UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 40-F

o Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934; or
þ Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: December 31, 2013
Commission file number: No. 0-50832

Vermilion Energy Inc.

- -
(Exact name of registrant as specified in its charter)

Alberta

- -
(Province or other jurisdiction of incorporation or organization)

1311

- -
(Primary standard industrial classification code number)

N/A

- -
(I.R.S. employer identification number)

3500, 520 - 3rd Avenue S.W.
Calgary, Alberta T2P 0R3 Canada
(403) 269-4884

- -
(Address and telephone number of registrant's principal executive office)

National Corporate Research, Ltd.
225 West 34th Street, Suite 910
New York, New York 10122 U.S.A.
(212) 947-7200

- -
(Name, address and telephone number of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Shares, no par value (together with Associated common share purchase rights)	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:None

For annual reports, indicate by check mark the information filed with this form:

þ **Annual Information Form** þ **Audited Annual Financial Statements**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **102,122,775 shares**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

þ **Yes** o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

o **Yes** o No

DOCUMENTS FILED PURSUANT TO GENERAL INSTRUCTIONS

In accordance with General Instruction B.(3) of Form 40-F, the Registrant has filed the following documents as part of this Annual Report on Form 40-F, as set forth in the Exhibit Index attached hereto:

Exhibit 99.1 - Annual Information Form for the fiscal year ended December 31, 2013
Exhibit 99.2 - Management's Discussion and Analysis for the fiscal year ended December 31, 2013; and
Exhibit 99.3 - Audited Annual Financial Statements for the fiscal year ended December 31, 2013

In accordance with General Instruction D.(9) of Form 40-F, the Registrant has filed the written consent of certain experts named in the foregoing Exhibits as Exhibit 99.5 and the written consent of its independent auditors as Exhibit 99.4, as set forth in the Exhibit Index attached hereto.

DISCLOSURE CONTROLS AND PROCEDURES

A. Evaluation of Disclosure Controls and Procedures

Vermilion Energy Inc. (the "Registrant") maintains disclosure controls and procedures and internal control over financial reporting designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission (the "Commission"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Registrant's Chief Executive Officer and Chief Financial Officer, after having evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report have concluded that, as of such date, the Registrant's disclosure controls and procedures are effective.

B. Management's Annual Report on Internal Controls.

See page 2 of the 2013 Audited Financial Statements included as Exhibit 99.3 to this report.

C. Auditor Attestation

See page 3 and 4 of the 2013 Audited Financial Statements included as Exhibit 99.3 to this report.

D. Changes in Internal Control Over Financial Reporting

There was no change in the Registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

NOTICES REQUIRED BY RULE 104 OF REGULATION BTR

None

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's Board of Directors has determined that it has at least one audit committee financial expert (as such term is defined in the rules and regulations of the Commission) serving on its Audit Committee. W. Kenneth Davidson has been determined to be such audit committee financial expert and is independent (as such term is defined by the New York Stock Exchange's corporate governance standards).

The Commission has indicated that the designation of W. Kenneth Davidson as an audit committee financial expert does not make him an "expert" for any purpose, impose on him any duties, obligations or liability that are greater than the duties, obligations or liability imposed on him as a member of the Audit Committee and the Board of Directors in absence of such designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

CODE OF ETHICS

The Registrant has adopted a written “code of ethics” (as that term is defined in Form 40-F) that applies to its directors, officers and employees. A copy of such code of ethics is available upon request or on the Registrant’s website at www.vermilionenergy.com.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

See page 44 of the Annual Information Form for the year ended December 31, 2013 included as Exhibit 99.1 to this report.

The audit committee pre-approves all audit related fees. The auditors present the estimate for the annual audit related services to the Committee for approval prior to undertaking the annual audit of the financial statements.

All non-audit fees were pre-approved by the Registrant’s audit committee and none were approved on the basis of the de minimis exemption set forth in Rule 2-01(c)(7)(i)(C) of Regulation S-X .

OFF-BALANCE SHEET ARRANGEMENTS

The Registrant has not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Payments due by period as at December 31, 2013 (Cdn $000’s)

($M)	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
Long-term debt	13,406	1,008,148	-	-	1,021,554
Operating lease obligations	12,881	19,189	15,565	26,466	74,101
Ship or pay agreement relating to the Corrib project	6,157	10,300	8,354	35,745	60,556
Purchase obligations	25,775	18,456	15	-	44,246
Drilling and service agreements	13,648	16,152	-	-	29,800
Total contractual obligations and commitments	71,867	1,072,245	23,934	62,211	1,230,257

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant's Board of Directors has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act which satisfies the requirements of Exchange Act Rule 10A-3. The Registrant's Audit Committee is comprised of W. Kenneth Davidson (Chair), Claudio A. Ghersinich, Joseph F. Killi, Larry J. Macdonald and William F. Madison, all of whom, in the opinion of the Registrant's Board of Directors are independent (as determined under Rule 10A-3 of the Exchange Act and the corporate governance standards of the NYSE) and are financially literate.

NYSE STATEMENT OF GOVERNANCE DIFFERENCES

As a Canadian corporation with securities listed on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE"), the Registrant is required to comply with all applicable Canadian requirements adopted by the Canadian Securities Administrators and the TSX, and applicable rules for foreign private issuers adopted by the U.S. Securities and Exchange Commission which give effect to the provisions of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley").

The Registrant's corporate governance practices meet or exceed all applicable Canadian and Sarbanes-Oxley requirements and also incorporate many "best practices" derived from those required to be followed by U.S. domestic companies under the NYSE listing standards. In accordance with Section 303A.11 of the NYSE Listed Company Manual, the Registrant has prepared a summary of the significant ways in which its corporate governance practices differ from those required to be followed by U.S. domestic companies under the NYSE's corporate governance standards, which is accessible on the Registrant's website at *http://www.vermilionenergy.com/about/governance.cfm.*

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the Commission a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the Registrant's agent for service shall be communicated promptly to the Commission by amendment to Form F-X referencing the file number of the Registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

VERMILION ENERGY INC (the Registrant)

Date: March 7, 2014

By: *("Curtis Hicks")*
Curtis W. Hicks
Executive Vice President and Chief Financial Officer

Exhibit 99.1

VERMILION ENERGY



Vermilion Energy Inc.

2013 Annual Information Form

For the Year Ended December 31, 2013

Dated March 7, 2014

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GLOSSARY OF TERMS

In addition to terms defined elsewhere in this annual information form, the following are defined terms used in this annual information form:

"2003 Arrangement" means the plan of arrangement under the ABCA involving the Trust, Vermilion Resources Ltd., Clear Energy Inc. and Vermilion Acquisition Ltd., which was completed on January 22, 2003;

"ABCA" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"AGCA" means Alberta Gas Cost Allowance;

"AIF" means Annual Information Form;

"affiliate" when used to indicate a relationship with a person or company, has the same meaning as set forth in the *Securities Act* (Alberta);

"board of directors" or **"board"** means the board of directors of Vermilion;

"CGU's" means cash generating units and based on managements' judgement, represents the lowest level at which there is identifiable cash inflows that are largely independent of the cash inflows of other groups of assets or properties;

"common shares" means a common share in the capital of the Company;

"contingent resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies;

"control" means, with respect to control of a body corporate by a person, the holding (other than by way of security) by or for the benefit of that person of securities of that body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate (whether or not securities of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) provided that such votes, if exercised, are sufficient to elect a majority of the board of directors of the body corporate;

"Conversion Arrangement" means the plan of arrangement effected on September 1, 2010 under section 193 of the ABCA pursuant to which the Trust converted from an income trust to a corporate structure;

"Depletion units" means groups of assets or properties that are within a specific production area and have similar economic lives. Depletion units represent the lowest level of disaggregation for which Vermilion accumulates costs for the purposes of calculating and recording depletion;

"dividend" means a dividend paid by Vermilion in respect of the common shares, expressed as an amount per common share;

"Dividend Payment Date" means any date that Dividends are paid to Shareholders, generally being the 15th day of the calendar month following the determination of a Dividend Record Date;

"Dividend Record Date" means the last day of each calendar month or such other date as may be determined from time to time by the Company;

"DRIP Plan" means the amended and restated Dividend Reinvestment Plan of the Company, as amended or supplemented from time to time;

"GLJ" means GLJ Petroleum Consultants Ltd., independent petroleum engineering consultants of Calgary, Alberta;

"GLJ Report" means the independent engineering evaluation of certain oil, NGL and natural gas interests of the Company prepared by GLJ dated February 4, 2014 and effective December 31, 2013;

"IFRS" means International Financial Reporting Standards;

"Income Tax Act" or **"Tax Act"** means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1. (5th Supp.), as amended, including the regulations promulgated thereunder;

"Meeting" means the annual meeting of Shareholders of the Company to be held on May 2, 2014 (or, if adjourned, such other date on which the meeting is held);

"NYSE" means New York Stock Exchange;

"PNG" means Petroleum and Natural Gas properties and equipment;

"PRRT" means Petroleum Resource Rent Tax, a profit based tax levied on petroleum projects in Australia;

"prospective resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects;

"Rights Plan" means the shareholder rights plan of the Company;

"Senior Unsecured Notes" means the $225 million aggregate principal amount of five year senior unsecured notes of the Company issued February 10, 2011;

"Shareholders" means holders from time to time of the Company's common shares;

"Shareholder Rights Plan Agreement" means the Shareholder Rights Plan Agreement dated September 1, 2010 between the Company and Computershare Trust Company of Canada establishing the Rights Plan, as amended and restated as of May 1, 2013 and as amended or supplemented from time to time;

"subsidiary" means, in relation to any person, any body corporate, partnership, joint venture, association or other entity of which more than 50% of the total voting power of common shares or units of ownership or beneficial interest entitled to vote in the election of directors (or members of a comparable governing body) is owned or controlled, directly or indirectly, by such person;

"TSX" means the Toronto Stock Exchange;

"Trust" means Vermilion Energy Trust, an unincorporated open-ended investment trust governed by the laws of the Province of Alberta that was dissolved and ceased to exist pursuant to the Conversion Arrangement;

"Trust Unit" means units in the capital of the Trust;

"Unitholders" means former unitholders of the Trust;

"Vermilion" or the **"Company"** means Vermilion Energy Inc. and where context allows, its consolidated business enterprise, except that a reference to "Vermilion" prior to the date of the Conversion Arrangement means the consolidated business enterprise of the Trust, unless otherwise indicated; and

"VRL" means Vermilion Resources Ltd., previously a subsidiary of the corporation.

Conventions

Unless otherwise indicated, references herein to "$" or "dollars" are to Canadian dollars. All financial information herein has been presented in Canadian dollars in accordance with IFRS.

Abbreviations

Oil and Natural Gas Liquids	
bbl	Barrel
Mbbl	thousand barrels
bbl/d	barrels per day
NGLs	natural gas liquids
Natural Gas	
Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMBtu	million British Thermal Units
Other	
API	American Petroleum Institute
°API	An indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28 °API or higher is generally referred to as light crude oil.
boe	barrel of oil equivalent
M$	thousand dollars
MM$	million dollars
Mboe	1,000 barrels of oil equivalent
MMboe	million barrels of oil equivalent
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade.

Conversion

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
bbls	Cubic metres	0.159
Cubic metres	bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements included or incorporated by reference in this annual information form 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 annual information form may include, but are not limited to:

- capital expenditures;
- business strategies and objectives;
- estimated reserve quantities and the discounted present value of future net cash flows from such reserves;
- petroleum and natural gas sales;
- future production levels (including the timing thereof) and rates of average annual production growth, estimated contingent resources and prospective resources;
- exploration and development plans;
- acquisition and disposition plans and the timing thereof;
- operating and other expenses, including the payment of future dividends;
- royalty and income tax rates;
- the timing of regulatory proceedings and approvals;
- the timing of first commercial gas from the Corrib field; and
- the estimate of Vermilion's share of the expected natural gas production from the Corrib field.

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 the Company to obtain equipment, services and supplies in a timely manner to carry out its activities in Canada and internationally;
- the ability of the Company 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 the Company 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 development activities.

Although the Company 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 the Company can give no assurance that such expectations will prove to be correct. Financial outlooks are provided for the purpose of understanding the Company's financial strength 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 the Company 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 the Company'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, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- the Company'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 the Company to add production and reserves through exploration and development activities;
- general economic and business conditions;
- 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 the Company; and
- other risks and uncertainties described elsewhere in this annual information form or in the Company's other filings with Canadian securities authorities.

The forward-looking statements or information contained in this annual information form are made as of the date hereof and the Company 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.

PRESENTATION OF OIL AND GAS RESERVES AND PRODUCTION INFORMATION

All oil and natural gas reserve information contained in this annual information form has been prepared and presented in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). The actual oil and natural gas reserves and future production will be greater than or less than the estimates provided in this annual information form. The estimated future net revenue from the production of the disclosed oil and natural gas reserves does not represent the fair market value of these reserves.

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 of natural gas 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.

Vermilion retained GLJ to conduct an independent resource evaluation to assess contingent and prospective resources across all of the Company's key operating regions with an effective date of December 31, 2013 (the "GLJ Resources Assessment"). All contingent and prospective resources evaluated in the GLJ Resources Assessment were deemed economic at the effective date of December 31, 2013.

The estimates of volumes of, and the net present value of the future net revenue attributable to, contingent resources and prospective resources in this annual information form are derived from the GLJ Resources Assessment. The GLJ Resources Assessment was prepared in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH") and NI 51-101 by GLJ, an independent qualified reserve evaluator.

A range of contingent and prospective resources estimates (low, best and high) were prepared by GLJ. See notes 5 to 8 of the tables in the section entitled "Contingent and Prospective Resources" for a description of low estimate, best estimate and high estimate.

Contingent Resources

"Contingent resources" are not, and should not be confused with, petroleum and natural gas reserves. "Contingent resources" are defined in COGEH as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resource the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

The primary contingencies which currently prevent the classification of Vermilion's contingent resource as reserves include but are not limited to:

- preparation of firm development plans, including determination of the specific scope and timing of projects;
- project sanction;
- access to capital markets;
- shareholder and regulatory approvals;
- access to required services and field development infrastructure;
- oil and natural gas prices in Canada and internationally in jurisdictions in which Vermilion operates;
- demonstration of economic viability;
- future drilling program and testing results;
- further reservoir delineation and studies;
- facility design work;
- limitations to development based on adverse topography or other surface restrictions; and
- the uncertainty regarding marketing and transportation of petroleum from development areas.

There is no certainty that it will be commercially viable to produce any portion of the contingent resources or that Vermilion will produce any portion of the volumes currently classified as contingent resources. The estimates of contingent resources involve implied assessment, based on certain estimates and assumptions, that the resources described exists in the quantities predicted or estimated and that the resources can be profitably produced in the future. **The net present value of the future net revenue from the contingent resources does not necessarily represent the fair market value of the contingent resources.** Actual contingent resources (and any volumes that may be reclassified as reserves) and future production therefrom may be greater than or less than the estimates provided herein.

Prospective Resources

Prospective resources are not, and should not be confused with, petroleum and natural gas reserves. "Prospective resources" are defined in COGEH as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources or that Vermilion will produce any portion of the volumes currently classified as prospective resources. The estimates of prospective resources involve implied assessment, based on certain estimates and assumptions, that the resources described exists in the quantities predicted or estimated and that the resources can be profitably produced in the future. **The net present value of the future net revenue from the prospective resources does not necessarily represent the fair market value of the prospective resources.** The recovery and resources estimates provided herein are estimates only. Actual prospective resources (and any volumes that may be reclassified as reserves or contingent resources) and future production from such prospective resources may be greater than or less than the estimates provided herein.

NON-GAAP MEASURES

This annual information form includes non-GAAP measures as further described herein. Management of the Company believes these non-GAAP measures are a useful tool in analyzing operating performance. These measures do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable with the calculations of similar measures for other entities.

“Cash dividends per share” represents actual cash dividends paid per share by the Company during the relevant periods.

“Netbacks” are per boe and per mcf measures used in the analysis of operational activities and are used by management as a basis for decisions on capital allocation. Netbacks are calculated by subtracting royalties, operating expenses and transportation costs from revenues.

“Net dividends” is calculated as dividends declared for a given period less proceeds received by Vermilion pursuant to the dividend reinvestment plan. Dividends both before and after the dividend reinvestment plan are reviewed by management and are assessed as a percentage of fund flows from operations to analyze how much of the cash that is generated by Vermilion is being used to fund dividends.

VERMILION ENERGY INC.

General

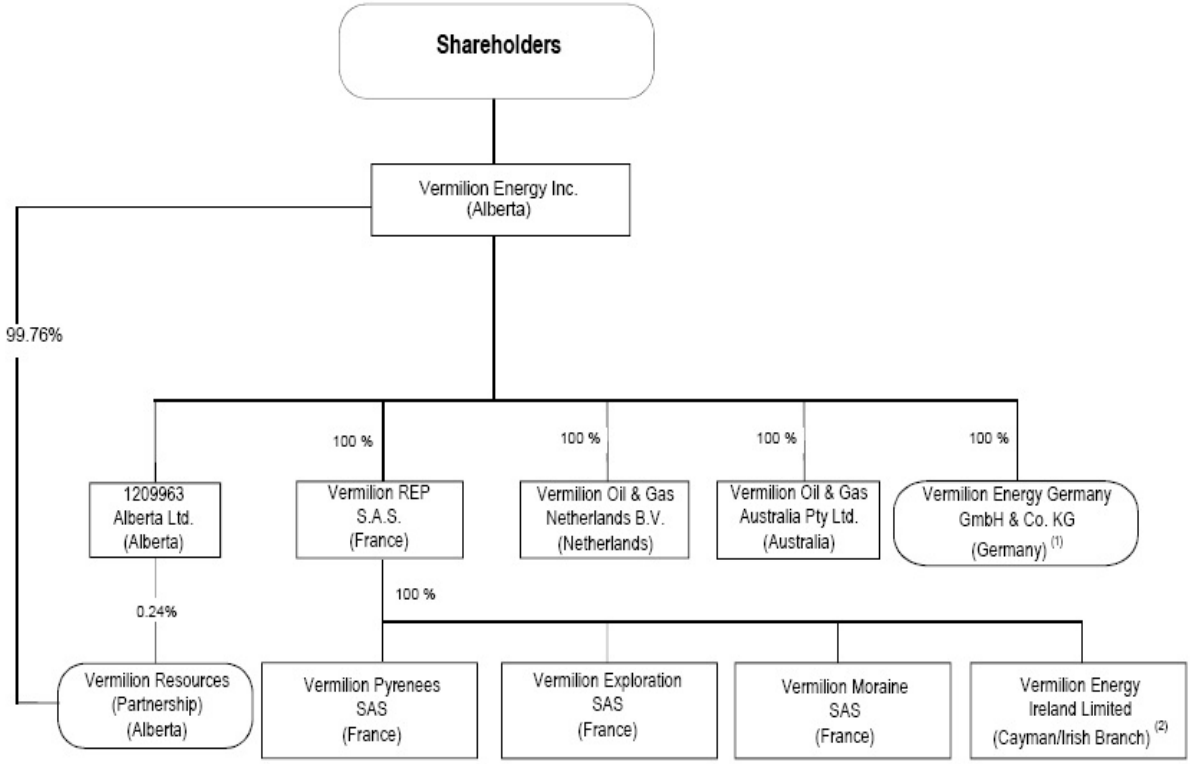
Vermilion Energy Inc. is the successor to the Trust, following the completion of the conversion of the Trust from an income trust to a corporate structure by way of a court approved plan of arrangement under the ABCA on September 1, 2010. Pursuant to the Conversion Arrangement, Unitholders exchanged their Trust Units for common shares of the Company on a one-for-one basis and holders of exchangeable shares of VRL received 1.89344 common shares for each exchangeable share held.

References to “Vermilion” prior to the date of the Conversion Arrangement are generally references to the consolidated business enterprise of the Trust prior to the date of the Conversion Arrangement, whose business the Company is a successor to as a result of the Conversion Arrangement, as accounted for by “continuity-of-interest” accounting.

Vermilion Energy Inc. was incorporated on July 21, 2010 pursuant to the provisions of the ABCA for the purpose of facilitating the Conversion Arrangement. On January 1, 2013, Vermilion Energy Inc. completed amalgamations with two of its wholly-owned subsidiaries, 1209974 Alberta Ltd. and Vermilion Resources Ltd. Vermilion Energy Inc. was the resulting entity upon completion of the amalgamations. The registered and head office of Vermilion Energy Inc. is located at Suite 3500, 520 - 3rd Avenue S.W., Calgary, Alberta, T2P 0R3.

Organizational Structure of the Company

The following diagram describes the intercorporate relationships among the Company and each of its material subsidiaries, after giving effect to the amalgamations effective January 1, 2013, where each principal subsidiary was incorporated or formed and the percentage of votes attaching to all voting securities of each subsidiary beneficially owned directly or indirectly by Vermilion. Reference should be made to the appropriate sections of this annual information form for a complete description of the structure of the Company.



Notes:
(1) Subsequent to year-end 2013, Vermilion completed the acquisition of assets in Germany. See "Three Year History of Vermilion".
(2) Vermilion Energy Ireland Limited is the Irish Branch of a Cayman Islands incorporated company.

Summary Description of the Business

Vermilion Energy Inc.

The Company is actively engaged in the business of oil and natural gas exploitation, development, acquisition and production in Australia, Canada, France, Ireland, the Netherlands and in Germany. The Company's business plan is to expand its portfolio of organic growth opportunities and pursue its strategic plan that targets modest annual average production growth while maintaining a reliable and growing dividend. Vermilion continues to develop new venture initiatives which target the identification and capture of meaningful unconventional resource related exploration exposure in Canada, Europe and Australia. Where possible, the Company will seek to expand its reserve base through the selective addition of high-quality, long-life reserves with low risk development opportunities.

Shareholders receive monthly dividends of the cash flow generated by Vermilion as declared payable by the board of directors of the Company. The Company currently employs a strategy which: (i) provides Shareholders with a competitive annual cash-on-cash yield through monthly cash dividends, (ii) ensures that Vermilion's existing assets are maintained at a level that provides sustainable ongoing cash flow, and (iii) continues to expand the business of the Company through the development of growth opportunities that are intended to provide long-term stable cash flows and be accretive to the existing Shareholders. The Company intends to finance acquisitions through bank financing and, when necessary, the issuance of additional common shares from treasury, while maintaining prudent leverage.

Three Year History of Vermilion

The following describes the development of Vermilion's business over the last three completed financial years.

On February 10, 2011, Vermilion issued $225.0 million of senior unsecured notes at par. The notes bear interest at a rate of 6.5% per annum and will mature on February 10, 2016. As direct senior unsecured obligations of Vermilion, the notes rank pari passu with all other present and future unsecured and unsubordinated indebtedness of the Company. Vermilion may, at its option, prior to February 10, 2014, redeem up to 35% of the notes with net proceeds of equity offerings by the Company at a redemption price equal to 106.5% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to the applicable redemption date. Subsequently, Vermilion may, on or after February 10, 2014, redeem all or part of the notes at fixed redemption prices, plus, in each case, accrued and unpaid interest, if any, to the applicable redemption date.

On November 28, 2011, Vermilion completed an equity financing of 5,370,000 common shares at a price of $49.00 per common share for gross proceeds of approximately $263 million including the partial exercise of the underwriters' over-allotment option. The net proceeds were used to reduce a certain amount of outstanding indebtedness under the Company's credit facility, partially fund the Company's development capital program and prospective acquisitions as well as for general purposes.

During 2011, Vermilion completed property acquisitions of various strategic properties that complement existing assets within Vermilion's core areas. The net cost of these property acquisitions to Vermilion was approximately $50.9 million, of which $38.8 million related to acquisitions in Canada and $12.1 million related to acquisitions in the Netherlands. None of the property acquisitions constituted a "significant acquisition" within the meaning of applicable securities laws.

On January 24, 2012, Vermilion announced that the Company, through its wholly-owned subsidiaries, acquired certain working interests in six producing fields located in the Paris and Aquitaine basins in France. Taking into consideration an effective date of January 1, 2011 and customary closing adjustments, Vermilion paid approximately $106 million cash at closing. Vermilion financed this acquisition indirectly through proceeds received from the November 2011 equity issuance. The acquisition did not constitute a "significant acquisition" within the meaning of applicable securities laws.

On November 14, 2012, Vermilion announced that the board of directors approved an increase to its monthly dividend by 5.3% to $0.20 per share from $0.19 per share. The increase became effective for the January 2013 dividend paid on February 15, 2013. The dividend increase was Vermilion's second increase since initiating a dividend in 2003. Also, on November 14, 2012 Vermilion announced that it had initiated the process with the NYSE Euronext for a secondary listing of the Company's common shares on the NYSE Euronext's New York Stock Exchange ("NYSE"). Vermilion's common shares were listed and began trading on the NYSE on March 12, 2013 under the ticker symbol "VET".

On December 27, 2012, Vermilion announced that the Company, through its wholly-owned subsidiaries, acquired 100% of the shares of Zaza Energy France S.A.S. Pursuant to the acquisition, Vermilion acquired operating interests covering approximately 24,300 acres with 100% working interests in the Saint Firmin, Chateaurenard, Courtenay, Chuelles, and Charmottes fields in the Paris Basin. Taking into consideration an effective date for the acquisition of October 1, 2012 and customary closing adjustments, Vermilion paid approximately $75 million cash at closing including working capital. Vermilion financed this acquisition through its bank revolving credit facility. The acquisition did not constitute a "significant acquisition" within the meaning of applicable securities laws.

On December 31, 2012, pursuant to the terms of the acquisition agreement whereby Vermilion acquired an 18.5% non-operating working interest in the offshore Corrib gas field, Vermilion made an additional payment to the vendor of $134.3 million (US$135 million).

In order to consolidate its Canadian subsidiaries, on January 1, 2013, Vermilion amalgamated with two of its wholly-owned subsidiaries, 1209974 Alberta Ltd. and Vermilion Resources Ltd. Vermilion Energy Inc. was the resulting entity upon completion of the amalgamations. As a result of the forgoing amalgamations, Vermilion Energy Inc. became the managing partner of Vermilion Resources.

