJ decrease in European natural gas price used to determine the fair value of derivatives	282,009

## 11. Cash and cash equivalents

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The following table summarizes Vermilion's cash and cash equivalents:

	As at	
	Jun 30, 2024	Dec 31, 2023
Cash on deposit with financial institutions	263,977	140,795
Guaranteed investment certificates	3,695	661
<b>Cash and cash equivalents</b>	<b>267,672</b>	<b>141,456</b>

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Dion Hatcher  
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Halifax, Nova Scotia

<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> Technical Committee Chair (Independent)

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

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

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

**OFFICERS / CORPORATE SECRETARY**

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Lars Glemser \*  
Vice President & Chief Financial Officer

Tamar Epstein  
General Counsel & Corporate Secretary

Terry Hergott  
Vice President Marketing

Yvonne Jeffery  
Vice President Sustainability

Darcy Kerwin \*  
Vice President International & HSE

Geoff MacDonald  
Vice President Geosciences

Randy McQuaig \*  
Vice President North America

Kyle Preston  
Vice President Investor Relations

Averyl Schraven  
Vice President People & Culture

Gerard Schut  
Vice President European Operations

\* Principal Executive Committee Member

**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

JPMorgan Chase Bank, N.A., Toronto Branch

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