On October 11, 2013, Vermilion announced the completion of the acquisition from Northern Petroleum Plc. of 100% of the shares of its subsidiary Northern Petroleum Nederland B.V. ("NPN") for approximately $27.5 million with an effective date of January 1, 2013. The acquisition included interests in nine concessions, including six onshore licences in production or development, three onshore exploration licenses, and one offshore production license ("P12") in the Netherlands (the "Assets"). Four licenses are located in the northeastern region, in close proximity to Vermilion's existing concessions and the remaining five onshore licenses are located in the southwestern region of the Netherlands. Vermilion assumed operatorship of all the acquired Assets following closing of the Acquisition, with the exception of the offshore license P12 in which Vermilion holds a 23.6% non-operated interest. The Assets cover approximately 298,500 net acres, of which approximately 98 percent is undeveloped.

On November 6, 2013, Vermilion announced that it had entered into a definitive purchase and sale agreement with GDF SUEZ E&P Deutschland GmbH ("GDF SUEZ"), (an affiliate of GDF SUEZ S.A., a publicly traded, French multinational utility) whereby Vermilion, through its wholly-owned subsidiary, agreed to acquire GDF SUEZ's 25% interest in four producing natural gas fields and a surrounding exploration license located in northwest Germany with an effective date for the acquisition of January 1, 2013. The acquisition from GDF SUEZ was completed in February 2014, and was funded with cash balances on hand. The acquisition from GDF SUEZ does not constitute a "significant acquisition" within the meaning of applicable securities laws.

On November 7, 2013, Vermilion announced that the board of directors approved a 7.5% increase to its monthly dividend to $0.215 per share from $0.20 per share. The increase became effective for the January 2014 dividend payable on February 18, 2014. This marks the third increase to Vermilion's monthly dividend, and the second annual increase.

Subsequent to year end 2013, Vermilion was awarded the Ijsselmuiden exploration concession in the Netherlands, which consists of approximately 110,500 net undeveloped acres.

Subsequent to the end of 2013, we were conditionally awarded the Battonya South concession in Hungary, subject to successful execution of a definitive agreement acceptable to both Vermilion and the Hungarian Ministry of National Development. The concession consists of 116,000 gross acres located in the southern part of Hungary. The term of the concession is for 20 years, subject to continuation of development in a manner acceptable to both parties.

In early 2014, we informed the Moroccan government of our intention to relinquish our rights to the Haouz block in central Morocco. Based on our analysis of seismic data, we concluded that due to the structural complexity of the block, we would be unable to pursue a definitive appraisal and exploration program that would fit within the constraints of our predetermined new venture capital and risk parameters. The relinquishment terminates our activities in Morocco after cumulative spending of $0.9 million to evaluate the 2.3 million acre block.

As at January 31, 2014, Vermilion had 462 full time employees of which 179 employees were located in its Calgary head office, 46 employees in its Canadian field offices, 158 employees in France, 45 employees in the Netherlands and 34 employees in Australia.

NARRATIVE DESCRIPTION OF THE BUSINESS

Business Objectives

The Company is actively engaged in the business of oil and natural gas exploitation, development, acquisition and production in Australia, Canada, and Europe. The Company's business plan is to expand its portfolio of organic growth opportunities and pursue its strategic plan that targets modest average annual production growth while maintaining a reliable and growing dividend. Vermilion continues to develop new venture initiatives which target the identification and capture of meaningful conventional and unconventional resource related exploration exposure in Canada, Europe and Australia. Where possible, the Company will seek to expand its reserve base through the selective addition of high-quality, long-life reserves with low risk development opportunities.

In reviewing potential participations or acquisitions, Vermilion will consider a number of factors, including: (a) the present value of the future revenue from such properties from the proved producing, total proved and proved plus probable reserves; (b) the amount of potential for additional reservoir development; (c) whether sufficient infrastructure exists in the prospect to provide for increased activity; (d) the cost of any potential development; (e) investments in properties that exhibit medium to long-life reserves and stable production base; and (f) the ability of Vermilion to enhance the value of acquired properties through additional exploitation efforts and additional development drilling. The board of directors of Vermilion may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to these guidelines based upon the board's consideration of the qualitative aspects of the subject properties including risk profile, technical upside, reserve life, asset quality and the Company's business prospects.

Description of Properties

The following is a description of the oil and natural gas properties, facilities and installations in which Vermilion has an interest and that are material to Vermilion's operations and exploration activities. We manage our business through our Calgary head office and our international business unit offices.

- Canada business unit: Includes revenues and expenditures related directly to our assets in Alberta.
- France business unit: Relates to our operations in France in the Paris and Aquitaine basins.
- Australia business unit: Relates to operations on the Wandoo offshore crude oil field.
- Netherlands business unit: Relates to our operations in the Netherlands.
- Ireland business unit: Relates to our 18.5% non-operated interest in the offshore Corrib natural gas field.

The production numbers stated refer to Vermilion's working interest share before deduction of Crown, freehold and other royalties. Reserve amounts are stated, before deduction of royalties, as at December 31, 2013, based on forecasted costs and price assumptions as evaluated in the GLJ Report.

Canada Business Unit

Vermilion's production in Canada is located primarily in three areas, all of which are in Alberta: Drayton Valley, Slave Lake and Central Alberta. Vermilion's main gas producing areas are Drayton Valley and Central Alberta, while Slave Lake and the Cardium light oil play in Drayton Valley are the main oil producing areas.

Vermilion holds an average working interest of 70% in 407,700 (286,800 net) acres of developed land, 644,800 (569,300 net) acres of undeveloped land, 525 (347 net) producing natural gas wells and 464 (307 net) producing oil wells as at December 31, 2013. Vermilion owns and operates four natural gas plants and has an ownership interest in five additional plants, resulting in combined gross processing capacity of over 80 MMcf/d. In addition, Vermilion has capacity of over 20,500 bbl/d of oil in five operated oil batteries including a 15,000 bbl/d oil battery that handles Cardium production. The 15,000 bbl/d oil battery commenced operations August 1, 2011 and as of December 2013 was processing approximately 10,000 bbl/d of oil, of which 74% is Vermilion Cardium oil production.

Risks and uncertainties associated with weather conditions can shorten the winter drilling season and can impact the spring and summer drilling programs, potentially resulting in increased costs or reduced production.

For a discussion of the competitive conditions affecting Vermilion's business, refer to "Competition" in the Risk Factors section of this AIF.

For the year ended December 31, 2013, production in Canada averaged approximately 42.4 MMcf/d of natural gas and 10,053 bbl/d of crude oil and NGL. Sales of natural gas in 2013 were approximately $52.6 million (2012 - $34.6 million) and sales from crude oil and NGLs were approximately $329.4 million (2012 - $269.6 million).

The GLJ Report assigned 54,857 Mboe of total proved reserves and 86,105 Mboe of proved plus probable reserves to Vermilion's properties located in Canada.

France Business Unit

Vermilion's main producing areas in France are located in the Aquitaine Basin which is southwest of Bordeaux, France and in the Paris Basin, located just east of Paris. Vermilion's assets in France are primarily oil producing properties. The two major fields in the Paris Basin area are Champotran and Chaunoy. The two major fields in the Aquitaine Basin are Parentis and Cazaux. In January, 2012 Vermilion, through its wholly-owned subsidiaries, acquired certain working interests in six producing fields located in the Paris and Aquitaine basins in France. Pursuant to the acquisition, Vermilion acquired the remaining working interests in three fields in which it previously held interests (Itteville, Vert Le Grand and Vic Bihl) and working interests in three new fields (Vert Le Petit and La Croix Blanche at 100% working interest and Dommartin-Lettrée at 56% working interest). Effective October 1, 2012 Vermilion, through its wholly owned subsidiaries, acquired 100% of the shares of ZEF and operating interests covering approximately 24,300 acres with 100% working interests in the Saint Firmin, Chateaurenard, Courtenay, Chuelles, and Charmottes fields in the Paris Basin. Vermilion operates 13 oil batteries and 12 single well batteries with current throughput of more than 12,000 bbl/d. Given the legacy nature of these assets, the throughput capability of these batteries far exceeds any projected future requirements. Vermilion holds 96% working interest in 218,100 (208,900 net) acres of developed land and 100% working interest in 344,900 (344,900 net) acres of undeveloped land in the Aquitaine and Paris Basins. Vermilion had 327 (316 net) producing oil wells in France as at December 31, 2013.

Risks and uncertainties associated with well approvals can impact the drilling programs, potentially resulting in delays or reduced production.

For a discussion of the competitive conditions affecting Vermilion business, refer to "Competition" in the Risk Factors section of this AIF.

For the year ended December 31, 2013, production in France averaged approximately 10,873 bbl/d of oil and 3.4 MMcf/d of natural gas. Sales from oil in 2013 were approximately $449.9 million (2012 - $374.2 million) and sales from natural gas were approximately $3.4 million (2012 - $14.2 million).

The GLJ Report assigned 36,230 Mboe of total proved reserves and 55,168 Mboe of proved plus probable reserves to Vermilion's properties located in France.

Netherlands Business Unit

Vermilion's Netherlands assets consist of 17 onshore concessions in the northern part of the country, five concessions in the southwestern part of the country, and two offshore concessions following completion of the NPN acquisition in October 2013, pursuant to which Vermilion acquired four concessions in the northern part of the country, five concessions in the southwestern part of the country and a non-operating interest in one offshore concession, covering 298,500 net acres of land (of which 98% is undeveloped). Production consists solely of natural gas with a small amount of related condensate. Vermilion’s total position in the Netherlands covers 1,384,600 (735,700 net) acres at an average 53% working interest, of which 95% is undeveloped, and 57 (43 net) producing gas wells as at December 31, 2013.

Risks and uncertainties associated with drilling and production permits can impact drilling programs and production timing, potentially resulting in increased costs or reduced production.

For a discussion of the competitive conditions affecting Vermilion’s business, refer to "Competition" in the Risk Factors section of this AIF.

For the year ended December 31, 2013, Vermilion's production in the Netherlands averaged 64 bbl/d of NGLs and 35.4 MMcf/d of natural gas. Sales in 2013 of natural gas were approximately $134.7 million (2012 - $121.1 million) and sales from NGLs were approximately $4.9 million (2012 - $2.4 million).

The GLJ Report assigned 6,186 Mboe of total proved reserves and 13,717 Mboe of proved plus probable reserves to Vermilion's properties located in the Netherlands.

Australia Business Unit

Vermilion's Australia assets consist of a 100% operated interest in an offshore oil field located on Western Australia's northwest shelf. The platform has a current producing capacity of 162,000 bbl/d of total fluid. Vermilion holds a 100% working interest in the Wandoo block, which is comprised of 59,600 acres and is considered a production license.

Western Australia's northwest shelf is subject to seasonal disruptions caused by cyclones. During cyclone season (December to March) the Company may have to reduce production rates at its offshore facilities as a result of the inability to offload to tankers due to bad weather. Cyclones may also cause production shut-ins due to the evacuation of staff or damage to equipment on the platform.

For a discussion of the competitive conditions affecting Vermilion's business, refer to "Competition" in the Risk Factors section of this AIF.

For the year ended December 31, 2013, Vermilion's production in Australia averaged 6,481 bbl/d of crude oil. Sales in 2013 from crude oil were approximately $298.9 million (2012 - $267.0 million).

The GLJ Report assigned 14,024 Mboe of total proved reserves and 19,463 Mboe of proved plus probable reserves to Vermilion's property located in Australia.

Ireland Business Unit

Vermilion holds an 18.5% non-operating interest in the offshore Corrib gas field located off the northwest coast of Ireland. Production from Corrib is expected to increase Vermilion's volumes by approximately 58 MMcf (9,700 boe/d) once the field reaches peak production. Vermilion acquired its 18.5% working interest in the project on July 30, 2009, comprised of six offshore wells, both offshore and onshore pipeline segments as well as a natural gas processing facility. At the time of the acquisition most of the key components of the project, with the exception of the onshore pipeline, were either complete or in the latter stages of development. In 2011, approvals and permissions were granted for the onshore gas pipeline and tunneling commenced on December 16, 2012. Vermilion expects to continue to invest capital in this project over the next two years with approximately $90 million budgeted for 2014. The project is anticipated to produce first gas by mid-2015.

The GLJ Report assigned 17,655 Mboe of total proved reserves and 24,106 Mboe of proved plus probable reserves to Vermilion's property located in Ireland.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Reserves and Future Net Revenue

The following is a summary of the oil and natural gas reserves and the value of future net revenue of Vermilion as evaluated by GLJ in a report dated February 4, 2014 with an effective date of December 31, 2013. Pricing used in the forecast price evaluations is set forth in the notes to the tables.

Reserves and other oil and gas information contained in this section is effective December 31, 2013 unless otherwise stated.

All evaluations of future net production revenue set forth in the tables below are stated after overriding and lessor royalties, Crown royalties, freehold royalties, mineral taxes, direct lifting costs, normal allocated overhead and future capital investments, including abandonment and reclamation obligations. **Future net production revenues estimated by the GLJ Report do not represent the fair market value of the reserves. Other assumptions relating to the costs, prices for future production and other matters are included in the GLJ Report. There is no assurance that the future price and cost assumptions used in the GLJ Report will prove accurate and variances could be material.**

Reserves for Australia, Canada, France, Ireland and the Netherlands are established using deterministic methodology. Total proved reserves are established at the 90 percent probability (P90) level. There is a 90 percent probability that the actual reserves recovered will be equal to or greater than the P90 reserves. Total proved plus probable reserves are established at the 50 percent probability (P50) level. There is a 50 percent probability that the actual reserves recovered will be equal to or greater than the P50 reserves.

The Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are contained in Schedules "A" and "B", respectively.

The following tables provide reserves data and a breakdown of future net revenue by component and production group using forecast prices and costs. For Canada, the tables following include AGCA.

The following tables may not total due to rounding.

Oil and Gas Reserves - Based on Forecast Prices and Costs [1]

	Light and Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids		BOE	BOE
	Gross [2] (Mbbl)	Net [2] (Mbbl)	Gross [2] (Mbbl)	Net [2] (Mbbl)	Gross [2] (MMcf)	Net [2] (MMcf)	Gross [2] (Mbbl)	Net [2] (Mbbl)	Gross (Mboe)	Net (Mboe)
Proved Developed Producing [3] [5] [6]										
Australia	12,824	12,824	-	-	-	-	-	-	12,824	12,824
Canada	11,394	9,323	13	12	64,246	58,142	2,804	1,920	24,919	20,945
France	30,895	28,741	-	-	7,561	7,554	-	-	32,155	30,000
Ireland	-	-	-	-	-	-	-	-	-	-
Netherlands	-	-	-	-	22,794	22,794	44	44	3,843	3,843
Total Proved Developed Producing	55,113	50,888	13	12	94,601	88,490	2,848	1,964	73,741	67,612
Proved Developed Non-Producing [3] [5] [7]										
Australia	-	-	-	-	-	-	-	-	-	-
Canada	459	392	-	-	16,330	14,633	629	408	3,810	3,239
France	686	635	-	-	3,470	3,457	-	-	1,264	1,211
Ireland	-	-	-	-	-	-	-	-	-	-
Netherlands	-	-	-	-	13,956	13,956	17	17	2,343	2,343
Total Proved Developed Non-Producing	1,145	1,027	-	-	33,756	32,046	646	425	7,417	6,793
Proved Undeveloped [3] [8]										
Australia	1,200	1,200	-	-	-	-	-	-	1,200	1,200
Canada	8,997	7,768	-	-	74,385	68,950	4,734	3,671	26,129	22,931
France	2,810	2,665	-	-	-	-	-	-	2,810	2,665
Ireland	-	-	-	-	105,931	105,931	-	-	17,655	17,655
Netherlands	-	-	-	-	-	-	-	-	-	-
Total Proved Undeveloped	13,007	11,633	-	-	180,316	174,881	4,734	3,671	47,794	44,451
Proved [3]										
Australia	14,024	14,024	-	-	-	-	-	-	14,024	14,024
Canada	20,850	17,483	13	12	154,961	141,725	8,167	5,999	54,857	47,115
France	34,391	32,041	-	-	11,031	11,011	-	-	36,230	33,876
Ireland	-	-	-	-	105,931	105,931	-	-	17,655	17,655
Netherlands	-	-	-	-	36,750	36,750	61	61	6,186	6,186
Total Proved	69,265	63,548	13	12	308,673	295,417	8,228	6,060	128,952	118,856
Probable [4]										
Australia	5,439	5,439	-	-	-	-	-	-	5,439	5,439
Canada	10,450	8,645	3	3	90,663	81,662	5,685	3,942	31,249	26,200
France	18,394	17,178	-	-	3,269	3,266	-	-	18,939	17,722
Ireland	-	-	-	-	38,707	38,707	-	-	6,451	6,451
Netherlands	-	-	-	-	44,592	44,592	99	99	7,531	7,531
Total Probable	34,283	31,262	3	3	177,231	168,227	5,784	4,041	69,609	63,344
Proved Plus Probable [3] [4]										
Australia	19,463	19,463	-	-	-	-	-	-	19,463	19,463
Canada	31,300	26,128	16	15	245,624	223,387	13,852	9,941	86,105	73,315
France	52,785	49,219	-	-	14,300	14,277	-	-	55,168	51,599
Ireland	-	-	-	-	144,638	144,638	-	-	24,107	24,106
Netherlands	-	-	-	-	81,342	81,342	160	160	13,717	13,717
Total Proved Plus Probable	103,548	94,810	16	15	485,904	463,644	14,012	10,101	198,560	182,200

Notes:

(1) The pricing assumptions used in the GLJ Report with respect to net values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth above. See "Forecast Prices used in Estimates". The NGL price is an aggregate of the individual natural gas liquids prices used in the Total Proved plus Probable evaluation. GLJ is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

(2) "Gross Reserves" are Vermilion's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of Vermilion. "Net Reserves" are Vermilion's working interest (operating or non-operating) share after deduction of royalty obligations, plus Vermilion's royalty interests in reserves.

(3) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(4) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

(5) "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.

(6) "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

(7) "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

(8) "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

Net Present Values of Future Net Revenue - Based on Forecast Prices and Costs [1]

	Before Deducting Future Income Taxes Discounted At					After Deducting Future Income Taxes Discounted At				
(M$)	**0%**	**5%**	**10%**	**15%**	**20%**	**0%**	**5%**	**10%**	**15%**	**20%**
Proved Developed Producing [2] [4] [5]										
Australia	652,521	585,705	531,671	487,436	450,743	441,525	389,286	347,679	314,159	286,801
Canada	917,542	732,428	611,019	526,184	463,924	917,542	732,428	611,019	526,184	463,924
France	1,922,512	1,441,270	1,169,507	995,695	874,106	1,515,215	1,143,202	924,201	781,406	680,775
Ireland	-	-	-	-	-	-	-	-	-	-
Netherlands	171,171	166,503	160,726	154,867	149,274	127,777	124,483	119,963	115,260	110,734
Total Proved Developed Producing	3,663,746	2,925,906	2,472,923	2,164,182	1,938,047	3,002,059	2,389,399	2,002,862	1,737,009	1,542,234
Proved Developed Non-Producing [2] [4] [6]										
Australia	-	-	-	-	-	-	-	-	-	-
Canada	70,195	55,001	45,425	38,749	33,807	70,195	55,001	45,425	38,749	33,807
France	58,478	44,933	36,291	30,396	26,117	37,859	28,837	22,976	18,988	16,109
Ireland	-	-	-	-	-	-	-	-	-	-
Netherlands	58,744	42,746	32,922	26,583	22,305	48,215	32,962	23,789	18,026	14,260
Total Proved Developed Non-Producing	187,417	142,680	114,638	95,728	82,229	156,269	116,800	92,190	75,763	64,176
Proved Undeveloped [2] [7]										
Australia	60,146	46,820	36,877	29,331	23,516	27,883	19,651	13,726	9,397	6,192
Canada	746,436	530,852	394,101	302,160	237,346	448,077	321,004	240,489	185,988	147,108
France	186,477	149,805	119,575	96,365	78,740	124,123	93,815	71,553	55,102	42,883
Ireland	716,287	559,569	435,502	341,954	271,427	716,287	559,569	435,502	341,954	271,427
Netherlands	-	-	-	-	-	-	-	-	-	-
Total Proved Undeveloped	1,709,346	1,287,046	986,055	769,810	611,029	1,316,370	994,039	761,270	592,441	467,610
Proved [2]										
Australia	712,667	632,525	568,548	516,767	474,259	469,408	408,937	361,405	323,556	292,993
Canada	1,734,173	1,318,281	1,050,545	867,093	735,077	1,435,814	1,108,433	896,933	750,921	644,839
France	2,167,467	1,636,008	1,325,373	1,122,456	978,963	1,677,197	1,265,854	1,018,730	855,496	739,767
Ireland	716,287	559,569	435,502	341,954	271,427	716,287	559,569	435,502	341,954	271,427
Netherlands	229,915	209,249	193,648	181,450	171,579	175,992	157,445	143,752	133,286	124,994
Total Proved	5,560,509	4,355,632	3,573,616	3,029,720	2,631,305	4,474,698	3,500,238	2,856,322	2,405,213	2,074,020
Probable [3]										
Australia	342,887	268,934	216,210	177,749	149,013	191,359	143,212	109,895	86,417	69,505
Canada	1,066,302	679,218	473,035	351,453	273,764	805,234	505,288	346,615	253,689	194,789
France	1,328,916	752,046	490,337	346,386	257,336	867,907	479,851	302,221	204,717	144,824
Ireland	413,592	250,341	164,931	116,333	86,526	413,592	250,341	164,931	116,333	86,526
Netherlands	379,491	280,351	220,037	180,195	152,184	281,161	204,108	156,473	124,925	102,879
Total Probable	3,531,188	2,230,890	1,564,550	1,172,116	918,823	2,559,253	1,582,800	1,080,135	786,081	598,523
Proved Plus Probable [2] [3]										
Australia	1,055,554	901,459	784,758	694,516	623,272	660,767	552,149	471,300	409,973	362,498
Canada	2,800,475	1,997,499	1,523,580	1,218,546	1,008,841	2,241,048	1,613,721	1,243,548	1,004,610	839,628
France	3,496,383	2,388,054	1,815,710	1,468,842	1,236,299	2,545,104	1,745,705	1,320,951	1,060,213	884,591
Ireland	1,129,879	809,910	600,433	458,287	357,953	1,129,879	809,910	600,433	458,287	357,953
Netherlands	609,406	489,600	413,685	361,645	323,763	457,153	361,553	300,225	258,211	227,873
Total Proved Plus Probable	9,091,697	6,586,522	5,138,166	4,201,836	3,550,128	7,033,951	5,083,038	3,936,457	3,191,294	2,672,543

Notes:

(1) The pricing assumptions used in the GLJ Report with respect to net values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth above. See "Forecast Prices used in Estimates". The NGL price is an aggregate of the individual natural gas liquids prices used in the Total Proved plus Probable evaluation. GLJ is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

(2) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(3) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

(4) "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.

(5) "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

(6) "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

(7) "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

Total Future Net Revenue (Undiscounted) Based on Forecast Prices and Costs [1]

(M$)	Revenue	Royalties	Operating Costs	Capital Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Future Income Taxes	Future Net Revenue After Income Taxes
Proved [2]								
Australia	1,646,523	-	694,410	201,855	37,591	712,667	243,259	469,408
Canada	3,566,032	523,536	823,146	444,584	40,594	1,734,172	298,358	1,435,814
France	3,825,846	255,263	1,070,681	149,246	183,193	2,167,463	490,266	1,677,197
Ireland	1,186,463	-	217,845	184,480	67,851	716,287	-	716,287
Netherlands	447,859	-	136,074	40,558	41,311	229,916	53,924	175,992
Total Proved	10,672,723	778,799	2,942,156	1,020,723	370,540	5,560,505	1,085,807	4,474,698
Proved Plus Probable [2] [3]								
Australia	2,312,683	-	970,836	243,471	42,822	1,055,554	394,787	660,767
Canada	5,666,550	874,308	1,256,300	685,624	49,843	2,800,475	559,427	2,241,048
France	5,992,965	398,363	1,522,445	346,678	229,097	3,496,382	951,278	2,545,104
Ireland	1,676,002	-	293,792	184,480	67,851	1,129,879	-	1,129,879
Netherlands	1,004,424	-	257,731	85,689	51,599	609,405	152,252	457,153
Total Proved Plus Probable	16,652,624	1,272,671	4,301,104	1,545,942	441,212	9,091,695	2,057,744	7,033,951

Notes:

(1) The pricing assumptions used in the GLJ Report with respect to net values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth above. See "Forecast Prices used in Estimates". The NGL price is an aggregate of the individual natural gas liquids prices used in the Total Proved plus Probable evaluation. GLJ is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

(2) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(3) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Future Net Revenue by Production Group Based on Forecast Prices and Costs **(1)**

	Future Net Revenue Before Income Taxes (2) (Discounted at 10% Per Year)	Unit Value
Proved Developed Producing	**(M$)**	**($/boe)**
Light and medium oil (3)	2,142,591	39.70
Natural gas (4)	328,991	26.45
Non-conventional oil and gas activities	1,341	1.11
Total Proved Developed Producing	2,472,923	36.57
Proved Developed Non-Producing		
Light and medium oil (3)	32,403	28.38
Natural gas (4)	80,346	15.83
Non-conventional oil and gas activities	1,889	3.29
Total Proved Developed Non-Producing	114,638	16.88
Proved Undeveloped		
Light and medium oil (3)	457,303	30.83
Natural gas (4)	524,088	18.93
Non-conventional oil and gas activities	4,664	2.42
Total Proved Undeveloped	986,055	22.18
Proved		
Light and medium oil (3)	2,632,297	37.64
Natural gas (4)	933,425	20.64
Non-conventional oil and gas activities	7,894	2.12
Total Proved	3,573,616	30.07
Probable		
Light and medium oil (3)	1,009,856	29.05
Natural gas (4)	547,769	20.29
Non-conventional oil and gas activities	6,925	4.38
Total Probable	1,564,550	24.70
Proved Plus Probable		
Light and medium oil (3)	3,642,153	34.79
Natural gas (4)	1,481,194	20.51
Non-conventional oil and gas activities	14,819	2.80
Total Proved Plus Probable	5,138,166	28.20

Notes:

(1) The pricing assumptions used in the GLJ Report with respect to net values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth above. See "Forecast Prices used in Estimates". The NGL price is an aggregate of the individual natural gas liquids prices used in the Total Proved plus Probable evaluation. GLJ is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

(2) Other Company revenue and costs not related to a specific production group have been allocated proportionately to production groups. Unit values are based on Company Net Reserves. Net present values of reserves categories are an approximation based on major products.

(3) Including solution gas and other by-products.

(4) Including by-products but excluding solution gas.

Forecast Prices used in Estimates **(1)**

	Light and Medium Crude Oil			Crude Oil	Natural Gas	Natural Gas France/	Natural Gas Liquids	Inflation Rate	Exchange Rate	Exchange Rate
Year	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price 40° API ($Cdn/bbl)	Cromer Medium 29.3° API ($Cdn/bbl)	Brent Blend FOB North Sea ($US/bbl)	AECO Gas Price ($Cdn/MMBtu)	National Balancing Point (UK)	FOB Field Gate ($Cdn/bbl)	Percent Per Year	($US/$Cdn)	(EUR/$Cdn)
2013	97.88	93.33	88.05	108.76	3.24	10.83	68.65	1.0	1.000	1.369
Forecast										
2014	97.50	92.76	86.27	107.50	4.03	11.32	66.66	2.0	0.950	1.420
2015	97.50	97.37	90.55	107.50	4.26	11.32	69.12	2.0	0.950	1.420
2016	97.50	100.00	93.00	105.00	4.50	11.05	70.45	2.0	0.950	1.420
2017	97.50	100.00	93.00	102.50	4.74	10.79	69.83	2.0	0.950	1.420
2018	97.50	100.00	93.00	102.50	4.97	10.79	69.19	2.0	0.950	1.420
Thereafter	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.950	1.420

Note:

(1) The pricing assumptions used in the GLJ Report with respect to net values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth above. The NGL price is an aggregate of the individual natural gas liquids prices used in the Total Proved plus Probable evaluation. GLJ is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

All forecast prices in the table above are provided by GLJ. For 2013, the price of Vermilion's natural gas in the Netherlands was based on the TTF day-ahead index, as determined on the Title Transfer Facility Virtual Trading Point operated by Dutch TSO Gas Transport Services, plus various fees. GasTerra, a state owned entity purchases all natural gas produced by Vermilion in the Netherlands. Prior to 2013, the natural gas price received by Vermilion in the Netherlands was calculated using a formula based on the trailing average of Dated Brent and natural gas prices from European trading hubs. France natural gas production was benchmarked to National Balancing Point (UK). The benchmark price for Australia and France crude oil was Dated Brent. The benchmark price for Canadian crude oil was Edmonton Par and Canadian natural gas was priced against AECO. For the year ended December 31, 2013, the average realized sales prices before hedging were $119.38 per bbl (Australia), $10.61 per Mcf (Netherlands), $108.55 per bbl (France) for Brent-based crude oil, $89.78 per bbl for Canadian-based crude oil and NGLs and $3.40 per Mcf for Canadian natural gas.

Reconciliations of Changes in Reserves

The following tables set forth a reconciliation of the changes in Vermilion's gross light and medium crude oil, heavy oil and associated and non-associated gas (combined) reserves as at December 31, 2013 compared to such reserves as at December 31, 2012 based on the forecast price and cost assumptions set forth in note 3.

Reconciliation of Company Gross Reserves by Principal Product Type - Based on Forecast Prices and Costs

AUSTRALIA	Total Oil			Light and Medium Oil			Heavy Oil			Natural Gas Liquids		
Proved Probable P+P [1] [2]	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable
Factors	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)
At December 31, 2012	10,327	6,816	17,143	10,327	6,816	17,143	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	3,300	(650)	2,650	3,300	(650)	2,650	-	-	-	-	-	-
Technical Revisions	2,763	(727)	2,036	2,763	(727)	2,036	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(2,366)	-	(2,366)	(2,366)	-	(2,366)	-	-	-	-	-	-
At December 31, 2013	14,024	5,439	19,463	14,024	5,439	19,463	-	-	-	-	-	-

	Total Gas			Conventional Natural Gas			Coal Bed Methane			BOE		
Proved Probable P+P [1] [2]	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable
Factors	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(Mboe)	(Mboe)	(Mboe)
At December 31, 2012	-	-	-	-	-	-	-	-	-	10,327	6,816	17,143
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	3,300	(650)	2,650
Technical Revisions	-	-	-	-	-	-	-	-	-	2,763	(727)	2,036
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	(2,366)	-	(2,366)
At December 31, 2013	-	-	-	-	-	-	-	-	-	14,024	5,439	19,463

CANADA	Total Oil			Light and Medium Oil			Heavy Oil			Natural Gas Liquids		
Proved Probable P+P [1] [2]	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable
Factors	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)
At December 31, 2012	18,132	14,102	32,234	18,115	14,099	32,214	17	3	20	3,565	2,026	5,591
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	1,056	1,487	2,543	1,056	1,487	2,543	-	-	-	3,839	3,256	7,095
Technical Revisions	4,736	(5,136)	(400)	4,736	(5,136)	(400)	-	-	-	1,371	403	1,774
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(3,061)	-	(3,061)	(3,057)	-	(3,057)	(4)	-	(4)	(608)	-	(608)
At December 31, 2013	20,863	10,453	31,316	20,850	10,450	31,300	13	3	16	8,167	5,685	13,852

	Total Gas			Conventional Natural Gas			Coal Bed Methane			BOE		
Proved Probable P+P [1] [2]	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable
Factors	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(Mboe)	(Mboe)	(Mboe)
At December 31, 2012	114,014	65,654	179,668	91,978	53,713	145,691	22,036	11,941	33,977	40,700	27,070	67,770
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	41,210	35,959	77,169	41,210	35,959	77,169	-	-	-	11,763	10,736	22,500
Technical Revisions	15,209	(10,950)	4,259	11,942	(9,136)	2,806	3,267	(1,814)	1,453	8,641	(6,558)	2,083
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(15,472)	-	(15,472)	(14,072)	-	(14,072)	(1,400)	-	(1,400)	(6,248)	-	(6,248)
At December 31, 2013	154,961	90,663	245,624	131,058	80,536	211,594	23,903	10,127	34,030	54,857	31,249	86,105

FRANCE	Total Oil			Light and Medium Oil			Heavy Oil			Natural Gas Liquids		
Proved Probable P+P (1) (2) Factors	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)
At December 31, 2012	32,516	14,263	46,779	32,516	14,263	46,779	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	3,194	3,910	7,104	3,194	3,910	7,104	-	-	-	-	-	-
Technical Revisions	2,650	221	2,871	2,650	221	2,871	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(3,969)	-	(3,969)	(3,969)	-	(3,969)	-	-	-	-	-	-
At December 31, 2013	34,391	18,394	52,785	34,391	18,394	52,785	-	-	-	-	-	-

	Total Gas			Conventional Natural Gas			Coal Bed Methane			BOE		
Proved Probable P+P (1) (2) Factors	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (Mboe)	Probable (Mboe)	Proved + Probable (Mboe)
At December 31, 2012	1,377	24	1,401	1,377	24	1,401	-	-	-	32,746	14,266	47,012
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	3,470	1,290	4,760	3,470	1,290	4,760	-	-	-	3,772	4,125	7,897
Technical Revisions	7,425	1,955	9,380	7,425	1,955	9,380	-	-	-	3,888	548	4,435
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(1,241)	-	(1,241)	(1,241)	-	(1,241)	-	-	-	(4,176)	-	(4,176)
At December 31, 2013	11,031	3,269	14,300	11,031	3,269	14,300	-	-	-	36,230	18,939	55,168

IRELAND	Total Oil			Light and Medium Oil			Heavy Oil			Natural Gas Liquids		
Proved Probable P+P (1) (2) Factors	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)
At December 31, 2012	-	-	-	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2013	-	-	-	-	-	-	-	-	-	-	-	-

	Total Gas			Conventional Natural Gas			Coal Bed Methane			BOE		
Proved Probable P+P (1) (2) Factors	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (Mboe)	Probable (Mboe)	Proved + Probable (Mboe)
At December 31, 2012	91,954	35,079	127,033	91,954	35,079	127,033	-	-	-	15,326	5,846	21,172
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	3,578	929	4,507	3,578	929	4,507	-	-	-	596	155	751
Technical Revisions	10,399	2,699	13,098	10,399	2,699	13,098	-	-	-	1,733	450	2,183
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2013	105,931	38,707	144,638	105,931	38,707	144,638	-	-	-	17,655	6,451	24,106

NETHERLANDS	Total Oil			Light and Medium Oil			Heavy Oil			Natural Gas Liquids		
Proved Probable P+P (1) (2) Factors	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)
At December 31, 2012	-	-	-	-	-	-	-	-	-	62	61	123
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	6	3	9
Technical Revisions	-	-	-	-	-	-	-	-	-	7	(20)	(13)
Acquisitions	-	-	-	-	-	-	-	-	-	9	55	64
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	(23)	-	(23)
At December 31, 2013	-	-	-	-	-	-	-	-	-	61	99	160

	Total Gas			Conventional Natural Gas			Coal Bed Methane			BOE		
Proved Probable P+P (1) (2) Factors	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (Mboe)	Probable (Mboe)	Proved + Probable (Mboe)
At December 31, 2012	36,606	33,277	69,883	36,606	33,277	69,883	-	-	-	6,163	5,607	11,770
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	1,445	2,799	4,244	1,445	2,799	4,244	-	-	-	247	470	716
Technical Revisions	7,906	(1,602)	6,304	7,906	(1,602)	6,304	-	-	-	1,325	(287)	1,038
Acquisitions	3,721	10,118	13,839	3,721	10,118	13,839	-	-	-	629	1,741	2,371
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(12,928)	-	(12,928)	(12,928)	-	(12,928)	-	-	-	(2,178)	-	(2,178)
At December 31, 2013	36,750	44,592	81,342	36,750	44,592	81,342	-	-	-	6,186	7,531	13,717

TOTAL COMPANY	Total Oil			Light and Medium Oil			Heavy Oil			Natural Gas Liquids		
Proved Probable P+P (1) (2) Factors	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)
At December 31, 2012	60,975	35,181	96,156	60,958	35,178	96,136	17	3	20	3,627	2,086	5,714
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	7,550	4,747	12,297	7,550	4,747	12,297	-	-	-	3,845	3,259	7,104
Technical Revisions	10,149	(5,642)	4,507	10,149	(5,642)	4,507	-	-	-	1,378	383	1,761
Acquisitions	-	-	-	-	-	-	-	-	-	9	56	64
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(9,396)	-	(9,396)	(9,392)	-	(9,392)	(4)	-	(4)	(631)	-	(631)
At December 31, 2013	69,278	34,286	103,564	69,265	34,283	103,548	13	3	16	8,228	5,784	14,012

	Total Gas			Conventional Natural Gas			Coal Bed Methane			BOE		
Proved Probable P+P (1) (2) Factors	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (Mboe)	Probable (Mboe)	Proved + Probable (Mboe)
At December 31, 2012	243,951	134,034	377,985	221,915	122,093	344,008	22,036	11,941	33,977	105,262	59,605	164,867
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	49,703	40,977	90,680	49,703	40,977	90,680	-	-	-	19,679	14,836	34,514
Technical Revisions	40,939	(7,898)	33,041	37,672	(6,084)	31,588	3,267	(1,814)	1,453	18,350	(6,574)	11,775
Acquisitions	3,721	10,118	13,839	3,721	10,118	13,839	-	-	-	629	1,742	2,371
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(29,641)	-	(29,641)	(28,241)	-	(28,241)	(1,400)	-	(1,400)	(14,967)	-	(14,967)
At December 31, 2013	308,673	177,231	485,904	284,770	167,104	451,874	23,903	10,127	34,030	128,952	69,609	198,560

Notes:

(1)"Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(2)"Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

(3)The pricing assumptions used in the GLJ Report with respect to net values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth above. See “Forecast Prices used in Estimates”. The NGL price is an aggregate of the individual natural gas liquids prices used in the Total Proved plus Probable evaluation. GLJ is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

Undeveloped Reserves

Proved undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. These reserves have a 90% probability of being recovered. Vermilion's current plan is to develop these reserves in the following three years. The pace of development of these reserves is influenced by many factors, including but not limited to, the outcomes of yearly drilling and reservoir evaluations, changes in commodity pricing, changes in capital allocations, changing technical conditions, regulatory changes and impact of future acquisitions and dispositions. As new information becomes available these reserves are reviewed and development plans are revised accordingly.

Probable undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. These reserves have a 50% probability of being recovered. Vermilion's current plan is to develop these reserves over the next five years. In general, development of these reserves requires additional evaluation data to increase the probability of success to an acceptable level for Vermilion. This increases the timeline for the development of these reserves. This timetable may be altered depending on outside market forces, changes in capital allocations and impact of future acquisitions and dispositions.

Timing of Initial Undeveloped Reserves Assignment

Undeveloped Reserves Attributed in Current Year

	Light & Medium Oil (Mbbl)		Natural Gas (MMcf)		Coalbed Methane Gas (MMcf)		Natural Gas Liquids (Mbbl)		Total Oil Equivalent (Mboe)	
	First Attributed [1]	Booked	First Attributed [1]	Booked	First Attributed [1]	Booked	First Attributed [1]	Booked	First Attributed [1]	Booked
Proved										
Prior to 2011	4,627	6,588	6,454	107,633	4,943	12,958	268	751	6,795	27,438
2011	3,365	8,127	6,246	114,422	-	11,451	156	743	4,562	29,849
2012	3,378	9,062	10,998	121,962	-	10,939	415	1,051	5,626	32,263
2013	4,293	13,007	38,720	167,927	8,191	12,389	3543	4734	15,655	47,793
Probable										
Prior to 2011	6,306	12,417	8,106	38,296	2,435	8,066	342	931	8,405	21,075
2011	5,707	15,734	11,191	47,687	-	5,761	280	937	7,852	25,580
2012	3,910	17,536	8,714	75,358	-	8,340	360	1276	5,723	32,762
2013	7,967	17,797	53,927	115,066	5,338	7,085	3742	4,640	21,587	42,795

Note:

[1] "First Attributed" refers to reserves first attributed at year-end of the corresponding fiscal year

Future Development Costs [1]

The table below sets out the future development costs deducted in the estimation of future net revenue attributable to total proved reserves and total proved plus probable reserves (using forecast prices and costs).

(M$)	Total Proved Estimated Using Forecast Prices and Costs	Total Proved Plus Probable Estimated Using Forecast Prices and Costs
Australia		
2014	22,500	22,500
2015	68,646	110,262
2016	2,913	2,913
2017	40,963	40,963
2018	64,405	64,405
Remainder	2,428	2,428
Total for all years undiscounted	201,855	243,471
Canada		
2014	188,687	196,593
2015	179,314	250,776
2016	55,508	156,334
2017	5,636	65,039
2018	541	541
Remainder	14,899	16,341
Total for all years undiscounted	444,585	685,624
France		
2014	38,884	77,422
2015	44,609	126,820
2016	22,923	54,801
2017	7,861	46,171
2018	9,272	15,767
Remainder	25,699	25,697
Total for all years undiscounted	149,248	346,678
Ireland		
2014	107,703	107,703
2015	50,832	50,832
2016	3,288	3,288
2017	-	-
2018	-	-
Remainder	22,657	22,657
Total for all years undiscounted	184,480	184,480
Netherlands		
2014	1,245	9,236
2015	2,818	5,586
2016	416	2,757
2017	29,072	45,187
2018	433	16,350
Remainder	6,574	6,573
Total for all years undiscounted	40,558	85,689
Total Company		
2014	359,020	413,454
2015	346,219	544,277
2016	85,046	220,093
2017	83,532	197,361
2018	74,653	97,064
Remainder	72,253	73,693
Total for all years undiscounted	1,020,723	1,545,942

Note:

[1] The pricing assumptions used in the GLJ Report with respect to net values of future net revenue (forecast) as well as the inflation rates used for operating and capital costs are set forth above. See "Forecast Prices used in Estimates". The NGL price is an aggregate of the individual natural gas liquids prices used in the Total Proved plus Probable evaluation. GLJ is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

Vermilion expects to source its capital expenditure requirements from internally generated cash flow and, as appropriate, from the existing credit facility, equity or debt financing. It is anticipated that costs of funding the future development costs will not impact development of its properties or Vermilion's reserves or future net revenue.

Oil and Gas Properties and Wells [1] [2]

The following table sets forth the number of wells in which Vermilion held a working interest as at December 31, 2013:

	Oil Gross Wells [3]	Oil Net Wells [4]	Natural Gas Gross Wells [3]	Natural Gas Net Wells [4]
Australia				
Producing	18	18	-	-
Non-producing	-	-	-	-
Canada				
Producing	464	307	525	347
Non-producing	140	86	292	213
France				
Producing	327	316	-	-
Non-producing	91	85	2	2
Ireland				
Producing	-	-	-	-
Non-producing	-	-	6	1
Netherlands				
Producing	-	-	57	43
Non-producing	-	-	19	14
Total Producing	809	641	582	390
Total Non-producing	231	171	319	230

Notes:
(1) Well counts are based on wellbores.
(2) Wells for Australia and Ireland are located offshore.
(3) "Gross" refers to the total wells in which Vermilion has an interest, directly or indirectly.
(4) "Net" refers to the total wells in which Vermilion has an interest, directly or indirectly, multiplied by the percentage working interest owned by Vermilion, directly or indirectly, therein.

Costs Incurred

The following table summarizes the capital expenditures made by Vermilion on oil and natural gas properties for the year ended December 31, 2013:

	Acquisition Costs				
(M$)	Proved Properties [1]	Unproved Properties	Exploration Costs [1]	Development Costs	Total Costs
Australia	-	-	-	77,931	77,931
Canada	-	-	19,079	235,086	254,165
France	-	-	3,899	96,479	100,378
Ireland	-	-	-	90,898	90,898
Netherlands	24,124	-	-	28,543	52,667
Total	24,124	-	22,978	528,937	576,039

Note:
(1) Includes costs of acquiring undeveloped properties.

Acreage

The following table summarizes the acreage for the year ended December 31, 2013:

	Developed [1]		Undeveloped		Total	Total
(M$)	Gross [2]	Net [3]	Gross [2]	Net [3]	Gross [2]	Net [3]
Australia	20,200	20,200	39,400	39,400	59,600	59,600
Canada	407,700	286,800	644,800	571,900	1,052,500	858,700
France	218,100	208,900	344,900	344,900	563,000	553,800
Ireland	7,200	1,300	-	-	7,200	1,300
Netherlands	68,800	41,300	1,315,800	694,400	1,384,600	735,700
Total	722,000	558,500	2,344,900	1,650,600	3,066,900	2,209,100

Notes:

(1) "Developed" means the acreage assigned to productive wells based on applicable regulations.

(2) "Gross" means the total acreage in which Vermilion has a working interest, directly or indirectly.

(3) "Net" means the total acreage in which Vermilion has a working interest, directly or indirectly, multiplied by the percentage working interest of Vermilion.

Exploration and Development Activities

The following table sets forth the number of development and exploration wells which Vermilion completed during its 2013 financial year:

	Exploration Wells		Development Wells	
	Gross [1]	Net [2]	Gross [1]	Net [2]
Australia				
Oil	-	-	2.0	2.0
Gas	-	-	-	-
Standing	-	-	-	-
Dry Holes	-	-	-	-
Total Completed	-	-	2.0	2.0
Canada				
Oil	-	-	65.0	55.2
Gas	2.0	2.0	7.0	3.6
Standing	-	-	-	-
Dry Holes	-	-	1.0	1.0
Total Completed	2.0	2.0	73.0	59.8
France				
Oil	-	-	5.0	5.0
Gas	-	-	-	-
Service	-	-	-	-
Standing	-	-	-	-
Dry Holes	-	-	-	-
Total Completed	-	-	5.0	5.0
Ireland				
Oil	-	-	-	-
Gas	-	-	-	-
Standing	-	-	-	-
Dry Holes	-	-	-	-
Total Completed	-	-	-	-
Netherlands				
Oil	-	-	-	-
Gas	-	-	-	-
Standing	-	-	-	-
Dry Holes	-	-	-	-
Total Completed	-	-	-	-
Total Company				
Oil	-	-	72.0	62.2
Gas	2.0	2.0	7.0	3.6
Service	-	-	-	-
Standing	-	-	-	-
Dry Holes	-	-	1.0	1.0
Total Completed	2.0	2.0	80.0	66.8

Notes:

(1) "Gross" refers to the total wells in which Vermilion has an interest, directly or indirectly.

(2) "Net" refers to the total wells in which Vermilion has an interest, directly or indirectly, multiplied by the percentage working interest owned by Vermilion, directly or indirectly therein.

Vermilion has initially planned $555 million for its 2014 capital program in Australia, Canada, France, Ireland and the Netherlands, as well as Germany. Key development expenditures in 2014 include increased drilling activity in France and the Netherlands, drilling and completion of two horizontal Duvernay appraisal wells in Canada, and the continued development of our Cardium and Mannville liquids-rich gas opportunities in Canada. In Australia, key development expenditures in 2014 include ongoing facilities maintenance, enhancement and refurbishment along with preparation and permitting activities in advance of our planned 2015 drilling program. In Ireland, construction of the 4.7 kilometre tunnel portion of the onshore pipeline will continue with less than two kilometres of tunneling remaining.

Properties with No Attributed Reserves

The following table sets out Vermilion's properties with no attributed reserves as at December 31, 2013:

	Properties with No Attributed Reserves	
Country	**Gross Acres (1)**	**Net Acres (2)**
Australia	39,400	39,400
Canada	407,400	362,800
France	344,900	344,900
Ireland	-	-
Netherlands	1,315,800	694,400
Total	2,107,500	1,441,500

Notes:

(1) "Gross" refers to the total acres in which Vermilion has an interest, directly or indirectly.

(2) "Net" refers to the total acres in which Vermilion has an interest, directly or indirectly, multiplied by the percentage working interest owned by Vermilion, directly or indirectly therein.

Vermilion expects its rights to explore, develop and exploit approximately 63,000 (62,700 net) acres in Canada to expire within one year unless the Company initiates the capital activity necessary to retain the rights. No such rights are expected to expire within one year in respect of the Company's international properties. Vermilion currently has no material work commitments on these lands.

Contingent and Prospective Resources

The GLJ Resources Assessment estimated contingent resources of 74.4 million boe (low estimate) to 351.7 million boe (high estimate), with a best estimate of 233.5 million boe and prospective resources of 59.4 million boe (low estimate) to 818.8 million boe (high estimate), with a best estimate of 498.7 million boe. Contingent and prospective resources are in addition to reserves estimated in the GLJ Report.

Summary information regarding contingent and prospective resources and net present values of future net revenues from contingent and prospective resources are set forth below.

Company Contingent and Prospective Resources as at December 31, 2013 [1] [2] - Forecast Prices and Costs [3] [4]

	Gross Reserves	Gross						Net					
		Contingent Resources			Prospective Resources			Contingent Resources			Prospective Resources		
Oil and NGLs	**P+P (Mbbl)**	**Low (Mbbl)**	**Best (Mbbl)**	**High (Mbbl)**	**Low (Mbbl)**	**Best (Mbbl)**	**High (Mbbl)**	**Low (Mbbl)**	**Best (Mbbl)**	**High (Mbbl)**	**Low (Mbbl)**	**Best (Mbbl)**	**High (Mbbl)**
Australia	19,463	1,250	3,900	6,200	-	1,207	3,046	1,250	3,900	6,200	-	1,207	3,046
Canada	45,168	28,377	84,022	128,092	4,607	157,571	295,063	21,140	61,487	92,143	3,711	121,446	222,692
France	52,785	8,463	21,203	33,879	289	3,782	13,584	7,744	19,489	31,364	271	3,171	12,637
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-
Netherlands	160	13	41	1,112	112	199	389	13	41	1,112	112	199	389
Total	117,576	38,103	109,166	169,283	5,008	162,759	312,082	30,147	84,917	130,819	4,094	126,023	238,764

	Gross Reserves	Gross						Net					
		Contingent Resources			Prospective Resources			Contingent Resources			Prospective Resources		
Natural Gas	**P+P (MMcf)**	**Low (MMcf)**	**Best (MMcf)**	**High (MMcf)**	**Low (MMcf)**	**Best (MMcf)**	**High (MMcf)**	**Low (MMcf)**	**Best (MMcf)**	**High (MMcf)**	**Low (MMcf)**	**Best (MMcf)**	**High (MMcf)**
Australia	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada	245,624	204,370	704,875	1,023,206	196,373	1,772,471	2,559,987	188,177	642,287	920,915	184,256	1,648,071	2,370,533
France	14,300	653	816	1,020	-	-	-	653	816	1,020	-	-	-
Ireland	144,638	5,807	18,780	29,587	-	-	-	5,807	18,780	29,587	-	-	-
Netherlands	81,342	6,874	21,627	40,864	130,038	242,939	480,613	6,874	21,627	40,864	130,038	242,939	480,613
Total	485,904	217,704	746,098	1,094,677	326,411	2,015,410	3,040,600	201,511	683,510	992,386	314,294	1,891,010	2,851,146

	Gross Reserves	Gross						Net					
		Contingent Resources			Prospective Resources			Contingent Resources			Prospective Resources		
Total Oil Equivalent	**P+P (Mboe)**	**Low (Mboe)**	**Best (Mboe)**	**High (Mboe)**	**Low (Mboe)**	**Best (Mboe)**	**High (Mboe)**	**Low (Mboe)**	**Best (Mboe)**	**High (Mboe)**	**Low (Mboe)**	**Best (Mboe)**	**High (Mboe)**
Australia	19,463	1,250	3,900	6,200	-	1,207	3,046	1,250	3,900	6,200	-	1,207	3,046
Canada	86,105	62,439	201,502	298,626	37,336	452,983	721,727	52,503	168,534	245,629	34,421	396,125	617,781
France	55,168	8,571	21,339	34,049	289	3,782	13,584	7,853	19,625	31,534	271	3,171	12,637
Ireland	24,106	968	3,130	4,931	-	-	-	968	3,130	4,931	-	-	-
Netherlands	13,717	1,159	3,646	7,922	21,785	40,689	80,492	1,159	3,646	7,922	21,785	40,689	80,492
Total	198,560	74,387	233,517	351,728	59,410	498,661	818,849	63,733	198,835	296,216	56,477	441,192	713,956

Summary of Net Present Value of Future Net Revenues as at December 31, 2013 - Forecast Prices and Costs [3]

Contingent Resources	Before Income Taxes, Discounted at [5]				After Income Taxes, Discounted at [5]			
(M$)	**0%**	**5%**	**8%**	**10%**	**0%**	**5%**	**8%**	**10%**
Low Estimate (C1) [6]								
Australia	46,057	30,848	24,342	20,805	10,709	4,554	2,164	950
Canada	1,338,563	750,862	547,973	448,543	1,003,891	535,982	376,779	299,666
France	500,810	299,434	225,931	188,618	328,076	183,183	131,181	105,100
Ireland	23,215	7,833	3,793	2,180	17,411	5,360	2,280	1,081
Netherlands	24,785	13,825	9,362	6,996	13,325	5,213	1,997	325
Total Low Estimate	1,933,430	1,102,802	811,401	667,142	1,373,412	734,292	514,401	407,122
Best Estimate (C2) [7]								
Australia	270,083	190,153	155,779	136,973	103,615	67,961	53,278	45,456
Canada	4,757,350	2,548,856	1,810,553	1,455,506	3,567,982	1,841,038	1,268,888	995,788
France	1,219,657	706,205	527,066	438,131	799,382	433,198	307,628	246,078
Ireland	142,895	49,811	25,559	15,511	107,171	35,501	16,748	8,965
Netherlands	105,017	65,145	49,059	40,535	57,271	30,298	19,610	14,023
Total Best Estimate	6,495,002	3,560,170	2,568,016	2,086,656	4,635,421	2,407,996	1,666,152	1,310,310
High Estimate (C3) [8]								
Australia	533,218	375,068	307,885	271,318	216,856	146,938	118,024	102,536
Canada	8,520,437	4,598,611	3,337,210	2,738,201	6,390,285	3,371,269	2,405,989	1,949,949
France	2,268,722	1,266,202	939,778	782,450	1,487,408	794,121	570,941	464,372
Ireland	324,184	99,583	52,899	35,341	243,138	73,269	37,734	24,313
Netherlands	287,748	191,967	152,366	131,052	157,267	95,126	69,804	56,317
Total High Estimate	11,934,309	6,531,431	4,790,138	3,958,362	8,494,954	4,480,723	3,202,492	2,597,487

Prospective Resources	Before Income Taxes, Discounted at [5]				After Income Taxes, Discounted at [5]			
(M$)	0%	5%	8%	10%	0%	5%	8%	10%
Low Estimate (Pr1) [6]								
Australia	-	-	-	-	-	-	-	-
Canada	492,575	236,916	154,804	116,698	369,217	167,763	104,048	74,831
France	10,422	8,547	7,634	7,097	5,484	4,069	3,398	3,011
Ireland	-	-	-	-	-	-	-	-
Netherlands	848,414	416,721	294,433	239,170	460,342	208,317	135,776	103,074
Total Low Estimate	1,351,411	662,184	456,871	362,965	835,043	380,149	243,222	180,916
Best Estimate (Pr2) [7]								
Australia	106,915	64,513	48,429	40,247	43,520	25,183	18,433	15,061
Canada	11,548,288	4,767,690	2,918,816	2,131,682	8,659,120	3,427,761	2,023,953	1,434,147
France	150,457	93,762	72,020	60,756	97,837	55,234	39,133	30,889
Ireland	-	-	-	-	-	-	-	-
Netherlands	2,078,111	1,132,690	848,113	714,874	1,132,370	599,681	438,362	363,004
Total Best Estimate	13,883,771	6,058,655	3,887,378	2,947,559	9,932,847	4,107,859	2,519,881	1,843,101
High Estimate (Pr3) [8]								
Australia	334,608	191,460	141,219	116,472	140,264	78,871	57,603	47,208
Canada	27,794,746	11,888,521	7,639,101	5,813,417	20,845,987	8,778,815	5,574,461	4,204,916
France	758,262	428,747	319,835	267,173	496,839	265,350	190,141	154,240
Ireland	-	-	-	-	-	-	-	-
Netherlands	4,736,149	2,635,340	1,989,491	1,684,266	2,585,545	1,421,568	1,062,681	893,256
Total High Estimate	33,623,765	15,144,068	10,089,646	7,881,328	24,068,635	10,544,604	6,884,886	5,299,620

Notes:

(1) The contingent and prospective resource assessments were prepared by GLJ in accordance with the definitions, standards and procedures contained in the COGEH and NI 51-101. Contingent resource is defined in the COGEH as those quantities of petroleum estimated to be potentially recoverable from known accumulations using established technology or technology under development, but which do not currently qualify as reserves or commercially recoverable due to one or more contingencies. See "Presentation of Oil and Gas Reserves and Production Information - Contingent Resources" for the primary contingencies which prevent the classification of the resources as reserves. There is no certainty that it will be commercially viable to produce any portion of the contingent resources or that Vermilion will produce any portion of the volumes currently classified as contingent resources. The estimates of contingent resources involve implied assessment, based on certain estimates and assumptions, that the resources described exists in the quantities predicted or estimated, as at a given date, and that the resources can be profitably produced in the future. **The net present value of the future net revenue from the contingent resources does not necessarily represent the fair market value of the contingent resources**. Actual contingent resources (and any volumes that may be reclassified as reserves) and future production therefrom may be greater than or less than the estimates provided herein. Prospective resource is defined in the COGEH are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources or that Vermilion will produce any portion of the volumes currently classified as prospective resources. The estimates of prospective resources involve implied assessment, based on certain estimates and assumptions, that the resources described exists in the quantities predicted or estimated and that the resources can be profitably produced in the future. **The net present value of the future net revenue from the prospective resources does not necessarily represent the fair market value of the prospective resources**. The recovery and resources estimates provided herein are estimates only. Actual prospective resources (and any volumes that may be reclassified as reserves or contingent resources) and future production from such prospective resources may be greater than or less than the estimates provided herein.

(2) GLJ prepared the estimates of contingent and prospective resources shown for each property using deterministic principles and methods. Probabilistic aggregation of the low and high property estimates shown in the table might produce different total volumes than the arithmetic sums shown in the table.

(3) The forecast price and cost assumptions utilized in the year-end 2013 reserves report were also utilized by GLJ in preparing the contingent resource and prospective resource assessments. See "GLJ December 31, 2013 Forecast Prices" in this Annual Information Form.

(4) "Gross" Reserves or Contingent Resources or Prospective Resources are Vermilion's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of Vermilion. "Net" Reserves or Contingent Resources or Prospective Resources are Vermilion's working interest (operating or non-operating) share after deduction of royalty obligations, plus Vermilion's royalty interests in Reserves or Contingent Resources or Prospective Resources.

(5) The net present value of future net revenue attributable to the contingent or prospective resources does not necessarily represent the fair market value of the contingent or prospective resources. Estimated abandonment and reclamation costs have been included in the evaluation.

(6) Low estimate is considered to be a conservative estimate of the quantity of contingent (C1) or prospective (Pr1) resources that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. Those contingent or prospective resources at the low end of the estimate range have the highest degree of certainty - a 90% confidence level - that the actual quantities recovered will be equal or exceed the estimate.

(7) Best estimate is considered to be the best estimate of the quantity of contingent (C2) or prospective (Pr2) resources that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. Those contingent or prospective resources that fall within the best estimate have a 50% confidence level that the actual quantities recovered will be equal or exceed the estimate.

(8) High estimate is considered to be an optimistic estimate of the quantity of contingent (C3) or prospective (Pr3) resources that will actually be recovered. It is unlikely that the actual remaining quantities of contingent or prospective resources recovered will meet or exceed the high estimate. Those contingent or prospective resources at the high end of the estimate range have a lower degree of certainty - a 10% confidence level - that the actual quantities recovered will equal or exceed the estimate.

Abandonment and Reclamation Costs

Vermilion has estimated its abandonment costs by determining amounts for facility decommissioning and reclamation costs (including salvage) by area in Australia, Canada, France, Ireland and the Netherlands. As well, Vermilion has determined abandonment costs (including salvage) and reclamation costs per well, by area and applied this amount to its net wells in each of the countries. The number of net wells to be abandoned is 960 in Canada, 570 in France, 62 in the Netherlands, 20 in Australia and one in Ireland.

The total proved plus probable forecasted costs including future drilling locations, net of salvage, as estimated in the GLJ Report, is set forth in the following table:

Country	Undiscounted (M$)	Discounted at 10% (M$)
Australia	42,822	12,191
Canada	49,843	12,229
France	229,097	38,447
Ireland	67,851	7,359
Netherlands	51,599	25,129
Total	441,212	95,355

Costs associated with abandonment of surface facilities, well site reclamation, pipeline abandonments, non-producing wells, remediation and reclamation costs, not including downhole costs listed above, were estimated by management of the Company as:

Country	Facilities Undiscounted (M$)	Discounted at 10% (M$)
Australia	204,321	33,262
Canada	117,181	22,835
France	195,477	10,634
Netherlands	128,324	65,124
Total	645,303	131,855

In the next three years, as estimated in the GLJ Report, Vermilion expects to pay abandonment and reclamation costs of:

Country	Undiscounted (M$)	Discounted at 10% (M$)
Australia	-	-
Canada	2,498	2,122
France	4,563	3,895
Ireland	-	-
Netherlands	10,963	9,106
Total	18,024	15,123

Tax Information

Vermilion pays current taxes in France, the Netherlands and Australia. Corporate income taxes in France and the Netherlands apply to taxable income after eligible deductions. In France, the French government enacted corporate tax legislation that will lead to increases in current tax for companies operating in France, including a temporary surtax of 10.7% (with the surtax levied as a percent of base corporate income tax payable). The new surtax rate is applicable for companies which have annual revenue in excess of €250 million and would effectively increase the statutory rate applicable to Vermilion's French operations to 38.0%, with retrospective application to January 1, 2013. The surtax is only applicable to tax years ending up to December 30, 2015 and, as a result, Vermilion's French operations tax rate will decrease to 34.4% for the tax year 2015. In the Netherlands, taxable income is taxed at a rate of approximately 46%. As a function of the impact of Vermilion's Canadian tax pools, the Company does not presently pay current taxes in Canada. The Canadian segment includes holding companies that pay current taxes in foreign jurisdictions.

In Australia, current taxes include both corporate income taxes and PRRT. Corporate income taxes are applied at a rate of approximately 30% on taxable income after eligible deductions, which include PRRT. PRRT is a profit based tax applied at a rate of 40% on sales less eligible expenditures, including operating expenses and capital expenditures.

The following table sets forth Vermilion's tax pools as at December 31, 2013:

(M$)	Oil and Gas Assets	Tax Losses (1)	Other	Total
Australia	217,069 (2)	-	-	217,069
Canada	856,023 (2)	385,105	8,110	1,249,238
France	388,549 (3)	12,144	-	400,693
Ireland	844,761 (1)	272,201	-	1,116,962
Netherlands	61,868 (4)	-	-	61,868
Total	2,368,270	669,450	8,110	3,045,830

Notes:
(1)Development expenditures and losses are deductible at 100% against taxable income.
(2)Deduction calculated using various declining balance rates.
(3)Deduction calculated using a combination of straight-line over the assets life and unit of production method.
(4)Deduction calculated using a unit of production method.

Production Estimates

The following table sets forth the volume of production estimated for the year ended December 31, 2014 as reflected in the estimates of gross proved reserves and gross proved plus probable reserves:

	Light and Medium Oil (bbl/d)	Heavy Oil (bbl/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (bbl/d)	BOE (boe/d)
Australia					
Proved	6,603	-	-	-	6,603
Proved Plus Probable	6,714	-	-	-	6,714
Canada					
Proved	8,607	9	46,565	2,467	18,843
Proved Plus Probable	9,351	9	51,256	2,799	20,700
France					
Proved	11,047	-	1,822	-	11,351
Proved Plus Probable	11,846	-	2,047	-	12,187
Ireland					
Proved	-	-	-	-	-
Proved Plus Probable	-	-	-	-	-
Netherlands					
Proved	-	-	31,729	65.3	5,354
Proved Plus Probable	-	-	38,524	76.5	6,497
Total Proved	26,257	9	80,116	2,532	42,150
Total Proved Plus Probable	27,910	9	91,827	2,875	46,098

Production History

The following table sets forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by Vermilion for each quarter of its most recently completed financial year. Vermilion had no production from its Ireland assets in 2013. Light and medium oil average net prices received in the following table also includes immaterial amounts generated by the sale of heavy oil.

	Three Months Ended March 31, 2013	Three Months Ended June 30, 2013	Three Months Ended September 30, 2013	Three Months Ended December 31, 2013
Australia				
Average Daily Production				
Light and Medium Oil (bbl/d)	5,287	7,363	7,070	6,189
Natural Gas (MMcf/d)	-	-	-	-
Natural Gas Liquids (bbl/d)	-	-	-	-
Average Net Prices Received				
Light and Medium Oil ($/bbl)	120.76	111.54	120.95	124.63
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Royalties [(1)]				
Light and Medium Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Production Costs				
Light and Medium Oil ($/bbl)	25.61	15.30	20.86	21.25
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Netback Received				
Light and Medium Oil ($/bbl)	95.15	96.24	100.09	103.38
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Canada				
Average Daily Production				
Light and Medium Oil (bbl/d)	7,966	8,885	7,969	8,719
Natural Gas (MMcf/d)	41.04	43.69	43.40	41.43
Natural Gas Liquids (bbl/d)	1,335	1,725	1,897	1,699
Average Net Prices Received				
Light and Medium Oil ($/bbl)	88.76	96.64	104.32	90.05
Natural Gas ($/Mcf)	3.33	3.84	2.73	3.70
Natural Gas Liquids ($/bbl)	64.39	63.51	72.20	70.53
Royalties				
Light and Medium Oil ($/bbl)	8.31	8.98	10.96	10.5
Natural Gas ($/Mcf)	0.23	0.09	0.17	0.21
Natural Gas Liquids ($/bbl)	18.01	13.39	14.07	11.55
Transportation				
Light and Medium Oil ($/bbl)	2.06	2.12	3.18	3.54
Natural Gas ($/Mcf)	0.16	0.17	0.16	0.18
Natural Gas Liquids ($/bbl)	1.56	1.51	1.82	3.72
Production Costs				
Light and Medium Oil ($/bbl)	8.77	9.71	7.26	10.7
Natural Gas ($/Mcf)	1.66	1.65	1.53	0.83
Natural Gas Liquids ($/bbl)	11.97	10.05	7.73	9.51
Netback Received				
Light and Medium Oil ($/bbl)	69.62	75.83	82.92	65.31
Natural Gas ($/Mcf)	1.28	1.93	0.87	2.48
Natural Gas Liquids ($/bbl)	32.85	38.56	48.58	45.75

France				
Average Daily Production				
Light and Medium Oil (bbl/d)	10,330	10,390	11,625	11,131
Natural Gas (MMcf/d)	4.21	4.19	5.23	-
Natural Gas Liquids (bbl/d)	-	-	-	-
Average Net Prices Received				
Light and Medium Oil ($/bbl)	109.54	100.79	110.65	112.84
Natural Gas ($/Mcf)	11.17	9.41	10.08	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Royalties				
Light and Medium Oil ($/bbl)	6.24	6.23	7.10	6.70
Natural Gas ($/Mcf)	0.30	0.28	0.30	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Transportation				
Light and Medium Oil ($/bbl)	2.57	2.51	2.59	4.71
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Production Costs				
Light and Medium Oil ($/bbl)	18.02	17.01	13.33	15.82
Natural Gas ($/Mcf)	1.68	1.55	1.38	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Netback Received				
Light and Medium Oil ($/bbl)	82.71	75.04	87.63	85.61
Natural Gas ($/Mcf)	9.19	7.58	8.40	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Netherlands				
Average Daily Production				
Light and Medium Oil (bbl/d)	-	-	-	-
Natural Gas (MMcf/d)	36.91	38.52	28.78	37.53
Natural Gas Liquids (bbl/d)	96	50	48	62
Average Net Prices Received				
Light and Medium Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	10.09	10.82	10.18	11.24
Natural Gas Liquids ($/bbl)	102.96	84.11	98.86	111.00
Production Costs				
Light and Medium Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	1.19	1.50	1.97	1.79
Natural Gas Liquids ($/bbl)	-	-	-	-
Netback Received				
Light and Medium Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	8.90	9.32	8.21	9.45
Natural Gas Liquids ($/bbl)	102.96	84.11	98.86	111.00
Total				
Average Daily Production				
Light and Medium Oil (bbl/d)	23,583	26,638	26,664	26,039
Natural Gas (MMcf/d)	82.16	86.40	77.41	78.96
Natural Gas Liquids (bbl/d)	1,431	1,775	1,945	1,761
Average Net Prices Received				
Light and Medium Oil ($/bbl)	105.99	101.28	111.51	108.29
Natural Gas ($/Mcf)	6.77	7.22	6	7.29
Natural Gas Liquids ($/bbl)	66.98	64.09	72.87	71.96
Royalties				
Light and Medium Oil ($/bbl)	5.34	5.48	6.35	6.24
Natural Gas ($/Mcf)	0.13	0.06	0.11	0.11
Natural Gas Liquids ($/bbl)	16.8	13.02	13.72	11.14
Transportation Costs				
Light and Medium Oil ($/bbl)	1.79	1.71	2.07	3.1
Natural Gas ($/Mcf) [(2)]	0.3	0.29	0.17	0.14
Natural Gas Liquids ($/bbl)	1.46	1.47	1.78	3.59
Production Costs				
Light and Medium Oil ($/bbl)	17.08	14.11	13.53	15.51
Natural Gas ($/Mcf)	1.45	1.58	1.68	1.28
Natural Gas Liquids ($/bbl)	11.17	9.76	7.54	9.17
Netback Received				
Light and Medium Oil ($/bbl)	81.78	79.98	89.56	83.44
Natural Gas ($/Mcf)	4.89	5.29	4.04	5.76
Natural Gas Liquids ($/bbl)	37.55	39.84	49.83	48.06

Notes:

(1)Under IFRS, Vermilion accounts for PRRT as an income tax and accordingly, royalty netbacks exclude PRRT. Prior to adopting IFRS, Vermilion included PRRT within royalties.

(2)Includes Ireland transportation costs.

Marketing

The nature of Vermilion's operations results in exposure to fluctuations in commodity prices, interest rates and foreign currency exchange rates. Vermilion monitors and, when appropriate, uses derivative financial instruments to manage its exposure to these fluctuations. All transactions of this nature entered into by Vermilion are related to an underlying financial position or to future crude oil and natural gas production. Vermilion does not use derivative financial instruments for speculative purposes. Vermilion has not obtained collateral or other security to support its financial derivatives as management reviews the creditworthiness of its counterparties prior to entering into derivative contracts.

During the normal course of business, Vermilion may also enter into fixed price arrangements to sell a portion of its production or purchase commodities for operational use.

The following table summarizes Vermilion's outstanding risk management positions as at December 31, 2013:

	Note	Daily Volume	Strike Price(s)
Crude Oil			
WTI - Collar			
January 2014 - March 2014		1,000 bbl/d	97.50 - 104.69 USD $
WTI - Swap			
January 2014 - March 2014		500 bbl/d	101.22 USD $
January 2014 - March 2014	(1)	250 bbl/d	105.45 USD $
January 2014 - June 2014		250 bbl/d	100.05 USD $
January 2014 - June 2014	(2)	1,000 bbl/d	100.07 USD $
Dated Brent - Collar			
January 2014 - March 2014		2,500 bbl/d	104.00 - 110.46 USD $
January 2014 - June 2014		1,250 bbl/d	103.20 - 110.24 USD $
April 2014 - June 2014		1,000 bbl/d	105.00 - 115.00 USD $
April 2014 - September 2014		1,000 bbl/d	105.00 - 112.00 USD $
April 2014 - December 2014		1,000 bbl/d	106.00 - 110.73 USD $
Dated Brent - Swap			
January 2014 - March 2014		2,000 bbl/d	107.80 USD $
January 2014 - June 2014		1,000 bbl/d	107.25 USD $
January 2014 - June 2014	(2)	1,500 bbl/d	110.32 USD $
April 2014 - June 2014		1,250 bbl/d	109.74 USD $
January 2014 - December 2014		500 bbl/d	108.28 USD $
MSW - Fixed Price Sale (Physical)			
January 2014 - March 2014		1,000 bbl/d	93.37 CAD $
April 2014 - June 2014		1,000 bbl/d	92.85 CAD $
Canadian Natural Gas			
AECO - Collar			
January 2014 - December 2014		10,000 GJ/d	3.18 - 3.81 CAD $
AECO - Swap			
January 2014 - December 2014		5,000 GJ/d	3.71 CAD $
AECO - Collar (Physical)	(3)		
April 2012 - March 2014		5,500 GJ/d	2.60 - 3.78 CAD $
June 2012 - March 2014		3,000 GJ/d	2.30 - 3.75 CAD $
European Natural Gas			
TTF - Swap			
January 2014 - March 2014		16,200 GJ/d	7.88 EUR €
Electricity			
AESO - Swap			
January 2014 - December 2014		7.2 MWh/d	54.75 CAD $
AESO - Swap (Physical)			
January 2013 - December 2015		72.0 MWh/d	53.17 CAD $

Notes:

(1) Prior to the expiration of this swap, the counterparty has the option to extend the swap to June 30, 2014 at the contracted volume and price.

(2) Prior to the expiration of this swap, the counterparty has the option to extend the swap to December 31, 2014 at the contracted volume and price.

(3) Physical AECO collars have a funded cost of $0.10/GJ.

From time to time Vermilion enters into new risk management positions. Information regarding outstanding risk management positions is available on Vermilion's website at www.vermilionenergy.com/ir/hedging.cfm.

ADDITIONAL INFORMATION RESPECTING VERMILION ENERGY INC.

Management

Vermilion's board of directors currently consists of eight directors. The directors are nominated by the Company and elected annually by Shareholders and hold office until the next meeting of Shareholders (unless otherwise ceasing to act as a director prior to such meeting). As at February 27, 2014, the directors and officers of Vermilion, as a group, beneficially owned, or controlled or directed, directly or indirectly, 4,018,166 common shares representing approximately 3.9% of the issued and outstanding common shares.

The following table sets forth certain information respecting the current directors and officers of Vermilion. References to Vermilion in the following table for dates prior to the Conversion Arrangement refer to VRL and to the Company following the date of the Conversion Arrangement.

Directors Name and Municipality of Residence	Committee(s)	Office Held	Year First Elected or Appointed as Director	Principal Occupation During the Past Five Years
Lorenzo Donadeo Calgary, Alberta Canada		Chief Executive Officer and Director	1994	Since March 2014, Chief Executive Officer of Vermilion 2003 - March 2014, President and Chief Executive Officer of Vermilion
W. Kenneth Davidson Oakville, Ontario Canada	(2) (3)	Director	2005	Since 2000, Director of Millar Western Forest Products Ltd., a private forest products company 2009 to 2011, Director of Realex Properties Corp., a public real estate company
Claudio A. Ghersinich Calgary, Alberta Canada	(2) (5)	Director	1994	Since 2011, Chairman of ArPetrol Energy Inc., a public oil and gas company Since 2010, Director of Valeura Energy Inc., a public oil and gas company Since 2005, President of Carrera Investments Corp., a private investment company
Joseph F. Killi Calgary, Alberta Canada	(2) (3)	Director	1999	Since 2011, Director of Network Capital Management Inc., a private investment management company Since 2008, President and Chief Executive Officer and Director of Wilmington Capital Management Inc., a public investment company Since 1993, President of Rosebridge Capital Corp. Inc., a private real estate investment company January 2011 to December 2011, Executive Chairman of Parkbridge Lifestyle Communities Inc., a private real estate company 2005 to 2011, Vice Chairman and Director of Realex Properties Corp., a public real estate company 2004 to 2011, Executive Chairman and Director of Parkbridge Lifestyle Communities Inc., a public real estate company
Loren M. Leiker Houston, Texas USA	(5)	Director	2012	Since 2012, Director of SM Energy, a public energy company Since 2012, Director of Midstates Petroleum, a public exploration and production company 2008 to 2011, Senior Executive VP Exploration, EOG Resources, a public oil and gas company
Larry J. Macdonald Okotoks, Alberta Canada	(1) (2) (3) (4) (5)	Director and Chairman of the Board	2002	Since 2012, Chairman Northpoint Resources, a private oil and gas company Since 2003, Chairman & Chief Executive Officer and Director of Point Energy Ltd., a private oil and gas company 2003 to 2012, Managing Director of Northpoint Energy Ltd., a private oil and gas company
William F. Madison Sugar Land, Texas USA	(2) (4) (5)	Director	2004	Since 2011, Director of Montana Tech Foundation, an independent, non-profit organization Since 2007, Director of Canadian Oil Recovery and Remediation Enterprise, Inc., a public oil recovery and remediation company
Timothy R. Marchant Calgary, Alberta Canada	(3) (4) (5)	Director	2010	Since 2013, Non-Executive Director of Cub Energy Inc., a public oil and gas company Since 2009, Adjunct Professor of Strategy and Energy Geopolitics, Haskayne School of Business 2011 to 2013, Executive Chair of Anatolia Energy Corp., a public oil and gas company 2007 to 2009, Vice President, Middle East Business Development for BP International

Committees:
(1) Chairman of the Board
(2) Member of the Audit Committee
(3) Member of the Governance and Human Resources Committee
(4) Member of the Health, Safety and Environment Committee
(5) Member of the Independent Reserves Committee

Officers Name and Municipality of Residence	Office Held	Principal Occupation During the Past Five Years
Anthony (Tony) Marino Calgary, Alberta Canada	President & Chief Operating Officer	Since March 2014, President and Chief Operating Officer of Vermilion May 2012 - March 2014, Executive Vice President and Chief Operating Officer of Vermilion 2009 to 2012, Director, President & CEO, Baytex Energy Corporation, a public oil and gas company
John D. Donovan Calgary, Alberta Canada	Executive Vice President Business Development	Since 2005, Executive Vice President, Business Development of Vermilion
Curtis W. Hicks Calgary, Alberta Canada	Executive Vice President & Chief Financial Officer	Since 2004, Executive Vice President and Chief Financial Officer of Vermilion
Mona Jasinski Calgary, Alberta Canada	Executive Vice President People	Since 2011, Executive Vice President People of Vermilion 2009 to 2011, Vice President People of Vermilion 2004 to 2009, HR Manager, Shell Onshore Production, North America, a public oil and gas company
Terry Hergott Calgary, Alberta Canada	Vice President Marketing	Since April 2012, Vice President, Marketing of Vermilion 1996 to 2012, Canadian Supply and Trading Manager, Marathon Petroleum Corp.
Gerard Schut Den Haag The Netherlands	Vice President European Operations	Since July 2012, Vice President European Operations of Vermilion August 2006 to May 2012, General Manager, Chevron Exploration and Production Netherlands, a subsidiary of Chevron Corporation, a public oil and gas company
Robert J. Engbloom, Q.C. Calgary, Alberta Canada	Corporate Secretary	Since January 1, 2012, partner with and Deputy Chair of Norton Rose Fullbright Canada LLP, a law firm 1999 to 2011, partner with Macleod Dixon LLP, a law firm

Common Shares

Each common share entitles the holder to receive notice of and to attend all meetings of Shareholders and to one vote at any such meeting. The holders of common shares are, at the discretion of the board and subject to applicable legal restrictions, entitled to receive any dividends declared by the board on the common shares. The holders of common shares will be entitled to share equally in any distribution of the assets of the Company upon the liquidation, dissolution, bankruptcy or winding-up of the Company or other distribution of its assets among the Shareholders for the purpose of winding-up the Company's affairs.

Cash Dividends

The Company expects to pay dividends on a monthly basis. All decisions with respect to the declaration of dividends on the common shares will be made by the board on the basis of the Company's net earnings, financial requirements and other conditions existing at such future time, planned acquisitions, income tax payable by the Company, crude oil and natural gas prices and access to capital markets, as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends. It is expected that the dividends will be "eligible dividends" for income tax purposes and thus qualify for the enhanced gross-up and tax credit regime for certain Shareholders.

Record of Cash Dividends

The following table sets forth the amount of cash distributions per Unit for the specified periods declared by the Trust since the completion of the 2003 Arrangement on January 22, 2003 and the cash dividends per common share for the specified periods declared by the Company since the completion of the Conversion Arrangement on September 1, 2010. Dividends are generally paid on the 15th day of the month following the month of declaration. Until the December 14, 2007 distribution announcement, Vermilion had paid distributions of $0.17 per Trust Unit per month. From the January 15, 2008 payment date and onwards, Vermilion paid distributions of $0.19 per Trust Unit and dividends of $0.19 per common share, in each case per month (as applicable). In January 2013, Vermilion increased its dividend to $0.20 per common share effective for the January 2013 dividend paid on February 15, 2013. In November 2013, Vermilion announced that its board had approved a 7.5% increase in the monthly dividend to $0.215 per common share per month effective for the January 2014 dividend paid on February 18, 2014.

Period	Distribution Amount for Period per Trust Unit
As Vermilion Energy Trust	
2003 - January 22 to December 31	$1.87
2004 - January to December	$2.04
2005 - January to December	$2.04
2006 - January to December	$2.04
2007 - January to December	$2.06
2008 - January to December	$2.28
2009 - January to December	$2.28
2010 - January to September (1)	$1.71
Period	**Dividend Amount for Period per Common Share**
As Vermilion Energy Inc.	
2010 - September to December (1)	$0.57
2011 - January to December	$2.28
2012 - January to December	$2.28
2013 - January to December	$2.40
2014 - January to February	$0.415
Total cash dividends since January 22, 2003	$24.265

Note:
(1)Total cash dividends paid out in 2010 by Vermilion and the Trust to a holder of a common share who was a former holder of a Trust Unit equals $2.28.

Dividend Reinvestment Plan

The Company has established a DRIP Plan. The DRIP Plan is only available to registered Shareholders who are residents of Canada.

Under the DRIP Plan, eligible Shareholders may, at their option, reinvest their cash dividends to purchase additional common shares (the "DRIP common shares") by directing the Plan Agent (as defined below) to apply dividends on their existing common shares to the purchase of DRIP common shares. Computershare Trust Company of Canada in its capacity as plan agent (the "Plan Agent") will apply cash dividends towards the purchase of DRIP common shares from the Company from treasury (subject to certain limitations) or, at the discretion of Vermilion, through the facilities of the TSX. DRIP common shares will be acquired either at the average market price at which DRIP common shares are acquired through the facilities of the TSX or, if issued from treasury, will based on the weighted average price of common shares traded on the TSX on the 10 trading days preceding the applicable Dividend Payment Date. Participants in the DRIP Plan receive additional common shares equal to 5% of the DRIP common shares purchased with their reinvested dividends. Participants do not have to pay any brokerage fees or service charges in connection with the purchase of DRIP common shares.

Eligible Shareholders may, after electing to participate in the DRIP Plan, terminate their participation by written notice to the Plan Agent. That notice, if received by the Plan Agent no later than five (5) business days prior to a Dividend Record Date, will have effect for the dividend to be made on the following Dividend Payment Date. Thereafter, dividends to those Shareholders will be in cash. The Company may amend, suspend or terminate the DRIP Plan at any time upon not less than 30 days prior written notice (sent by mail to DRIP Plan participants at the most recent address), provided that any amendment to the DRIP Plan must be approved by the TSX and no amendment, modification or suspension shall have retroactive effect if it would prejudice the interests of the participants. The Company is not required to issue common shares into any jurisdiction where the issuance would be contrary to applicable laws.

Shareholder Rights Plan

A unitholder rights plan was first implemented in 2003 in conjunction with the 2003 Arrangement. At each of the annual and special meetings of holders of Trust Units held in 2006 and 2009, the unitholders rights plan was renewed and approved by holders of the Trust Units. In conjunction with the Conversion Arrangement, the Rights Plan for the Company was approved. In 2013, Shareholders approved the amendment and restatement of the Rights Plan and ratified the continuation of the Shareholder Rights Plan Agreement for another three years. The objectives of the Rights Plan are to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any takeover bid for the Company. Takeover bids may be structured to be coercive or may be initiated at a time when the board of directors of Vermilion will have a difficult time preparing an adequate response to the offer. Accordingly, such offers do not always result in Shareholders receiving equal or fair treatment or full or maximum value for their investment. Under current Canadian securities legislation, a takeover bid is required to remain open for 35 days, a period of time which may be insufficient for the directors to:

(a) evaluate a takeover bid (particularly if it includes share or trust unit consideration);

(b) explore, develop and pursue alternatives which are superior to the takeover bid and which could maximize Shareholder value; and

(c) make reasoned recommendations to the Shareholders.

The Rights Plan discourages discriminatory, coercive or unfair takeovers of the Company and gives the board of directors of Vermilion time if, in the circumstances, the board of directors determines it is appropriate to take such time, to pursue alternatives to maximize Shareholder value in the event an unsolicited takeover bid is made for all or a portion of the outstanding common shares of the Company. As set forth in detail below, the Rights Plan discourages coercive hostile takeover bids by creating the potential that any common shares which may be acquired or held by such a bidder will be significantly diluted. The potential for significant dilution to the holdings of such a bidder can occur as the Rights Plan provides that all holders of common shares who are not related to the bidder will be entitled to exercise rights issued to them under the Rights Plan and to acquire common shares at a substantial discount to prevailing market prices. The bidder or the persons related to the bidder will not be entitled to exercise any Rights under the Rights Plan. Accordingly, the Rights Plan will encourage potential bidders to make takeover bids by means of a Permitted Bid (as defined below) or to approach the board of directors of Vermilion to negotiate a mutually acceptable transaction. The Permitted Bid provisions of the Rights Plan are designed to ensure that, in any takeover bid for outstanding common shares of the Company, all Shareholders are treated equally and are given adequate time to properly assess such takeover bid on a fully-informed basis.

The Rights Plan was not proposed in response to, or in anticipation of, any pending, threatened or proposed acquisition or takeover bid. The board of directors did not adopt the Rights Plan to prevent a takeover of the Company, to secure the continuance of management or the directors of the Company in their respective offices or to deter fair offers for the Common Shares of the Company.

Summary of the Plan

The following summary of terms of the Rights Plan is qualified in its entirety by reference to the text of the Shareholder Rights Plan Agreement. A copy of the Shareholder Rights Plan Agreement is available on SEDAR at www.sedar.com.

Term

The Rights Plan will remain in effect until termination of the annual meeting of Shareholders of the Company in 2016 unless the continuation of the Shareholder Rights Plan Agreement for another three years is ratified by resolution of Shareholders.

Issue of Rights

One right (a "Right") has been issued by the Company pursuant to the Shareholder Rights Plan Agreement in respect of each common share of the Company outstanding at the close of business on September 1, 2010 (the "Record Time"). One Right will also be issued for each additional common share issued after the Record Time and prior to the earlier of the Separation Time (as defined below) or the date that a majority of the Shareholders vote against the continued existence of the Shareholder Rights Plan Agreement.

Rights Exercise Privilege

The Rights will separate from the voting common shares to which they are attached and become exercisable at the time (the "Separation Time") which is 10 trading days following the date a person becomes an Acquiring Person (as defined below) or announces an intention to make a takeover bid that is not an acquisition pursuant to a takeover bid permitted by the Rights Plan (a "Permitted Bid").

Any transaction or event in which a person (an "Acquiring Person"), including associates and affiliates and others acting in concert, acquires (other than pursuant to an exemption available under the Rights Plan or a Permitted Bid) Beneficial Ownership (as defined in the Rights Plan) of 20% or more of the voting securities of the Company is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such, will become void and the Rights (other than those held by the Acquiring Person) will permit the holder to purchase common shares at a substantial discount to their prevailing market price at the time.

The issuance of the Rights is not dilutive and will not affect reported earnings or cash flow per common share until the Rights separate from the underlying common shares and become exercisable or until the exercise of the Rights. The issuance of the Rights will not change the manner in which Shareholders currently trade their common shares.

Permitted Lock-Up Agreement

A person will not become an Acquiring Person by virtue of having entered into an agreement (a "Permitted Lock-Up Agreement") with a Shareholder whereby the Shareholder agrees to deposit or tender voting common shares to a takeover bid made by such person, provided that the agreement meets certain requirements including:

(a) the terms of the agreement are publicly disclosed and a copy of the agreement is publicly available;

(b) the Shareholder who has agreed to tender voting common shares to the takeover bid (the "Lock-Up Bid") made by the other party to the agreement is permitted to terminate its obligation under the agreement in order to tender voting common shares to another takeover bid or transaction where: (i) the offer price or value of the consideration payable under the other takeover bid or transaction is greater than the price or value of the consideration per common share at which the Shareholder has agreed to deposit or tender voting common shares to the Lock-Up Bid or is equal to or greater than a specified minimum which is not more than 7% higher than the offer price under the Lock-Up Bid; and (ii) if the number of voting common shares offered to be purchased under the Lock-Up Bid is less than all of the voting common shares held by Shareholders (excluding common shares held by the offeror), the number of voting common shares offered to be purchased under the other takeover bid or transaction (at an offer price not lower than in the Lock-Up Bid) is greater than the number of voting common shares offered to be purchased under the Lock-Up Bid or is equal to or greater than a specified number which is not more than 7% higher than the number of voting common shares offered to be purchased under the Lock-Up Bid; and

(c) no break-up fees or other penalties that exceed in the aggregate the greater of 2.5% of the price or value of the consideration payable under the Lock-Up Bid and 50% of the increase in consideration resulting from another takeover bid or transaction shall be payable by the Shareholder if the Shareholder fails to deposit or tender voting common shares to the Lock-Up Bid.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for common shares issued from and after the effective date (the "Effective Date") of the Shareholder Rights Plan Agreement (being the later of the date of the Shareholder Rights Plan Agreement and the receipt by the Company of all regulatory approvals with respect to the Shareholder Rights Plan Agreement). Rights are also attached to common shares outstanding on the Effective Date, although certificates issued prior to the Effective Date will not bear such a legend. Shareholders are not required to return their certificates in order to have the benefit of the Rights. Prior to the Separation Time, Rights will trade together with the Company common shares and will not be exercisable or transferable separately from the common shares. From and after the Separation Time, the Rights will become exercisable, will be evidenced by Rights Certificates and will be transferable separately from the common shares.

Permitted Bid Requirements

The requirements of a "Permitted Bid" include the following:

(a) the takeover bid must be made by means of a takeover bid circular;

(b) the takeover bid is made to all holders of voting common shares as registered on the books of the Company, other than the offeror;

(c) the takeover bid contains a provision that no voting common shares will be taken up or paid for pursuant to the takeover bid prior to the close of business on the date that is no earlier than the later of 35 days after the date of the takeover bid and 60 days following the date of the takeover bid and only if at such date more than 50% of the voting common shares held by independent Shareholders shall have been deposited or tendered pursuant to the takeover bid and not withdrawn;

(d) the takeover bid contains a provision that unless the takeover bid is withdrawn, voting common shares may be deposited pursuant to such takeover bid at any time during the period of time between the date of the takeover bid and the date on which voting common shares may be taken up and paid for and that any voting common shares deposited pursuant to the takeover bid may be withdrawn until taken up and paid for; and

(e) the takeover bid contains a provision that if, on the date on which voting common shares may be taken up and paid for, more than 50% of the voting common shares held by independent Shareholders have been deposited pursuant to the takeover bid and not withdrawn, the offeror will make a public announcement of that fact and the takeover bid will be extended to remain open for deposits and tenders of voting common shares for not less than ten business days from the date of such public announcement.

The Rights Plan allows for a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid and include a provision that no voting shares will be taken up or paid for pursuant to the takeover bid prior to the close of business on the date that is earlier than the later of 35 days after the date of the takeover bid constituting the Competing Permitted Bid and 60 days following the date on which the earliest Permitted Bid or Competing Permitted Bid which preceded the Competing Permitted Bid was made.

Waiver and Redemption

If a potential offeror does not desire to make a Permitted Bid, it can negotiate with, and obtain the prior approval of, the board of directors to make a takeover bid by way of a takeover bid circular sent to all holders of voting common shares on terms which the board of directors considers fair to all Shareholders. In such circumstances, the board of directors may waive the application of the Rights Plan thereby allowing such bid to proceed without dilution to the offeror. Any waiver of the application of the Rights Plan in respect of a particular takeover bid shall also constitute a waiver of any other takeover bid which is made by means of a takeover bid circular to all holders of voting common shares while the initial takeover bid is outstanding. The board of directors may also waive the application of the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding voting common shares of the Company within 14 days or such earlier or later date as may be specified by the board. With the prior consent of the holders of voting common shares, the board of directors may, prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of voting common shares otherwise than pursuant to the foregoing, waive the application of the Rights Plan to such Flip-in Event.

The board of directors may, with the prior consent of the holders of voting common shares, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of $0.00001 per Right. Rights are deemed to be redeemed following completion of a Permitted Bid, a Competing Permitted Bid or a takeover bid in respect of which the board of directors has waived the application of the Rights Plan.

Exemptions for Investment Advisors

Investment advisors (for client accounts), trust companies (acting in their capacity as trustees or administrators), statutory bodies whose business includes the management of funds (for employee benefit plans, pension plans, or insurance plans of various public bodies) and administrators or trustees of registered pension plans or funds acquiring greater than 20% of the voting common shares are exempted from triggering a Flip-in Event, provided they are not making, either alone or jointly or in concert with any other person, a takeover bid.

Board of Directors

The adoption of the Rights Plan does not in any way lessen or affect the duty of the board of directors to act honestly and in good faith with a view to the best interests of the Company. The board of directors, when a takeover bid or similar offer is made, will continue to have the duty and power to take such actions and make such recommendations to Shareholders as are considered appropriate.

Amendment

The Company may, with the prior approval of Shareholders (or the holders of Rights if the Separation Time has occurred), supplement, amend, vary or delete any of the provisions of the Shareholder Rights Plan Agreement. The Company may make amendments to the Shareholder Rights Plan Agreement at any time to correct any clerical or typographical error or, subject to confirmation at the next meeting of Shareholders, make amendments which are required to maintain the validity of the Shareholder Rights Plan Agreement due to changes in any applicable legislation, regulations or rules.

AUDIT COMMITTEE MATTERS

Audit Committee Charter

Vermilion has established an audit committee (the "Audit Committee") to assist the board of directors in carrying out its oversight responsibilities with respect to, among other things, financial reporting, internal controls and the external audit process of the Company. The Audit Committee Terms of Reference are set out in Schedule "C" to this annual information form.

Composition of the Audit Committee

The following table sets forth the name of each current member of the Audit Committee, whether pursuant to applicable securities legislation, such member is considered independent, whether pursuant to applicable securities legislation, such member is considered financially literate and the relevant education and experience of such member.

Name	Independent	Financially Literate	Relevant Education and Experience
W. Kenneth Davidson (Chair)	Yes	Yes	Mr. Davidson holds Bachelor of Science degrees in Mathematics and Business from Concordia University and a Masters in Business Administration degree from McMaster University. Mr. Davidson has obtained significant financial experience and exposure to accounting including internal controls and procedures for financial reporting and complex financial issues as a director, officer or consultant to a number of companies involved in the banking and securities areas of the financial services sector.
Claudio A. Ghersinich	Yes	Yes	Mr. Ghersinich holds a B.Sc. Civil Engineering degree from the University of Manitoba. Mr. Ghersinich has obtained financial experience and exposure to accounting and financial issues in a role as a founder of Vermilion Resources Ltd. in 1994 and as an audit committee member of other public companies.
Joseph F. Killi	Yes	Yes	Mr. Killi holds a Bachelor of Science degree in Biochemistry from Loyola Collage, a Bachelor of Commerce degree from Concordia University and a Chartered Accountant designation. As a Chartered Accountant, Mr. Killi attained experience in preparing, auditing, analyzing and evaluating financial statements including internal controls and procedures for financial reporting. Mr. Killi has an understanding of the accounting principles used by the Company as well as the implications of those accounting principles on the Company's financial results. Mr. Killi has also obtained significant financial experience and exposure to accounting and financial issues in a number of senior positions with Parkbridge Lifestyle Communities Inc., Realex Properties Corp. and Trizec Corporation and in his role as a director and audit committee member of other public and private companies.
Larry J. Macdonald	Yes	Yes	Mr. Macdonald holds a Bachelor of Science degree in Geology from University of Alberta. In 2005, Mr. Macdonald attended a financial literacy course at the University of Toronto's Rotman's School of Management in conjunction with the Institute of Corporate Directors. In addition, Mr. Macdonald has obtained financial experience and exposure to accounting and financial issues in a number of senior officer positions with Point Energy Ltd., Pointwest Energy Inc., and Anderson Exploration Ltd. and as a director, audit committee member and officer of a number of other public and private companies as well as not-for-profit organizations.
William F. Madison	Yes	Yes	Mr. Madison holds a Bachelor of Science in Petroleum Engineering from Montana Tech. Mr. Madison has completed the Harvard Program for Management Development. Mr. Madison has obtained financial experience and exposure to accounting and financial issues as the Chairman of Montana Tech Foundation of the University of Montana System and as a senior executive of Marathon Oil Company and as a director, audit committee member and officer of other public and private companies.

External Audit Service Fees

Prior to the commencement of any work, fees for all audit and non-audit services provided by the Company's auditors must be approved by the Audit Committee.

During the years ended December 31, 2013 and 2012, Deloitte LLP, the auditors of the Company, received the following fees from the Company:

Item	2013	2012
Audit fees (1)	$1,565,927	$1,298,619
Audit-related fees (2)	$150,830	$74,375
Tax fees (3)	$43,901	$-

Notes:
(1) Audit fees consisted of professional services rendered by Deloitte LLP for the audit of the Company's financial statements for the years ended December 31, 2013 and 2012.
(2) Audit-related fees consist of fees for the review of the quarterly financial statements, services provided in connection with statutory and regulatory filings or engagements and fees for review services. Fees also may include services related to review of accounting research and accounting publications.
(3) Tax fees consist of fees for tax compliance services.

MARKET FOR PRICE RANGE AND TRADING VOLUME OF SECURITIES

The outstanding Common Shares of the Company are listed and posted for trading on the TSX under the symbol VET. The following table sets forth the closing price range and trading volume of the Common Shares for the periods indicated:

2013	High	Low	Close	Volume
January	$52.50	$50.26	$51.16	4,706,164
February	$53.39	$50.55	$53.37	2,881,906
March	$53.53	$51.39	$52.60	4,078,665
April	$52.99	$45.78	$51.70	6,147,560
May	$53.40	$49.85	$52.24	4,366,412
June	$52.96	$48.80	$51.41	2,785,071
July	$56.14	$50.21	$55.09	2,848,305
August	$58.70	$55.34	$56.59	3,923,776
September	$57.67	$55.56	$56.62	5,148,125
October	$58.50	$56.10	$57.31	4,003,019
November	$60.15	$56.80	$58.81	3,233,886
December	$63.09	$58.49	$62.35	3,307,122
2014	**High**	**Low**	**Close**	**Volume**
January	$63.91	$60.50	$61.32	3,437,629
February	$63.93	$59.10	$62.50	3,867,446

Awards (entitling the holder thereof to receive common shares) have been issued under the Vermilion Incentive Plan. See the note regarding equity compensation plans in Vermilion's annual financial statements for further details regarding the amount and value of such awards.

CREDIT RATINGS

The following information relating to the Company's credit ratings is provided as it relates to the Company's financing costs, liquidity and operations. Specifically, credit ratings affect the Company's ability to obtain short-term and long-term financing and the cost of such financing. Additionally, the ability of the Company to engage in certain collateralized business activities on a cost effective basis depends on the Company's credit ratings. A reduction in the current rating on the Company's debt by its rating agencies, particularly a downgrade below current ratings, or a negative change in the Company's ratings outlook could adversely affect the Company's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect the Company's ability to, and the associated costs of, (i) entering into ordinary course derivative or hedging transactions and may require the Company to post additional collateral under certain of its contracts, and (ii) entering into and maintaining ordinary course contracts with customers and suppliers on acceptable terms.

The Senior Unsecured Notes have a rating of BB (low)/Stable from DBRS Limited ("DBRS") and BB- from Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies (Canada) Corporation ("S&P").

DBRS rates long-term debt instruments by rating categories ranging from a high of "AAA" to a low of "D". All rating categories other than AAA and D also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category. A rating of "BB" is characterized by DBRS to be speculative, non-investment-grade credit quality. The capacity for the payment of financial obligations is uncertain and vulnerable to future events. The "BB" category is the fifth highest of the ten available categories.

S&P rates long-term debt instruments by rating categories ranging from a high of "AAA" to a low of "D". The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. An obligation rated "BB" is characterized as less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. The "BB" category is the fifth highest of the ten available categories.

Vermilion Rating

DBRS Limited has provided a corporate credit rating of Vermilion of “BB (low”). A rating of “BB” is characterized by DBRS Limited to be speculative, non-investment-grade credit quality. The capacity for the payment of financial obligations is uncertain and vulnerable to future events.

S&P has assigned a corporate credit rating of Vermilion of “BB-” with a stable outlook. An obligor rated “BB” is characterized by S&P as less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the obligor’s inadequate capacity to meet its financial commitments. The plus (+) or minus (-) modifiers indicate the relative standing within the assigned category. In addition, S&P may add a rating outlook of “positive”, “negative” or “stable” which assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years).

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuer of securities. The credit ratings accorded to the Senior Unsecured Notes and the Company are not recommendations to purchase, hold or sell such securities and are not a comment upon the market price of the Company's securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. A revision or withdrawal of a credit rating could have a material adverse effect on the pricing or liquidity of the Senior Unsecured Notes or the Common Shares in any secondary markets. Vermilion does not undertake any obligation to maintain the ratings or to advise holders of the Senior Unsecured Notes or the Common Shares of any change in ratings. Each agency's rating should be evaluated independently of any other agency's rating.

CONFLICTS OF INTEREST

The directors and officers of Vermilion are engaged in and will continue to engage in other activities in the oil and natural gas industry and, as a result of these and other activities, the directors and officers of Vermilion may become subject to conflicts of interest. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

As at the date hereof, Vermilion is not aware of any existing or potential material conflicts of interest between Vermilion and a director or officer of Vermilion.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or officer of the Company, nor any other insider of the Company, nor their associates or affiliates has or has had, at any time within the three most recently completed financial years ending December 31, 2013, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Company.

LEGAL PROCEEDINGS

The Company is not party to any significant legal proceedings as of March 7, 2014.

MATERIAL CONTRACTS

The Company has not entered into any material contracts outside its normal course of business.

INTERESTS OF EXPERTS

As at the date hereof, principals of GLJ, the independent engineers for the Company, personally disclosed in certificates of qualification that they neither had nor expect to receive any common shares. The principals of GLJ and their employees (as a group) beneficially own less than one percent of any of the Company's securities. Deloitte LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's common shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

RISK FACTORS

The following is a summary of certain risk factors relating to the business of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this annual information form. Additional risks and uncertainties not currently known to Vermilion that it currently views as immaterial may also materially and adversely affect its business, financial condition and/or results of operations. Shareholders and potential Shareholders should consider carefully the information contained herein and, in particular, the following risk factors.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of proved and probable reserves and future net revenues to be derived therefrom, including many factors beyond the Company's control. The reserve and future net revenue information set forth in this annual information form represents estimates only. The reserves and estimated future net cash flow from the Company's properties have been independently evaluated by GLJ with an effective date of December 31, 2013. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of crude oil and natural gas, operating costs, well abandonment and salvage values, royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on prices in use at the date the GLJ Report was prepared, and many of these assumptions are subject to change and are beyond the Company's control. Actual production and cash flow derived therefrom will vary from these evaluations, and such variations could be material.

Estimates with respect to reserves that may be developed and produced in the future are often based upon volumetric calculations, probabilistic methods and upon analogy to similar types of reserves, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be material, in the estimated reserves.

Reserve estimates may require revision based on actual production experience. Such figures have been determined based upon assumed commodity prices and operating costs.

The present value of estimated future net revenue referred to in this annual information form should not be construed as the fair market value of estimated crude oil and natural gas reserves attributable to the Company's properties. The estimated discounted future revenue from reserves are based upon price and cost estimates which may vary from actual prices and costs and such variance could be material. Actual future net revenue will also be affected by factors such as the amount and timing of actual production, supply and demand for crude oil and natural gas, curtailments or increases in consumption by purchasers and changes in governmental regulations and taxation.

Uncertainty of Contingent Resource Estimates

Information regarding quantities of contingent resources included in this Annual Information Form are estimates only. References to “contingent resources” do not constitute, and should be distinguished from, references to “reserves”. The same uncertainties inherent in estimating quantities of reserves apply to estimating quantities of contingent resources. In addition, there are contingencies that prevent resources from being classified as reserves. There is no certainty that it will be commercially viable to produce any portion of the contingent resources due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. Actual results may vary significantly from these estimates and such variances could be material.

Uncertainty of Prospective Resource Estimates

Information regarding quantities of prospective resources included in this Annual Information Form are estimates only. References to “prospective resources” do not constitute, and should be distinguished from, references to “reserves”. References to “prospective resources” do not constitute, and should be distinguished from, references to “contingent resources”. The same uncertainties inherent in estimating quantities of reserves apply to estimating quantities of prospective resources. In addition, prospective resources are undiscovered which prevents resources from being classified as reserves. Also, in the event of discovery, there may be contingencies that prevent resources from being classified as reserves. There is no certainty of discovery and is there is no certainty that it will be commercially viable to produce any portion of the prospective resources. Actual results may vary significantly from these estimates and such variances could be material.

Volatility of Oil and Natural Gas Prices

The Company's operational results and financial condition are dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated materially during recent years and are determined by supply and demand factors, including weather and general economic conditions as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on Vermilion's cash flow which could have the effect of decreasing dividends.

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the oil and gas industry in Canada and the foreign jurisdictions in which the Company operates, will not be changed in a manner which adversely affects the Company.

The Government of Alberta receives royalties on production of natural resources from lands in which it owns the mineral rights. A change in the royalty regime resulting in an increase in royalties would reduce Vermilion's net earnings and could make future capital expenditures or Vermilion's operations uneconomic and could, in the event of a material increase in royalties, make it more difficult to service and repay outstanding debt or impair Vermilion’s ability to declare dividends. Any material increase in royalties would also significantly reduce the value of the Company's associated assets.

Government Regulations

Vermilion's operations are governed by many levels of government, including municipal, state, provincial and federal governments in Canada, France, the Netherlands, Australia and Ireland. Vermilion is subject to laws and regulations regarding environment, health and safety issues, lease interests, taxes and royalties, among others. Failure to comply with the applicable laws can result in significant increases in costs, penalties and even losses of operating licences. The regulatory process involved in each of the countries in which Vermilion operates is not uniform and regulatory regimes vary as to complexity, timeliness of access to, and response from, regulatory bodies and other matters specific to each jurisdiction. If regulatory approvals or permits are delayed or not obtained, there can also be delays or abandonment of projects, decreases in production and increases in costs, and Vermilion may not be able to fully execute its strategy. Governments may also amend or create new legislation and regulatory bodies may also amend regulations or impose additional requirements which could result in increased capital, operating and compliance costs.

Competition

Vermilion actively competes for reserve acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, some of which have significantly greater financial resources than Vermilion. Vermilion's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

Vermilion's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Operational Matters

The operation of oil and gas wells and facilities involves a number of operating and natural hazards which may result in blowouts, environmental damage and other unexpected or dangerous conditions resulting in damage to Vermilion and possible liability to regulators and third parties. Vermilion will maintain liability insurance, where available, in amounts consistent with industry standards. Business interruption insurance may also be purchased for selected operations, to the extent that such insurance is commercially viable. Vermilion may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Costs incurred to repair such damage or pay such liabilities may impair Vermilion's ability to satisfy its debt obligations or declare dividends.

Continuing production from a property, and to some extent the marketing of production, are largely dependent upon the ability of the operator of the property. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. Although satisfactory title reviews are generally conducted in accordance with industry standards, such reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat the claim of Vermilion or its subsidiaries to certain properties. Such circumstances could impair Vermilion's ability to satisfy its debt obligations or declare dividends.

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of the properties, and by the operator to Vermilion, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of the properties or the establishment by the operator of reserves for such expenses.

Environmental Concerns

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines, the issuance of clean up orders in respect of Vermilion or its assets, or the loss or suspension of regulatory approvals. Such legislation may be changed to impose higher standards and potentially more costly obligations on Vermilion. There can be no assurance that the Company will be able to satisfy its actual future environmental and reclamation obligations.

Kyoto Protocol and Carbon Tax

Australia, Canada, France, Ireland and the Netherlands are signatories to the United Nations Framework Convention on Climate Change and have all ratified the Kyoto Protocol established thereunder. Australia, France, Ireland and the Netherlands, as Annex B parties to the Kyoto Protocol, and Ireland, France and Netherlands as members of the European Union, are required to reduce their nation-wide emissions of carbon dioxide, methane, nitrous oxide and other greenhouse gases. Canada formally withdrew from the Kyoto Protocol effective 2012. The Canadian federal government has indicated an intention to regulate the emissions of greenhouse gases from a range of industries and has outlined a number of policies to reduce the greenhouse gas emissions intensity of regulated facilities (the "Federal Plan"). The Federal Plan also includes proposed requirements to be implemented by the Canadian federal government which would govern the emission of industrial air pollutants. At present, the status of the Federal Plan with respect to the oil and gas industry is unclear. The Canadian federal government has repeatedly stated that it intends to align Canada's greenhouse gas emissions reduction policies with those of the United States, and it appears willing to wait until the United States has developed its framework before implementing any further policies in Canada. As such, it is unclear when, or in what form, the Federal Plan will be implemented or what impact it may have on Vermilion.

On July 1 2012, the Australian government established a carbon price for emissions of the following greenhouse gases - carbon dioxide, methane, nitrous oxide and certain perfluorocarbons attributable to aluminium smelting. The price is levied per tonne of carbon dioxide equivalent (CO_2e) emissions[1]. The carbon price is fixed at AUD $23 per tonne of CO_2e in 2013, AUD $24.15 in 2013 / 2014 and AUD $25.40 in 2014 / 2015. From July 1, 2015, the price will be set by the market. A price ceiling will be in place from July 1, 2015 to June 30, 2018, and will be initially set at AUD$20 above the expected international price. The price ceiling will then rise in real terms at five percent per year. The carbon price applies where direct CO_2e emissions exceed a threshold of 25,000 tonnes per annum. After June 30, 2018, the price ceiling will no longer exist and the price will be dictated entirely by the market. Vermilion continues to evaluate and monitor emissions in Australia and expects costs to be approximately AUD $1.2 million per year.

Vermilion's exploration and production facilities and other operations and activities in Canada, Australia, France, Ireland and the Netherlands will emit a small amount of greenhouse gasses which may subject Vermilion to legislation regulating emissions of greenhouse gases and which may include a requirement to reduce emissions or emissions intensity from Vermilion's operations and facilities. As such, Vermilion continues to evaluate and monitor regulatory initiatives and overall trends so that it is aware of potential developments that could affect its business and operations. It is possible that future international, national, or provincial emissions reduction requirements in jurisdictions that Vermilion operates in may require further reductions of emissions or emissions intensity. The direct or indirect costs of complying with emissions regulations may adversely affect the business of Vermilion in Canada, Australia, France, Ireland and the Netherlands.

(1) The carbon dioxide (CO_2) equivalent of any greenhouse gas is the amount of carbon dioxide that would cause the same amount of global warming. For example, methane has a global warming effect 21 times stronger than CO_2. Therefore 1 tonne of methane is equivalent to 21 tonnes of CO_2.

Discretionary Nature of Dividends

The declaration and payment (including the amount thereof) of future cash dividends, if any, is subject to the discretion of the board of directors of the Company and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests under the ABCA for the declaration and payment of dividends. Depending on these and other factors considered relevant to the declaration and payment of dividends by the board of directors and management of the Company (some or all of which may be beyond the control of the board of directors and management of the Company), the Company may change its dividend policy from time to time. Any reduction of dividends may adversely affect the market price or value of Common Shares.

Debt Service

Vermilion may, from time to time, finance a significant portion of its operations through debt. Amounts paid in respect of interest and principal on debt incurred by Vermilion may impair Vermilion's ability to satisfy its other obligations. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment by Vermilion of its debt obligations. Ultimately, this may result in lower levels of cash flow for the Company.

Lenders may be provided with security over substantially all of the assets of Vermilion and its Subsidiaries. If Vermilion becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, a lender may be able to foreclose on or sell the assets of Vermilion and/or its Subsidiaries.

Changes in Income Tax Laws

Income tax laws and administrative policies may be changed in a manner which adversely affects the Company and/or Shareholders.

Depletion of Reserves

The Company has certain unique attributes which differentiate it from other oil and gas industry participants. Dividends paid from cash flow generated in respect of properties, absent commodity price increases or cost effective acquisition and development activities, may decline over time in a manner consistent with declining production from typical oil, natural gas and natural gas liquids reserves. Accordingly, absent capital expenditures or acquisitions of additional oil and gas properties, Vermilion's current production levels and reserves will decline.

Vermilion's future oil and natural gas reserves and production, and therefore its cash flows, will be highly dependent on Vermilion's success in exploiting its reserve base and acquiring additional reserves. Without reserve additions through acquisition or development activities, Vermilion's reserves and production will decline over time as reserves are exploited.

Net Asset Value

The net asset value of the assets of the Company from time to time will vary dependent upon a number of factors beyond the control of management, including oil and gas prices. The trading prices of the common shares from time to time is also determined by a number of factors which are beyond the control of management and such trading prices may be greater than the net asset value of the Company's assets.

Volatility of Market Price of Common Shares

The market price of the Common Shares may be volatile. The volatility may affect the ability of Shareholders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "Forward-Looking Statements" in this annual information form. In addition, the market price for securities in the stock markets, including the TSX, has experienced significant price and trading fluctuations in recent years. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market price of the Common Shares.

Variations in Interest Rates and Foreign Exchange Rates

An increase in interest rates could result in a significant increase in the amount the Company pays to service debt, potentially impacting dividends to shareholders.

In addition, an increase in the exchange rate for the Canadian dollar versus the U.S. dollar would result in the receipt by the Company of fewer Canadian dollars for its production which may affect future dividends. The Company monitors and, when appropriate, uses derivative financial instruments to manage its exposure to currency exchange rate risks. The increase in the exchange rate for the Canadian dollar and future Canadian/United States exchange rates may impact future dividends and the future value of the Company's reserves as determined by independent evaluators.

Increase in Operating Costs or Decline in Production Level

An increase in operating costs or a decline in Vermilion's production level could have an adverse effect on Vermilion's cash flow and, therefore, could reduce dividends to Shareholders and affect the market price of the common shares. The level of production may decline at rates greater than anticipated due to unforeseen circumstances, many of which are beyond Vermilion's control. A significant decline in production could result in materially lower revenues and cash flow and, therefore, could reduce dividends to Shareholders and affect the market price of the common shares.

Acquisition Assumptions

When making acquisitions, Vermilion estimates future performance of the assets to be acquired that may prove to be inaccurate.

Acquired assets are subject to inherent risks associated with predicting the future performance of those assets. Vermilion makes certain estimates and assumptions respecting the economic potential of the assets it acquires which may not be realized over time. As such, assets acquired may not possess the value Vermilion attributed to them, which could adversely impact cash flow.

Failure to Realize Anticipated Benefits of Prior Acquisitions

Vermilion has completed several acquisitions to strengthen its position in the oil and natural gas industry and to create the opportunity to realize certain benefits, including, among other things, potential cost savings. In order to achieve the benefits of these and future acquisitions, Vermilion will be dependent upon its ability to successfully consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner and to realize the anticipated growth opportunities and synergies from combining the acquired assets and operations with those of the Company. The integration of acquired assets and operations requires the dedication of management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during the process. The integration process may result in the disruption of ongoing business and customer relationships that may adversely affect Vermilion's ability to achieve the anticipated benefits of such prior acquisitions.

Additional Financing

Vermilion's credit facility and any replacement credit facility may not provide sufficient liquidity. The amounts available under Vermilion's credit facility may not be sufficient for future operations, or Vermilion may not be able to obtain additional financing on attractive economic terms, if at all. Any failure to obtain financing may have a material adverse effect on Vermilion's business, and dividends to Shareholders may be reduced, suspended or eliminated.

To the extent that external sources of capital, including the issuance of additional common shares, become limited or unavailable, Vermilion's ability to make the necessary capital investments to maintain or expand its oil and natural gas reserves will be impaired. To the extent the Company is required to use cash flow to finance capital expenditures or property acquisitions, the level of cash available that may be declared payable as dividends will be reduced.

Potential Conflicts of Interest

Circumstances may arise where members of the board of directors or officers of Vermilion are directors or officers of corporations which are in competition to the interests of Vermilion. No assurances can be given that opportunities identified by such persons will be provided to Vermilion.

Accounting Adjustments

The presentation of financial information in accordance with IFRS requires that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in Vermilion's consolidated financial statements. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the consolidated financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and may result in an inability to borrow funds and/or may result in a decline in the Common Share price.

Lower oil and gas prices increase the risk of write-downs of Vermilion's oil and gas property investments. Under IFRS, PNG depletion units are aggregated into groups known as CGU's for impairment testing. CGUs are reviewed for indicators that the carrying value of the CGU may exceed its recoverable amount. If an indication of impairment exists, the CGU's recoverable amount is then estimated. A CGU's recoverable amount is defined as the higher of the fair value less costs to sell and its value in use. If the carrying amount exceeds its recoverable amount an impairment loss is recorded to net earnings in the period to reduce the carrying value of the CGU to its recoverable amount. While these impairment losses would not affect cash flow, the charge to net earnings could be viewed unfavourably in the market.

Market Accessibility

A decline in Vermilion's ability to market oil and natural gas production could have a material adverse effect on its production levels or on the price that Vermilion receives for production which, in turn, could reduce dividends to its Shareholders and the trading price of the common shares.

Vermilion's business depends in part upon the availability, proximity and capacity of natural gas gathering systems, pipelines and processing facilities. Canadian federal and provincial, as well as United States federal and state, regulation of oil and gas production, processing and transportation, tax and energy policies, general economic conditions, and changes in supply and demand could adversely affect Vermilion's ability to produce and market oil and natural gas. If market factors change and inhibit the marketing of Vermilion production, overall production or realized prices may decline, which could reduce dividends to Shareholders.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information related to the remuneration and indebtedness of the directors and officers of the Company, and the principal holders of common shares and Rights to purchase common shares and securities authorized for issuance under the Company's equity compensation plans, where applicable, are contained in the information circular of the Company in respect of its most recent annual meeting of Shareholders involving the election of directors. Additional financial information is provided in the Company's audited financial statements and management's discussion and analysis for the year ended December 31, 2013.

SCHEDULE "A"
REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR (FORM 51-101F2)

To the Board of Directors of Vermilion Energy Inc. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2013. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2013, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2013, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - M$) Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	February 4, 2014	Australia	-	784,759	-	784,759
GLJ Petroleum Consultants	February 4, 2014	Canada	-	1,523,580	-	1,523,580
GLJ Petroleum Consultants	February 4, 2014	France	-	1,815,709	-	1,815,709
GLJ Petroleum Consultants	February 4, 2014	Ireland	-	600,433	-	600,433
GLJ Petroleum Consultants	February 4, 2014	Netherlands	-	413,685	-	413,685
Total			-	5,138,166	-	5,138,166

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

EXECUTED as to our reports referred to above:
GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, February 4, 2014

"Jodi L. Anhorn"
Jodi L. Anhorn, M.Sc., P.Eng.
Executive Vice President & COO



REPORT ON RESOURCES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the board of directors of Vermilion Energy Inc. (the "Company"):

1. We have evaluated the Company's resources data as at December 31, 2013. The resources data are estimates of low, best and high estimates of contingent resources and prospective resources and related future net revenue as at December 31, 2013, estimated using forecast prices and costs.

2. The resources data are the responsibility of the Company's management. Our responsibility is to express an opinion on the resources data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the resources data are free of material misstatement. An evaluation also includes assessing whether the resources data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue of the Company (before deduction of income taxes) attributed to best estimate contingent resources and prospective resources estimated using forecast prices and costs and calculated using a discount rate of 10 percent, evaluated by us for the year ended December 31, 2013, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Contingent Resources

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - M$) Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	February 4, 2014	Australia	-	136,973	-	**136,973**
GLJ Petroleum Consultants	February 4, 2014	Canada	-	1,455,506	-	**1,455,506**
GLJ Petroleum Consultants	February 4, 2014	France	-	438,131	-	**438,131**
GLJ Petroleum Consultants	February 4, 2014	Ireland		15,511		**15,511**
GLJ Petroleum Consultants	February 4, 2014	Netherlands	-	40,535	-	**40,535**
Total			-	2,086,656	-	**2,086,656**

Prospective Resources

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - M$) Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	February 4, 2014	Australia	-	40,247	-	**40,247**
GLJ Petroleum Consultants	February 4, 2014	Canada	-	2,131,682	-	**2,131,682**
GLJ Petroleum Consultants	February 4, 2014	France	-	60,756	-	**60,756**
GLJ Petroleum Consultants	February 4, 2014	Ireland		-		**-**
GLJ Petroleum Consultants	February 4, 2014	Netherlands	-	714,874	-	**714,874**
Total			-	2,947,560	-	**2,947,560**

5. In our opinion, the resources data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the resources data are based on judgements regarding future events, actual results will vary and the variations may be material.

8. These resource estimates are not classified as reserves at this time, pending further reservoir delineation, project application, facility and reservoir design work. Contingent resources entail commercial risk not applicable to reserves, which have not been included in the net present valuation. Prospective resources entail discovery risk and commercial risk not applicable to reserves, neither of which have been included in the net present valuation. There is no certainty that it will be commercially viable to produce any portion of the resources.

EXECUTED as to our reports referred to above:
GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, February 4, 2014

"Jodi L. Anhorn"
Jodi L. Anhorn, M.Sc., P.Eng.
Executive Vice President & COO

GLJ Petroleum Consultants

SCHEDULE "B"
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE (FORM 51-101F3)

Terms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.

Management of Vermilion Energy Inc. (the "Company") are responsible for the preparation and disclosure, or arranging for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2013, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated the Company's reserves data. The report of the independent qualified reserves evaluators is presented in Schedule A to the Annual Information Form of the Company for the year ended December 31, 2013.

The Independent Reserves Committee of the Board of Directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with Management and the independent qualified reserves evaluators.

The Independent Reserves Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with Management. The Board of Directors has, on the recommendation of the Audit and Independent Reserves Committees, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

"Lorenzo Donadeo"
Lorenzo Donadeo, Chief Executive Officer

"Curtis Hicks"
Curtis W. Hicks, Executive Vice President and Chief Financial Officer

"Larry J. Macdonald"
Larry J. Macdonald, Director and Chairman of the Board

"Claudio A. Ghersinich"
Claudio A. Ghersinich, Director

SCHEDULE "C"
TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

I. PURPOSE

The primary function of the Audit Committee (the "Committee") is to assist the Board in fulfilling its oversight responsibilities with respect to the Company's accounting and financing reporting processes and the audit of the Company's financial statements, including oversight of:

A. the integrity of the Company's financial statements;

B. the Company's compliance with legal and regulatory requirements;

C. the independent auditors' qualifications and independence;

D. the financial information that will be provided to the shareholders and others;

E. the Company's systems of disclosure controls and internal controls regarding finance, accounting, legal compliance and ethics, which management and the Board have established;

F. the performance of the Company's audit processes; and

G. such other matters required by applicable laws and rules of any stock exchange on which the Company's shares are listed for trading.

While the Committee has the responsibilities and powers set forth in its terms of reference, it is not the duty of the Committee to prepare financial statements, plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable rules and regulations. Primary responsibility for the financial reporting, information systems, risk management, and disclosure controls and internal controls of the Company is vested in management.

II. COMPOSITION AND OPERATIONS

A. The Committee shall be composed of not fewer than three directors and not more than five directors, all of whom are "independent"[1] under the requirements or guidelines for audit committee service under applicable securities laws and rules of any stock exchange on which the Company's shares are listed for trading.

B. All Committee members shall be "financially literate,"[2] and at least one member shall have "accounting or related financial expertise" as such terms are interpreted by the Board in its business judgment in light of, and in accordance with, the requirements or guidelines for audit committee service under applicable securities laws and rules of any stock exchange on which the Company's shares are listed for trading. The Committee may include a member who is not financially literate, provided he or she attains this status within a reasonable period of time following his or her appointment and providing the Board has determined that including such member will not materially adversely affect the ability of the Committee to act independently.

C. No Committee member shall serve on the audit committees of more than two other public issuers without prior determination by the Board that such simultaneous service would not impair the ability of such member to serve effectively on the Committee.

D. The Committee shall operate in a manner that is consistent with the Committee Guidelines outlined in Tab 8 of the Board Manual.

E. The Company's auditors shall be advised of the names of the Committee members and will receive notice of and be invited to attend meetings of the Committee, and to be heard at those meetings on matters relating to the auditor's duties.

F. The Committee may request any officer or employee of the Company, or the Company's legal counsel, or any external or internal auditors to attend a meeting of the Committee to provide such pertinent information as the Committee requests or to meet with any members of, or consultants to the Committee. The Committee has the authority to communicate directly with the internal and external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or shareholders.

G. The Committee shall have the authority to select, retain, terminate and approve the fees and other retention terms of special independent legal counsel and other consultants or advisers to advise the Committee, as it deems necessary or appropriate, at the Company's expense.

[1] Committee members must be "independent", as defined in Sections 1.4 and 1.5 of National Instrument 52-110 and ''independent'' under the requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended, and Section 303A.06 of the NYSE Listed Company Manual.

[2] The Board has adopted the NI 52-110 definition of "financial literacy", which is an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

SCHEDULE "C"
TERMS OF REFERENCE FOR THE AUDIT COMMITTEE (CONTINUED)

H. The Company shall provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company, (ii) compensation to any advisers employed by the Committee and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate for carrying out its duties.

I. The Committee shall meet at least four times each year.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

A. Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes the responsibility to:

i) review and recommend approval of the Company's annual financial statements, MD&A and earnings press release and report to the Board of Directors before the statements are approved by the Board of Directors;
ii) review and recommend approval for release the Company's quarterly financial statements, MD&A and press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
iii) satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in items (i) and (ii) above, and periodically assess the adequacy of those procedures; and
iv) review the Annual Information Form and any Prospectus/Private Placement Memorandums.

Review, and where appropriate, discuss:

v) the appropriateness of critical accounting policies and financial reporting practices used by the Company;
vi) major issues regarding accounting principles and financial statement presentations, including any significant proposed changes in financial reporting and accounting principles, policies and practices to be adopted by the Company and major issues as to the adequacy of the Company’s internal controls and any special audit steps adopted in light of material control deficiencies;
vii) analyses prepared by management or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative International Financial Reporting Standards (“IFRS”) methods on the financial statements of the Company and any other opinions sought by management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;
viii) any management letter or schedule of unadjusted differences provided by the external auditor and the Company’s response to that letter and other material written communication between the external auditor and management;
ix) any problems, difficulties or differences encountered in the course of the audit work including any disagreements with management or restrictions on the scope of the external auditor’s activities or on access to requested information and management’s response thereto;
x) any new or pending developments in accounting and reporting standards that may affect the Company;
xi) the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures on the financial statements of the Company and other financial disclosures;
xii) any reserves, accruals, provisions or estimates that may have a significant effect upon the financial statements of the Company;
xiii) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of Company and their impact on the reported financial results of the Company;
xiv) the use of any “pro forma” or “adjusted” information not in accordance with generally accepted accounting principles;
xv) any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters may be, or have been, disclosed in the financial statements; and
xvi) accounting, tax and financial aspects of the operations of the Company as the Committee considers appropriate.

SCHEDULE "C"
TERMS OF REFERENCE FOR THE AUDIT COMMITTEE (CONTINUED)

B. Risk Management, Internal Control and Information Systems

The Committee will review and discuss with management, and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes the responsibility to:

i) review the Company's risk management controls and policies with specific responsibility for Credit & Counterparty, Market & Financial, Political and Strategic & Repatriation risks;

ii) obtain reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through separate and periodic discussions with and reports from management, the internal auditor and external auditor; and

iii) review management steps to implement and maintain appropriate internal control procedures including a review of policies.

C. External Audit

The external auditor is required to report directly to the Committee, which will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

i) review and recommend to the Board, for shareholder approval, the appointment of the external auditor;

ii) review and approve the annual external audit plan, including but not limited to the following:
   a) engagement letter between the external auditor and financial management of the Company;
   b) objectives and scope of the external audit work;
   c) procedures for quarterly review of financial statements;
   d) materiality limit;
   e) areas of audit risk;
   f) staffing;
   g) timetable; and
   h) compensation and fees to be paid by the Company to the external auditor.

iii) meet with the external auditor to discuss the Company's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;

iv) maintain oversight of the external auditor's work and advise the Board, including but not limited to:
   a) the resolution of any disagreements between management and the external auditor regarding financial reporting;
   b) any significant accounting or financial reporting issue;
   c) the auditors' evaluation of the Company's system of internal controls, procedures and documentation;
   d) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
   e) any other matters the external auditor brings to the Committee's attention; and
   f) evaluate and assess the qualifications and performance of the external auditors for recommendation to the Board as to the appointment or reappointment of the external auditor to be proposed for approval by the shareholders, and ensuring that such auditors are participants in good standing pursuant to applicable regulatory laws.

v) review the auditor's report on all material subsidiaries;

vi) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Company and its affiliates in order to determine the external auditors' independence, including, without limitation:
   a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors, including a list of all relationships between the external auditor and the Company that may reasonably be thought to bear on the independence of the external auditors with respect to the Company;
   b) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors; and
   c) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence.

vii) annually request and review a report from the external auditor regarding (a) the external auditor’s quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and (c) any steps taken to deal with any such issues;

viii) review and pre-approve any non-audit services to be provided to the Company or any affiliates by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit;

ix) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditors; and

x) meet periodically, and at least annually, with the external auditor without management present.

SCHEDULE "C"
TERMS OF REFERENCE FOR THE AUDIT COMMITTEE (CONTINUED)

D. Compliance

The Committee shall:

i) Ensure that the external auditor's fees are disclosed by category in the Annual Information Form in compliance with regulatory requirements;
ii) Disclose any specific policies or procedures adopted for pre-approving non-audit services by the external auditor including affirmation that they meet regulatory requirements;
iii) Assist the Governance and Human Resources Committee with preparing the Company's governance disclosure by ensuring it has current and accurate information on:
   a) the independence of each Committee member relative to regulatory requirements for audit committees;
   b) the state of financial literacy of each Committee member, including the name of any member(s) currently in the process of acquiring financial literacy and when they are expected to attain this status; and
   c) the education and experience of each Committee member relevant to his or her responsibilities as Committee member.
iv) Disclose, if required, if the Company has relied upon any exemptions to the requirements for committees under applicable securities laws and rules of any stock exchange on which the Company's shares are listed for trading.

E. Other

The Committee shall:

i) establish and periodically review procedures for:
   a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
   b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters or other matters that could negatively affect the Company, such as violations of the Code of Business Conduct and Ethics.
ii) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor;
iii) review insurance coverage of significant business risks and uncertainties;
iv) review material litigation and its impact on financial reporting;
v) review policies and procedures for the review and approval of officers' expenses and perquisites;
vi) review the policies and practices concerning the expenses and perquisites of the Chairman, including the use of the assets of the Company;
vii) review with external auditors any corporate transactions in which directors or officers of the Company have a personal interest; and
viii) review the terms of reference for the Committee at least annually and otherwise as it deems appropriate, and recommend changes to the Board as required. The Committee shall evaluate its performance with reference to the terms of reference annually.

IV. ACCOUNTABILITY

D. The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial and other matters considered by the Committee relative to the Company.

E. The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.

VERMILION ENERGY

EXCELLENCE

We aim for exceptional results in everything we do.

TRUST

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

RESPECT

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

RESPONSIBILITY

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

Vermilion Energy Inc.

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Exhibit 99.2
VERMILION
ENERGY
Vermilion Energy Inc.
2013 Management's Discussion & Analysis
DEFINED PRODUCTION GROWTH
RELIABLE & GROWING DIVIDENDS

ABBREVIATIONS

bbl(s)	barrel(s)
mbbls	thousand barrels
bbls/d	barrels per day
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day
GJ	gigajoules
MWh	megawatt hour
boe	barrel of oil equivalent, including: crude oil, natural gas liquids and natural gas (converted on the basis of one boe for six mcf of natural gas)
mboe	thousand barrel of oil equivalent
mmboe	million barrel of oil equivalent
boe/d	barrel of oil equivalent per day
NGLs	natural gas liquids
WTI	West Texas Intermediate, the reference price paid for crude oil of standard grade in U.S. dollars at Cushing, Oklahoma
AECO	the daily average benchmark price for natural gas at the AECO 'C' hub in southeast Alberta
TTF	the price for natural gas in the Netherlands, quoted in MWh of natural gas per hour per day, at the Title Transfer Facility Virtual Trading Point operated by Dutch TSO Gas Transport Services
$M	thousand dollars
$MM	million dollars
PRRT	Petroleum Resource Rent Tax, a profit based tax levied on petroleum projects in Australia

DISCLAIMER

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

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 and 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 strength 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.

All oil and natural gas reserve information contained in this document has been prepared and presented in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The actual oil and natural gas reserves and future production will be greater than or less than the estimates provided in this document. The estimated future net revenue from the production of the disclosed oil and natural gas reserves does not represent the fair market value of these reserves. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A"), dated February 27, 2014, of Vermilion Energy Inc.'s ("Vermilion", "we", "our", "us" or the "Company") operating and financial results as at and for the three months and year ended December 31, 2013 compared with the corresponding periods in the prior year.

This discussion should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013 and 2012, together with the accompanying notes. Additional information relating to Vermilion, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Vermilion's website at www.vermilionenergy.com.

The audited consolidated financial statements for the year ended December 31, 2013 and comparative information have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP") as issued by the International Accounting Standards Board.

This MD&A includes references to certain financial measures which do not have standardized meanings prescribed by IFRS. As such, these financial measures are considered additional GAAP or non-GAAP financial measures and therefore are unlikely to be comparable with similar financial measures presented by other issuers. These additional GAAP and non-GAAP financial measures include:

- Fund flows from operations: This additional GAAP financial measure is calculated as cash flows from operating activities before changes in non-cash operating working capital and asset retirement obligations settled. We analyze fund flows from operations both on a consolidated basis and on a business unit basis in order to assess the contribution of each business unit to our ability to generate cash necessary to pay dividends, repay debt, fund asset retirement obligations and make capital investments
- Netbacks: These non-GAAP financial measures are per boe and per mcf measures used in the analysis of operational activities. We assess netbacks both on a consolidated basis and on a business unit basis in order to compare and assess the operational and financial performance of each business unit versus other business units and third party crude oil and natural gas producers.

For a full description of these and other non-GAAP financial measures and a reconciliation of these measures to their most directly comparable GAAP measures, please refer to "ADDITIONAL AND NON-GAAP FINANCIAL MEASURES".

VERMILION'S BUSINESS

Vermilion is a Calgary, Alberta based international oil and gas producer focused on the acquisition, development and optimization of producing properties in Western Canada, Europe, and Australia. We manage our business through our Calgary head office and our international business unit offices.

This MD&A separately discusses each of our business units in addition to our corporate segment.

- Canada business unit: Includes revenues and expenditures related directly to our assets in Alberta.
- France business unit: Relates to our operations in France in the Paris and Aquitaine Basins.
- Australia business unit: Relates to our operations in the Wandoo offshore crude oil field.
- Netherlands business unit: Relates to our operations in the Netherlands.
- Ireland business unit: Relates to our 18.5% non-operated interest in the offshore Corrib natural gas field.
- Corporate: Includes expenditures related to our global hedging program, financing expenses, and general and administration expenses, primarily incurred in Canada and not directly related to the operations of a specific business unit.

Prior to December 31, 2013, Vermilion combined the operating and financial results of the Canada business unit and the Corporate segment and presented the combined results as Canada.

NEW COUNTRY ENTRY

In November, 2013, we announced an agreement to acquire a 25% contractual participation interest in a four-partner consortium in Germany from GDF Suez S.A. The acquisition was subsequently completed in February of 2014, and will enable us to participate in the exploration and development, production and transportation of natural gas from the assets held by the consortium. The assets are comprised of four gas producing fields across eleven production licenses and are characterized by a low effective decline rate of approximately 16% annually. The acquired assets are expected to contribute approximately 2,300 boe/d of production in 2014, and include both exploration and production licenses that comprise a total of 204,000 gross acres, of which 85% is in the exploration license. The acquisition represents Vermilion's entry into the German exploration and production business, a producing region with a long history of oil and gas development activity, low political risk, and strong marketing fundamentals. The acquisition provides us with entry into this sizable market, in the form of free cash flow generating, low-decline assets with near-term development inventory in addition to longer-term, low-permeability gas prospectivity. Entry into Germany is in keeping with our European focus, and will increase our exposure to the strong fundamentals and pricing of European natural gas markets. We believe that our conventional and unconventional expertise, coupled with new access to proprietary technical data, will position us strongly for future development and expansion opportunities in both Germany and the greater European region.

2013 REVIEW AND 2014 GUIDANCE

On November 7, 2013, concurrent with our release of 2014 guidance and our announcement of the dividend increase, we updated our 2013 capital expenditure guidance to $530 million. This represented an increase of approximately $45 million from our original guidance of $485 million. The increase was attributable primarily to the impact of a weaker Canadian dollar as compared to foreign exchange rates at the time of our original guidance, a delay in the timing of rig arrival for our Australian drill program (originally anticipated to occur in late 2012), and minor additions to our capital work scope during 2013 (such as the addition of the Champotran southern extension well in France). The difference between 2013 guidance of $530 million and 2013 actual capital expenditures of $543 million was largely due to increased Cardium activity partially offset by activity delays in the Netherlands.

Following both the first and second quarters, we increased our original production guidance of 39,000-40,500 boe/d to guidance of 39,500-40,500 boe/d and 40,500-41,000 boe/d, respectively. The guidance increases were primarily driven by better-than-expected results from our capital program.

The following table summarizes our 2013 actual results compared to guidance and our 2014 guidance:

	Date	Capital Expenditures ($MM)	Production (boe/d)
2013 Guidance	November 14, 2012	485	39,000 to 40,500
2013 Guidance - Update	May 1, 2013	485	39,500 to 40,500
2013 Guidance - Update	August 1, 2013	485	40,500 to 41,000
2013 Guidance - Update	November 7, 2013	530	40,500 to 41,000
2013 Actual	February 27, 2014	543	41,005
2014 Guidance	November 7, 2013	555	45,000 to 46,000

SHAREHOLDER RETURN

Vermilion strives to provide investors with reliable and growing dividends in addition to sustainable, global production growth. The following table, as of December 31, 2013, reflects our trailing one, three, and five year performance:

Total return [1]	Trailing One Year	Trailing Three Year	Trailing Five Year
Dividends per Vermilion share	$2.40	$6.96	$11.52
Capital appreciation per Vermilion share	$10.38	$16.13	$37.16
Total return per Vermilion share	24.6%	50.0%	193.3%
Annualized total return per Vermilion share	24.6%	14.5%	24.0%
Annualized total return on the S&P TSX High Income Energy Index	13.8%	(6.1%)	5.9%

[1] The above table includes non-GAAP financial measures which may not be comparable to other companies. Please see the "ADDITIONAL AND NON-GAAP FINANCIAL MEASURES" section.

CONSOLIDATED RESULTS OVERVIEW

	Three Months Ended			% change		Year Ended		% change
	Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	Dec 31, 2013	Dec 31, 2012	2013 vs. 2012
Production								
Crude oil (bbls/d)	**26,039**	26,664	23,699	(2%)	10%	**25,741**	23,971	7%
NGLs (bbls/d)	**1,761**	1,945	1,176	(9%)	50%	**1,730**	1,299	33%
Natural gas (mmcf/d)	**78.96**	77.41	68.34	2%	16%	**81.21**	75.20	8%
Total (boe/d)	**40,960**	41,510	36,265	(1%)	13%	**41,005**	37,803	8%
Build (draw) in inventory (bbl)	**(10,192)**	18,946	259,481			**(228,954)**	213,472	
Financial metrics								
Fund flows from operations ($M)	**163,660**	165,645	141,737	(1%)	15%	**667,526**	557,728	20%
Per share ($/basic share)	**1.61**	1.63	1.43	(1%)	13%	**6.61**	5.69	16%
Net earnings ($M)	**101,510**	67,796	56,914	50%	78%	**327,641**	190,622	72%
Per share ($/basic share)	**1.00**	0.67	0.58	49%	72%	**3.24**	1.94	67%
Cash flows from operating activities ($M)	**177,003**	158,236	99,907	12%	77%	**705,025**	496,580	42%
Net debt ($M)	**749,685**	700,286	677,231	7%	11%	**749,685**	677,231	11%
Cash dividends ($/share)	**0.60**	0.60	0.57	-	5%	**2.40**	2.28	5%
Activity								
Capital expenditures ($M)	**148,478**	135,661	157,035	9%	(5%)	**542,726**	452,538	20%
Acquisitions ($M)	**29,103**	7,586	209,254			**36,689**	315,438	
Gross wells drilled	**21.00**	21.00	26.00			**76.00**	78.00	
Net wells drilled	**16.65**	16.26	17.70			**64.21**	56.10	

Operational review

- Recorded average production of 41,005 boe/d during 2013, reflecting production growth in all of our producing regions and year-over-year consolidated production growth of 8%. Production growth was achieved through continued development in the Cardium and Mannville plays in Canada, production additions from the 2013 drilling programs in France and Australia, and incremental production in the Netherlands from our Q4 2013 acquisition.
- Activity during the year included capital expenditures of $542.7 million and acquisitions of $36.7 million. The majority of the capital expenditures related to continued development of the Cardium and Mannville plays in Canada, successful drilling campaigns in France and Australia, and tunneling in Ireland. In addition, during Q4 2013, Vermilion completed a small acquisition in the Netherlands for $27.5 million which included nine operated onshore concessions (six in production or development and three exploration) and a non-operated interest in one offshore concession.

Financial review

Net earnings

- For the three months and year ended December 31, 2013, consolidated net earnings was $101.5 million ($1.00/basic share) and $327.6 million ($3.24/basic share), an increase of 78% and 72% versus the same periods in 2012.
- The year-over-year increases resulted primarily from higher production in all our producing business units, draws in inventory during the year, stronger Canadian pricing for crude oil and natural gas, unrealized foreign exchange gains, and an impairment recovery. These increases were partially offset by increased current income taxes as a result of increased taxable income combined with tax provisions recorded for tax assessments in France.
- Net earnings for Q4 2013 increased by approximately 50% versus Q3 2013. The quarter-over-quarter increase occurred despite relatively consistent operating results due to increased unrealized foreign exchange gains and the aforementioned impairment recovery, partially offset by increased equity based compensation and deferred tax expense.
- Unrealized foreign exchange gains of $22.3 million and $52.0 million for the three months and year ended December 31, 2013 were the result of the Euro strengthening significantly versus the Canadian dollar and the resulting impact on our Euro denominated financial assets.
- The impairment recovery recognized during Q4 2013 of $47.4 million related to impairment charges previously recognized in 2011 and 2012. The impairment recovery resulted from increased proved and probable reserves of natural gas and natural gas liquids, due primarily to the successful application of horizontal drilling and multi-stage fracturing technology to the previously impaired cash generating unit.

Cash flows from operating activities

- Increased cash flow from operating activities by 42% year-over year. This increase resulted from increased production in all of Vermilion's producing regions, stronger Canadian pricing for crude oil and natural gas, and timing differences pertaining to working capital.
- Increased cash flow from operating activities for Q4 2013 by 77% as compared to Q4 2012. The year-over-year increase was primarily the result of higher production in all our producing business units, increases in all relevant commodity prices, timing differences pertaining to working capital, and the absence of a large build in inventory which occurred in Q4 2012.

Fund flows from operations

- Generated fund flows from operations of $667.5 million ($6.61/basic share) during 2013, an increase of 20% year-over-year. This increase in fund flows from operations resulted from increased production in all of Vermilion's producing regions coupled with stronger Canadian pricing for crude oil and natural gas.

Net debt

- Maintained a strong balance sheet with closing net debt of $749.7 million, representing 1.1 times fund flows from operations. The year-over-year increase in net debt was primarily a result of our aforementioned acquisition in the Netherlands coupled with current year development capital expenditures in Ireland.

Dividends

- Paid a dividend of $0.20 per common share per month during 2013 and in November 2013 announced a 7.5% increase in the monthly dividend to $0.215 per common share per month (effective for the January 2014 dividend paid on February 17, 2014). This was our second consecutive annual dividend increase.

COMMODITY PRICES

	Three Months Ended			% change		Year Ended		% change
	Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	Dec 31, 2013	Dec 31, 2012	2013 vs. 2012
Average reference prices								
WTI (US $/bbl)	**97.46**	105.82	88.18	(8%)	11%	**97.97**	94.20	4%
Edmonton Sweet index (US $/bbl)	**82.53**	101.10	84.86	(18%)	(3%)	**90.40**	86.42	5%
Dated Brent (US $/bbl)	**109.27**	110.37	110.02	(1%)	(1%)	**108.66**	111.58	(3%)
AECO ($/GJ)	**3.35**	2.31	3.05	45%	10%	**3.01**	2.26	33%
TTF ($/GJ)	**10.65**	9.94	9.78	7%	9%	**10.29**	9.51	8%
TTF (€/GJ)	**7.45**	7.20	7.58	3%	(2%)	**7.51**	7.37	2%
Average realized prices ($/boe)								
Canada	**61.10**	63.56	58.80	(4%)	4%	**61.14**	54.89	11%
France	**112.84**	107.08	102.26	5%	10%	**106.26**	105.13	1%
Netherlands	**67.88**	61.44	60.96	10%	11%	**64.08**	58.69	9%
Australia	**124.63**	120.95	115.22	3%	8%	**119.38**	117.03	2%
Consolidated	**86.04**	86.10	78.40	-	10%	**83.83**	79.51	5%
Production mix (% of production)								
% priced with reference to WTI	**25%**	24%	25%			**25%**	24%	
% priced with reference to AECO	**17%**	17%	14%			**16%**	16%	
% priced with reference to TTF	**15%**	14%	17%			**16%**	17%	
% priced with reference to Dated Brent	**43%**	45%	44%			**43%**	43%	

Reference prices

- Dated Brent remained relatively consistent from Q3 2013 to Q4 2013 while WTI and the Edmonton Sweet index decreased by 8% and 18%, respectively. The decreases in WTI and the Edmonton Sweet index were attributable to refinery outages and increasing supply.
- AECO increased 45% from Q3 2013 to Q4 2013 as a result of strong winter demand for natural gas in North America.
- TTF in Canadian dollar terms increased by 7% from Q3 2013 to Q4 2013, benefiting from the strengthening of the Euro.

Realized prices

- Our consolidated realized price remained relatively consistent quarter-over-quarter at $86.04/boe. While North American crude oil pricing decreased in Q4 2013, the impact of this decrease was mostly offset by higher pricing for our Canadian and Netherlands natural gas production and continued strong pricing for our crude oil production in Australia.
- Our consolidated realized price increased by 5% for 2013 as compared to 2012. This increase was primarily due to stronger North American crude oil and natural gas pricing coupled with foreign exchange benefits resulting from the weakening of the Canadian dollar versus both the Euro and the US dollar.

FUND FLOWS FROM OPERATIONS

	Three Months Ended						Year Ended			
	Dec 31, 2013		Sept 30, 2013		Dec 31, 2012		Dec 31, 2013		Dec 31, 2012	
	$M	$/boe	$M	$/boe	$M	$/boe	$M	$/boe	$M	$/boe
Petroleum and natural gas sales	**325,108**	**86.04**	327,185	86.10	241,233	78.40	**1,273,835**	**83.83**	1,083,103	79.51
Royalties	**(17,616)**	**(4.66)**	(18,730)	(4.93)	(11,938)	(3.88)	**(67,936)**	**(4.47)**	(52,084)	(3.82)
Petroleum and natural gas revenues	**307,492**	**81.38**	308,455	81.17	229,295	74.52	**1,205,899**	**79.36**	1,031,019	75.69
Transportation expense	**(9,081)**	**(2.40)**	(6,549)	(1.72)	(5,458)	(1.77)	**(28,924)**	**(1.90)**	(24,113)	(1.77)
Operating expense	**(48,140)**	**(12.74)**	(46,246)	(12.17)	(43,634)	(14.18)	**(195,043)**	**(12.84)**	(178,442)	(13.10)
General and administration	**(13,954)**	**(3.69)**	(12,033)	(3.17)	(8,888)	(2.89)	**(49,910)**	**(3.28)**	(43,773)	(3.21)
Corporate income taxes	**(43,065)**	**(11.40)**	(46,453)	(12.22)	(21,470)	(6.98)	**(161,794)**	**(10.65)**	(121,843)	(8.94)
PRRT	**(17,173)**	**(4.55)**	(15,649)	(4.12)	(1,598)	(0.52)	**(56,565)**	**(3.72)**	(60,070)	(4.41)
Interest expense	**(10,049)**	**(2.66)**	(10,109)	(2.66)	(7,656)	(2.49)	**(38,183)**	**(2.51)**	(27,586)	(2.03)
Realized loss on derivative instruments	**(1,300)**	**(0.34)**	(4,765)	(1.25)	(1,559)	(0.51)	**(7,082)**	**(0.47)**	(12,737)	(0.93)
Realized foreign exchange (loss) gain	**(1,294)**	**(0.34)**	(1,227)	(0.32)	2,459	0.81	**(1,866)**	**(0.12)**	2,804	0.21
Realized other income (expense)	**224**	**0.06**	221	0.06	246	0.08	**994**	**0.07**	(7,531)	(0.55)
Fund flows from operations	**163,660**	**43.32**	165,645	43.60	141,737	46.07	**667,526**	**43.94**	557,728	40.96

The following table shows a reconciliation of the change in fund flows from operations:

($M)	Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	2013 vs. 2012
Fund flows from operations - Comparative period	165,645	141,737	557,728
Sales volume variance:			
Canada	4,476	13,090	38,747
France	(15,471)	12,675	60,108
Netherlands	8,324	4,113	4,215
Australia	(3,984)	26,888	26,091
Pricing variance on sold volumes:			
WTI	(10,805)	6,136	25,464
AECO	3,696	665	13,592
Dated Brent	7,942	16,230	10,688
TTF	3,745	4,078	11,827
Changes in:			
Realized derivatives	3,465	259	5,655
Royalties	1,114	(5,678)	(15,852)
Operating expense	(1,894)	(4,506)	(16,601)
Transportation	(2,532)	(3,623)	(4,811)
Interest	60	(2,393)	(10,597)
General and administration	(1,921)	(5,066)	(6,137)
Realized other income	3	(22)	8,525
Realized foreign exchange	(67)	(3,753)	(4,670)
Corporate income taxes	3,388	(21,595)	(39,951)
PRRT	(1,524)	(15,575)	3,505
Fund flows from operations - Current Period	**163,660**	**163,660**	**667,526**

Fund flows from operations for Q4 2013 was approximately 1% ($2.0 million) lower than Q3. This slight decrease occurred as a result of declines in the Edmonton Sweet index, which was partially offset by increased pricing for natural gas and for our crude oil production in Australia.

Fund flows from operations for the three months and year ended December 31, 2013 was approximately 15% ($21.9 million) and 20% ($109.8 million) higher, respectively, than the same periods in 2012. These increases were primarily the result of higher production in all our producing business units, large draws in inventory during the quarter and full year periods, and increases in all relevant commodity prices. These increases were partially offset by increased current income taxes as a result of increased taxable income combined with tax provisions recorded for tax assessments in France.

Fluctuations in fund flows from operations (and correspondingly net earnings and cash flows from operating activities) may occur as a result of changes in commodity prices and costs to produce petroleum and natural gas. In addition, fund flows from operations may be highly affected by the timing of crude oil shipments in Australia and France. When crude oil inventory is built up, the related operating expense, royalties, and depletion expense are deferred and carried as inventory on our balance sheet. When the crude oil inventory is subsequently drawn down, the related expenses are recognized in fund flows from operations.

CANADA BUSINESS UNIT

Overview

- Production and assets focused in Alberta at West Pembina near Drayton Valley, Slave Lake and Central Alberta.
- Potential for three significant resource plays sharing the same surface infrastructure in the West Pembina region:
  - Cardium light oil (1,800m depth) - in development phase
  - Mannville condensate-rich gas (2,400 - 2,700m depth) - in development phase
  - Duvernay liquids-rich gas (3,200m depth) - in appraisal phase
- Canadian cash flows are fully tax-sheltered for the foreseeable future.

Operational review

	Three Months Ended			% change		Year Ended		% change
Canada business unit	Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	Dec 31, 2013	Dec 31, 2012	2013 vs. 2012
Production								
Crude oil (bbls/d)	**8,719**	7,969	7,983	9%	9%	**8,387**	7,659	10%
NGLs (bbls/d)	**1,699**	1,897	1,106	(10%)	54%	**1,666**	1,232	35%
Natural gas (mmcf/d)	**41.43**	43.40	31.41	(5%)	32%	**42.39**	37.50	13%
Total (boe/d)	**17,322**	17,099	14,323	1%	21%	**17,117**	15,142	13%
Production mix (% of total)								
Crude oil	**50%**	47%	56%			**49%**	51%	
NGLs	**10%**	11%	8%			**10%**	8%	
Natural gas	**40%**	42%	36%			**41%**	41%	
Activity								
Capital expenditures ($M)	**77,245**	62,270	82,844	24%	(7%)	**241,197**	271,774	(11%)
Acquisitions ($M)	**1,603**	7,586	-			**9,189**	69	
Gross wells drilled	**21.00**	21.00	26.00			**69.00**	76.00	
Net wells drilled	**16.65**	16.26	17.70			**57.21**	54.70	

Production

- Production in Canada increased by 1% quarter-over-quarter and by 13% year-over-year.
- Year-over-year increase was largely attributable to continued development in the Cardium, supplemented by Mannville wells brought on production during the year.

Activity review

- Vermilion drilled 21 (16.6 net) wells during Q4 2013.
- In 2013, Vermilion drilled 69 (57.2 net) wells.

Cardium

- In the Cardium, we drilled 19 (15.6 net) wells and brought 16 gross operated wells on production during Q4 2013. Eight of the wells drilled during Q4 2013 were long reach wells (four 1.5-mile, three 2-mile, and one 2.3-mile long well).
- Since 2009, we have drilled or participated in 238 (170.9 net) wells in the Cardium.
- Average well costs, normalized on a per section basis, are approximately $3.0 million per section (2009 - $5.0 million per section).
- Per boe operating costs are less than $5.25/boe for operated production.
- In 2014, we plan to drill or participate in 36 (30.3 net) Cardium wells.
- Cardium expenditures are expected to represent approximately 60% of planned Canadian development expenditures in 2014.

Mannville

- During Q4 2013, in the Mannville, we drilled two (1.0 net) wells and brought 1.2 net wells on production. In 2013, we drilled and placed on production six (3.7 net) Mannville wells.
- In 2014, we plan to drill eight (5.7 net) Mannville wells.
- Mannville expenditures are expected to represent approximately 20% of planned Canadian development expenditures in 2014.

Duvernay
- To date, we have drilled three vertical stratigraphic test wells, which confirmed our placement inside the condensate-rich window.
- In 2014, we plan to drill two horizontal Duvernay wells, the first of which is currently in progress.

Financial review

	Three Months Ended			% change		Year Ended		% change
Canada business unit ($M except as indicated)	**Dec 31, 2013**	**Sept 30, 2013**	**Dec 31, 2012**	**Q4/13 vs. Q3/13**	**Q4/13 vs. Q4/12**	**Dec 31, 2013**	**Dec 31, 2012**	**2013 vs. 2012**
Sales	**97,367**	100,000	77,476	(3%)	26%	**382,005**	304,202	26%
Royalties	**(11,039)**	(11,156)	(7,401)	(1%)	49%	**(40,891)**	(31,667)	29%
Transportation expense	**(4,102)**	(3,272)	(1,922)	25%	113%	**(12,254)**	(8,321)	47%
Operating expense	**(13,218)**	(12,770)	(14,514)	4%	(9%)	**(55,804)**	(55,418)	1%
General and administration	**(2,478)**	(2,675)	(1,765)	(7%)	40%	**(12,979)**	(12,344)	5%
Fund flows from operations	**66,530**	70,127	51,874	(5%)	28%	**260,077**	196,452	32%
Netbacks ($/boe)								
Sales	**61.10**	63.56	58.80	(4%)	4%	**61.14**	54.89	11%
Royalties	**(6.93)**	(7.09)	(5.62)	(2%)	23%	**(6.55)**	(5.71)	15%
Transportation expense	**(2.57)**	(2.08)	(1.46)	24%	76%	**(1.96)**	(1.50)	31%
Operating expense	**(8.29)**	(8.12)	(11.01)	2%	(25%)	**(8.93)**	(10.00)	(11%)
General and administration	**(1.60)**	(2.04)	(1.34)	(22%)	19%	**(2.24)**	(2.23)	-
Fund flows from operations netback	**41.71**	44.23	39.37	(6%)	6%	**41.46**	35.45	17%
Reference prices								
WTI (US $/bbl)	**97.46**	105.82	88.18	(8%)	11%	**97.97**	94.20	4%
Edmonton Sweet index (US $/bbl)	**82.53**	101.10	84.86	(18%)	(3%)	**90.40**	86.42	5%
AECO ($/GJ)	**3.35**	2.31	3.05	45%	10%	**3.01**	2.26	33%

Sales
- The realized price for our crude oil production in Canada is directly linked to WTI but is subject to market conditions in Western Canada. These market conditions can result in fluctuations in the pricing differential, as reflected by the Edmonton Sweet index price. The realized price of our NGLs in Canada is based on product specific differentials pertaining to trading hubs in the U.S. The realized price of our natural gas in Canada is based on the AECO spot price in Canada.
- The decrease in sales per boe for Q4 2013 as compared to Q3 2013 was primarily the result of 18% lower Edmonton Sweet index pricing, partially offset by a 45% increase in the AECO reference price.
- The increase in sales per boe for the three months and year ended December 31, 2013 as compared to the same periods in 2012 was primarily the result of a 10% and 33% increase, respectively, in the AECO reference price.

Royalties
- Royalty expense as a percentage of sales was consistent quarter-over-quarter.
- The increase in royalty expense as a percentage of sales from 10% to 11% for the three months and year ended December 31, 2013 as compared to the same periods in 2012 was the result of the timing of placing Cardium wells on production due to the associated royalty incentive on initial production volumes.

Transportation
- Transportation expense relates to the delivery of crude oil and natural gas production to major pipelines where legal title transfers.
- Transportation expense per boe increased for the three months and year ended December 31, 2013 compared to the same periods in 2012 as a result of increased crude oil production subject to transportation costs.

Operating expense
- Operating expense per boe was lower for the year ended December 31, 2013 as operating expense remained relatively stable while production increased by 13% year-over-year.
- Operating expense for Q4 2013 was lower than Q4 2012 as the 2012 period operating expense included higher turnaround activity and downhole work.

General and administration
- Year-over-year, general and administration expense per boe remained steady. Fluctuations in the presented quarters relates primarily to the timing of expenditures.

FRANCE BUSINESS UNIT

Overview

- Entered France in 1997 and completed three subsequent acquisitions, including two in 2012.
- Largest independent oil producer by volume.
- Producing assets include large conventional fields with high working interests located in the Aquitaine and Paris Basins with an identified inventory of workover, infill drilling, and secondary recovery opportunities.
- Production is characterized by Brent-based crude pricing and low base decline rates.

Operational review

	Three Months Ended			% change		Year Ended		% change
France business unit	Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	Dec 31, 2013	Dec 31, 2012	2013 vs. 2012
Production								
Crude oil (bbls/d)	**11,131**	11,625	9,843	(4%)	13%	**10,873**	9,952	9%
Natural gas (mmcf/d)	**-**	5.23	3.91	(100%)	(100%)	**3.40**	3.59	(5%)
Total (boe/d)	**11,131**	12,496	10,495	(11%)	6%	**11,440**	10,550	8%
Inventory (mbbls)								
Opening crude oil inventory	**226**	202	246			**354**	187	
Adjustments	**-**	-	-			**5**	-	
Crude oil production	**1,024**	1,069	906			**3,969**	3,642	
Crude oil sales	**(981)**	(1,045)	(798)			**(4,059)**	(3,475)	
Closing crude oil inventory	**269**	226	354			**269**	354	
Production mix (% of total)								
Crude oil	**100%**	93%	94%			**95%**	94%	
Natural gas	**-**	7%	6%			**5%**	6%	
Activity								
Capital expenditures ($M)	**31,899**	23,664	20,958	35%	52%	**100,378**	47,382	112%
Acquisitions ($M)	**-**	-	74,947			**-**	181,062	
Gross wells drilled	**-**	-	-			**5.00**	-	
Net wells drilled	**-**	-	-			**5.00**	-	

Production

- Quarter-over-quarter production decrease of 11% and year-over-year production growth of 8%.
- Q4 2013 vs. Q3 2013 decrease was mainly due to our gas production being shut-in at Vic Bihl. In late September 2013, the third party Lacq processing facility, which processed our Vic Bihl production of approximately 700 boe/d, was permanently shut in. As a result, our Vic Bihl gas production has been temporarily shut in while preparations to transfer an alternative facility are completed. We expect approximately 140 boe/d will be back on-stream in Q3, with the remainder not anticipated to be back on production until late-2015.
- Year-over-year growth driven by production from our five-well drilling program in Champotran, which was brought on late in the second quarter, and production additions from the ZaZa acquisition at the end of 2012.
- The five wells drilled in 2013 produced at an average rate per well of 250 bbls/d with minimal water during the fourth quarter of 2013.
- Production remained predominately weighted to Brent crude at approximately 95% of production for 2013, and 100% in Q4 2013.

Activity review

- During Q4 2013, we converted a previous producing well to an injection well to add additional injection capacity to our waterflood program at Champotran.
- During Q4 2013, we also completed a number of workovers, pipeline and facility integrity projects, and prepared for our 2014 capital program.
- In 2013, we started increasing our France-based technical staff to identify and execute additional investment opportunities.
- In 2013, we completed a successful five-well drilling campaign in the Champotran field, adding significant production, reserves, and confirming 20 potential future drilling locations.
- In 2014, we are planning a nine-well drilling program in the Champotran, Cazaux, Parentis, and Tamaris fields. In addition, we are planning an estimated 18-well workover program.

Financial review

France business unit ($M except as indicated)	Three Months Ended Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	% change Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	Year Ended Dec 31, 2013	Dec 31, 2012	% change 2013 vs. 2012
Sales	**110,757**	120,574	87,702	(8%)	26%	**453,315**	388,410	17%
Royalties	**(6,577)**	(7,574)	(4,537)	(13%)	45%	**(27,045)**	(20,417)	32%
Transportation expense	**(4,622)**	(2,713)	(1,854)	70%	149%	**(12,505)**	(8,236)	52%
Operating expense	**(15,524)**	(14,599)	(13,699)	6%	13%	**(66,997)**	(54,907)	22%
General and administration	**(5,080)**	(4,964)	(4,779)	2%	6%	**(19,657)**	(15,009)	31%
Current income taxes	**(28,024)**	(31,717)	(13,335)	(12%)	110%	**(94,524)**	(63,006)	50%
Fund flows from operations	**50,930**	59,007	49,498	(14%)	3%	**232,587**	226,835	3%
Netbacks ($/boe)								
Sales	**112.84**	107.08	102.26	5%	10%	**106.26**	105.13	1%
Royalties	**(6.70)**	(6.73)	(5.29)	-	27%	**(6.34)**	(5.53)	15%
Transportation expense	**(4.71)**	(2.41)	(2.16)	95%	118%	**(2.93)**	(2.23)	31%
Operating expense	**(15.82)**	(12.97)	(15.97)	22%	(1%)	**(15.70)**	(14.86)	6%
General and administration	**(5.18)**	(4.41)	(5.57)	17%	(7%)	**(4.61)**	(4.06)	14%
Current income taxes	**(28.55)**	(28.17)	(15.55)	1%	84%	**(22.16)**	(17.05)	30%
Fund flows from operations netback	**51.88**	52.39	57.72	(1%)	(10%)	**54.52**	61.40	(11%)
Reference prices								
Dated Brent (US $/bbl)	**109.27**	110.37	110.02	(1%)	(1%)	**108.66**	111.58	(3%)

Sales

- Crude oil production in France is priced with reference to Dated Brent.
- Sales for the three months and year ended December 31, 2013 increased versus the same periods in 2012, despite a decrease in the Dated Brent reference price, due to an increase in sold volumes resulting from new production brought on from the 2013 drilling campaign in addition to the weakening of the Canadian dollar.

Royalties

- Royalties in France relate to two components: RCDM (levied on units of production and not subject to changes in commodity prices) and R31 (based on a percentage of revenue).
- The increase in royalties expense for the three months and year ended December 31, 2013 versus the same periods in 2012 was primarily the result of increased R31 royalties associated with incremental production from our Q4 2012 acquisition as well as production from wells drilled during our 2013 drilling campaign.

Transportation

- Transportation expense in France pertains to the shipments of crude oil by tanker from the Aquitaine Basin to third party refineries.
- The increase in transportation expense per boe for the three months and year ended December 31, 2013 versus the comparable periods resulted from an increased number of shipments from the Aquitaine Basin.

Operating expense

- The increase in operating expense per boe from Q3 to Q4 2013 was primarily the result of lower production. Overall operating expense was 6% higher from Q3 to Q4 2013 primarily as a result of higher electricity prices.
- On a year-over-year basis, operating expense per boe increased by 6% largely as a result of the foreign exchange impact of a weakening Canadian dollar versus the Euro. Overall operating expense increased by 22% year-over-year due to the aforementioned foreign exchange impacts and increased activity associated with higher production.

General and administration

- General and administration expense per boe for the three months and year ended December 31, 2013 increased versus the same periods in 2012 due to additional staffing levels, including staff from our Q4 2012 acquisition as well as additional technical staff to support our growing operational activities in France.

Current income taxes

- The year-over-year increase in current income taxes for the three months and year ended December 31, 2013 as compared to the same periods in 2012 was the result of the increase in fund flows from operations combined with provisions recognized relating to tax assessments from tax authorities for prior period tax positions.

NETHERLANDS BUSINESS UNIT

Overview

- Entered the Netherlands in 2004.
- Second largest onshore gas producer by volume.
- Interests includes 16 licenses in the northeast region, 5 licenses in the central region, and 2 offshore licenses.
- Licenses include more than 780,000 net acres of undeveloped land.
- High impact natural gas drilling and development with royalty-free production.
- Natural gas produced in the Netherlands is priced off the TTF index, which receives a significant premium over North American gas prices.

Operational review

	Three Months Ended			% change		Year Ended		% change
Netherlands business unit	Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	Dec 31, 2013	Dec 31, 2012	2013 vs. 2012
Production								
NGLs (bbls/d)	**62**	48	70	29%	(11%)	**64**	67	(4%)
Natural gas (mmcf/d)	**37.53**	28.78	33.03	30%	14%	**35.42**	34.11	4%
Total (boe/d)	**6,318**	4,845	5,574	30%	13%	**5,967**	5,751	4%
Activity								
Capital expenditures ($M)	**15,698**	8,316	8,118	89%	93%	**28,543**	21,324	34%
Acquisitions ($M)	**27,500**	-	-			**27,500**	-	
Gross wells drilled	**-**	-	-			**-**	2.00	
Net wells drilled	**-**	-	-			**-**	1.40	

Production

- Achieved record annual production with 5,967 boe/d.
- Quarter-over-quarter production growth of 30% and year-over-year production growth of 4%.
- Q4 2013 vs. Q3 2013 increase in production was mainly attributable to completion of the retrofit of the Middenmeer Treatment Centre and the associated volumes processed through the 35 mmcf/d facility.

Activity

- In October 2013, we acquired additional operating interests in nine operated onshore concessions (six in production or development and three exploration) and a non-operated interest in one offshore concession in the Netherlands for approximately $27.5 million.
  - Four of the onshore concessions are located in the northeastern part of the Netherlands, adjacent to or in close proximity to our existing concessions. The remaining onshore licenses provide new opportunities for Vermilion in the central region of the Netherlands.
  - Production from the acquired assets is expected to average approximately 400 boe/d in 2014. The production is comprised of 99% natural gas.
  - The acquisition also added 2.4[(1)] mmboe of proved plus probable reserves and 298,500 net acres of land, of which approximately 98% is currently undeveloped.
- We are currently planning and preparing for a six-well drilling program in the Netherlands in 2014. The drilling program will include our first new well on the lands acquired in October 2013.
- Subsequent to year-end 2013, we were awarded the Ijsselmuiden exploration concession consisting of approximately 110,500 net undeveloped acres, increasing our total position in the country to over 800,000 net undeveloped acres.

(1)Estimated proved plus probable reserves attributable to the assets as evaluated by GLJ in a report dated September 16, 2013, with an effective date of December 31, 2012.

Netherlands business unit ($M except as indicated)	Three Months Ended Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	% change Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	Year Ended Dec 31, 2013	Dec 31, 2012	% change 2013 vs. 2012
Sales	**39,451**	27,382	31,260	44%	26%	**139,570**	123,528	13%
Operating expense	**(6,179)**	(5,209)	(5,713)	19%	8%	**(20,617)**	(19,149)	8%
General and administration	**(1,553)**	(333)	(625)	366%	148%	**(2,724)**	(1,329)	105%
Current income taxes	**(8,267)**	(6,810)	(1,102)	21%	650%	**(34,132)**	(25,648)	33%
Fund flows from operations	**23,452**	15,030	23,820	56%	(2%)	**82,097**	77,402	6%
Netbacks ($/boe)								
Sales	**67.88**	61.44	60.96	10%	11%	**64.08**	58.69	9%
Operating expense	**(10.63)**	(11.69)	(11.14)	(9%)	(5%)	**(9.47)**	(9.10)	4%
General and administration	**(2.67)**	(0.75)	(1.22)	256%	119%	**(1.25)**	(0.63)	98%
Current income taxes	**(14.22)**	(15.28)	(2.15)	(7%)	561%	**(15.67)**	(12.18)	29%
Fund flows from operations netback	**40.36**	33.72	46.45	20%	(13%)	**37.69**	36.78	2%
Reference prices								
TTF ($/GJ)	**10.65**	9.94	9.78	7%	9%	**10.29**	9.51	8%
TTF (€/GJ)	**7.45**	7.20	7.58	3%	(2%)	**7.51**	7.37	2%

Sales

- As of January 1, 2013, the price of our natural gas in the Netherlands is based on the TTF day-ahead index, as determined on the Title Transfer Facility Virtual Trading Point operated by Dutch TSO Gas Transport Services, plus various fees. GasTerra, a state owned entity, continues to purchase all of the natural gas we produce in the Netherlands. Prior to 2013, the natural gas price we received in the Netherlands was calculated using a formula based on the trailing average of Dated Brent and natural gas prices from European trading hubs.
- The increase in sales per boe for the three months and year ended December 31, 2013 versus the comparable periods was due to the strengthening of the Euro against the Canadian dollar, resulting in translation to higher Canadian dollar TTF reference prices.

Royalties and transportation expense

- Our production in the Netherlands is not subject to royalties or transportation expense as gas is sold at the plant gate.

Operating expense

- Operating expense per boe for Q4 2013 was lower than Q3 2013 and Q4 2012 as a result of increased production volumes on largely fixed operating expense.
- Overall operating expense for the three months and year ended December 31, 2013 versus the same periods in 2012 increased primarily as a result of the stronger Euro versus the Canadian dollar.

General and administration

- Fluctuations in general and administration expense per boe for the quarters presented were driven by the timing of expenditures and partner recoveries. The increase for Q4 2013 was primarily driven by the aforementioned acquisition during the quarter.
- On a year-over-year basis, the increase in general and administration expense was primarily the result of increased technical staffing in the Netherlands in support of the development of our inventory of undeveloped acreage in addition to the aforementioned acquisition.

Current income taxes

- Current income taxes in the Netherlands apply to taxable income after eligible deductions at an effective tax rate of approximately 46%.
- Current income taxes per boe increased for the three months and year ended December 31, 2013 as compared to the same periods in 2012 due to a change in deductions for asset retirement obligations and depletion recorded during the 2012 period as compared to 2013.

AUSTRALIA BUSINESS UNIT

Overview

- Entered Australia in 2005.
- Hold title to a 100% working interest in Wandoo field, located approximately 80km northwest of Australia.
- Production is operated from two off-shore platforms, and originates from 21 producing well bores.
- Wells are located 600m below the sea bed with 500 to 3,000 plus meter horizontal lengths.
- Contracted crude oil production is priced with reference to Dated Brent.

Operational review

	Three Months Ended			% change		Year Ended		% change
Australia business unit	Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	Dec 31, 2013	Dec 31, 2012	2013 vs. 2012
Production								
Crude oil (bbls/d)	**6,189**	7,070	5,873	(12%)	5%	**6,481**	6,360	2%
Inventory (mbbls)								
Opening crude oil inventory	**183**	187	117			**268**	222	
Crude oil production	**569**	650	540			**2,366**	2,328	
Crude oil sales	**(622)**	(654)	(389)			**(2,504)**	(2,282)	
Closing crude oil inventory	**130**	183	268			**130**	268	
Activity								
Capital expenditures ($M)	**8,420**	5,880	25,257	43%	(67%)	**77,931**	49,389	58%
Gross wells drilled	**-**	-	-			**2.00**	-	
Net wells drilled	**-**	-	-			**2.00**	-	

Production

- Quarter-over-quarter production decreased by 12% and year-over-year production growth of 2%.
- Q4 2013 production impacted by planned shutdown in October for platform maintenance and due to impacts from Cyclone Christine in late December.
- Production volumes are managed to meet customer demands and long term supply agreements, and we continue to plan to produce between 6,000 and 8,000 bbls/d.
- 2013 production reflects strong well results, more than offsetting natural declines, and we continue to produce the wells at restricted rates below their demonstrated productive capacity.

Activity review

- Drilled two sidetracks off existing wells during the first half of 2013, including the longest horizontal section to date at Wandoo at 3,400 metres.
- In Q4 2013, efforts were focused on facilities repairs and engineering studies.
- In 2014, planned activities include ongoing facilities maintenance, enhancement and refurbishment along with preparation and permitting activities in advance of our planned 2015 drilling program.

Australia business unit ($M except as indicated)	Three Months Ended Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	% change Q4/13 vs. Q3/13	Q4/13 vs. Q4/12	Year Ended Dec 31, 2013	Dec 31, 2012	% change 2013 vs. 2012
Sales	**77,533**	79,229	44,795	(2%)	73%	**298,945**	266,963	12%
Operating expense	**(13,219)**	(13,668)	(9,708)	(3%)	36%	**(51,625)**	(48,968)	5%
General and administration	**(1,442)**	(1,414)	(619)	2%	133%	**(5,752)**	(3,715)	55%
PRRT	**(17,173)**	(15,649)	(1,598)	10%	975%	**(56,565)**	(60,070)	(6%)
Corporate income taxes	**(6,210)**	(7,666)	(6,774)	(19%)	(8%)	**(31,735)**	(31,607)	-
Fund flows from operations	**39,489**	40,832	26,096	(3%)	51%	**153,268**	122,603	25%
Netbacks ($/boe)								
Sales	**124.63**	120.95	115.22	3%	8%	**119.38**	117.03	2%
Operating expense	**(21.25)**	(20.86)	(24.97)	2%	(15%)	**(20.62)**	(21.47)	(4%)
General and administration expense	**(2.32)**	(2.16)	(1.59)	7%	46%	**(2.30)**	(1.63)	41%
PRRT	**(27.60)**	(23.89)	(4.11)	16%	572%	**(22.59)**	(26.33)	(14%)
Corporate income taxes	**(9.98)**	(11.70)	(17.42)	(15%)	(43%)	**(12.67)**	(13.86)	(9%)
Fund flows from operations netback	**63.48**	62.34	67.13	2%	(5%)	**61.20**	53.74	14%
Reference prices								
Dated Brent (US $/bbl)	**109.27**	110.37	110.02	(1%)	(1%)	**108.66**	111.58	(3%)

Sales

- Our production in Australia currently receives a premium to Dated Brent. This premium, coupled with the weakening of the Canadian dollar versus the US dollar, resulted in an increase in sales per boe despite slight declines in Dated Brent.

Royalties and transportation expense

- Our production in Australia is not subject to royalties or transportation expense as crude oil is sold directly from the Wandoo B platform.

Operating expense

- Operating expense per boe for the three months and year ended December 31, 2013 was relatively consistent with the three months ended September 30, 2013 and the year ended December 31, 2012.
- The year-over-year decrease in operating expense per boe was primarily the result of an increase in produced volumes resulting in lower fixed operating expense per bbl.

General and administration

- The increase in general and administration expense for the three months and year ended December 31, 2013 as compared to the same periods in 2012 was primarily the result of increased staffing expenditures to support operational requirements.

PRRT and corporate income taxes

- In Australia, current income taxes include both PRRT and corporate income taxes. PRRT is a profit based tax applied at a rate of 40% on sales less eligible expenditures, including operating expenses and capital expenditures. Corporate income taxes are applied at a rate of approximately 30% on taxable income after eligible deductions, which include PRRT.
- PRRT for Q4 2013 was significantly higher than Q4 2012 as the 2012 period included higher capital expenditures, which related to preparation for the 2013 Australian drilling campaign. The expenditures relating to the drilling campaign, which were primarily incurred during Q1 2013, resulted in a decrease in PRRT for the year ended December 31, 2013 as compared to the same period in 2012.

IRELAND BUSINESS UNIT

Overview

- 18.5% non-operating interest in the offshore Corrib gas field located approximately 83km off the northwest coast of Ireland.
- Project comprises six offshore wells, both offshore and onshore pipeline segments as well as a natural gas processing facility.
- Acquired interest on July 30, 2009 for cash consideration of $136.8 million. Pursuant to the terms of the acquisition agreement, Vermilion made an additional payment to the vendor of $134.3 million (US$135 million) at the end of 2012.
- Production from Corrib is expected to increase Vermilion's volumes by approximately 58 mmcf/d (9,700 boe/d) once the field reaches peak production.
- The Corrib field is expected to constitute 95% of Ireland's natural gas production and approximately 60% to 65% of Ireland's domestic gas consumption.

Operational and financial review

	Three Months Ended			% change		Year Ended		% change
Ireland business unit ($M)	**Dec 31, 2013**	**Sept 30, 2013**	**Dec 31, 2012**	**Q4/13 vs. Q3/13**	**Q4/13 vs. Q4/12**	**Dec 31, 2013**	**Dec 31, 2012**	**2013 vs. 2012**
Transportation expense	**(357)**	(564)	(1,682)	(37%)	(79%)	**(4,165)**	(7,556)	(45%)
General and administration	**(482)**	(313)	(341)	54%	41%	**(1,442)**	(1,346)	7%
Fund flows from operations	**(839)**	(877)	(2,023)	(4%)	(59%)	**(5,607)**	(8,902)	(37%)
Activity								
Capital expenditures	**14,472**	35,028	18,093	(59%)	(20%)	**90,898**	58,764	55%

Activity review

- Various onshore and offshore activities have progressed over 2013, including umbilical lays to the offshore wells, onshore pipelining in segments that are not within the tunnel, construction of the tunnel boring machine reception site and gas plant pre-commissioning, in addition to the tunneling process.
- To date, the land-based onshore pipeline is complete (approximately 5km), and there is approximately 1.4km of the 4.9km tunnel beneath Sruwaddacon Bay remaining to be tunneled.
- Tunneling operations were re-started on November 3, 2013 after being suspended following an industrial accident, which resulted in a fatality at the project worksite on September 8, 2013.
- Onshore pipelining, offshore umbilical lays, seismic processing and workover activities for our Corrib project were not impacted by the suspension.
- Based on an early review of our deterministic schedule for remaining construction and commissioning activities, we revised our expectations for timing of first gas to approximately mid-2015 from earlier expectations for start-up at the end of 2014 or early 2015.
- Following successful subsea well operations conducted on one of the production wells during the third quarter of 2013, we increased our peak production estimate at Corrib from 54 mmcf/d (9,000 boe/d) to approximately 58 mmcf/d (approximately 9,700 boe/d) net to Vermilion.

Transportation expense

- Transportation expense in Ireland relates to payments under a ship or pay agreement related to the Corrib project. Required payments under this agreement were lower year-over-year.

CORPORATE

Overview

- Our Corporate segment includes costs related to our global hedging program, financing expenses, and general and administration expenses, primarily incurred in Canada and not directly related to the operations of our business units.

Financial review

	Three Months Ended			Year Ended	
($M)	Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
General and administration	**(2,919)**	(2,334)	(759)	**(7,356)**	(10,030)
Current income taxes	**(564)**	(260)	(259)	**(1,403)**	(1,582)
Interest expense	**(10,049)**	(10,109)	(7,656)	**(38,183)**	(27,586)
Realized loss on derivatives	**(1,300)**	(4,765)	(1,559)	**(7,082)**	(12,737)
Realized foreign exchange (loss) gain	**(1,294)**	(1,227)	2,459	**(1,866)**	2,804
Realized other income (expense)	**224**	221	246	**994**	(7,531)
Fund flows from operations	**(15,902)**	(18,474)	(7,528)	**(54,896)**	(56,662)

General and administration

- On a year-over-year basis, general and administration expense incurred in the Corporate segment was lower as a result of an increase in the staff involved in the operational activity of our business units.

Current income taxes

- Taxes in our corporate segment relates to holding companies that pay current taxes in foreign jurisdictions.

Interest expense

- Interest expense is incurred on our senior unsecured notes and on borrowings under our revolving credit facility. The increase in the 2013 periods versus the 2012 periods is due to increased borrowings under our revolving credit facility.

Hedging

- The nature of our operations results in exposure to fluctuations in commodity prices, interest rates and foreign currency exchange rates. We monitor and, when appropriate, use derivative financial instruments to manage our exposure to these fluctuations. All transactions of this nature entered into are related to an underlying financial position or to future crude oil and natural gas production. We do not use derivative financial instruments for speculative purposes. We have elected not to designate any of our derivative financial instruments as accounting hedges and thus account for changes in fair value in net earnings at each reporting period. We have not obtained collateral or other security to support our financial derivatives as we review the creditworthiness of our counterparties prior to entering into derivative contracts.
- Our hedging philosophy is to hedge solely for the purposes of risk mitigation. Our approach is to hedge centrally to manage our global risk (typically with an outlook of 12 to 18 months) with a goal of securing pricing for up to 50% of net of royalty volumes through a portfolio of forward collars, swaps, and physical fixed price arrangements.
- We believe that our hedging philosophy and approach increases the stability of revenues, cash flows and future dividends while also assisting us in the execution of our capital and development plans.
- The realized loss in the fourth quarter and full year 2013 relate primarily to payments on our crude oil derivatives. In the current quarter, these payments were offset partially by realized gains on our natural gas derivative instruments while over the full year, these payments were further offset by realized gains on our crude oil derivatives during Q2 2013.
- A listing of derivative positions as at December 31, 2013 is included in “Supplemental Table 2”.

Other income

- In 2012, other expense included $8.5 million of expense relating to transfer taxes resulting from our acquisition of certain working interests in the Paris and Aquitaine Basins in France.

FINANCIAL PERFORMANCE REVIEW

	Year Ended		
($M except per share)	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2011**
Total assets	**3,708,719**	3,076,257	2,735,187
Long-term debt	**990,024**	642,022	373,436
Petroleum and natural gas sales	**1,273,835**	1,083,103	1,031,570
Net earnings	**327,641**	190,622	142,821
Net earnings per share			
Basic	**3.24**	1.94	1.57
Diluted	**3.20**	1.92	1.55
Cash dividends ($/share)	**2.40**	2.28	2.28

	Three Months Ended							
($M except per share)	**Dec 31, 2013**	**Sept 30, 2013**	**Jun 30, 2013**	**Mar 31, 2013**	**Dec 31, 2012**	**Sept 30, 2012**	**Jun 30, 2012**	**Mar 31, 2012**
Petroleum and natural gas sales	**325,108**	327,185	311,966	309,576	241,233	284,838	246,544	310,488
Net earnings	**101,510**	67,796	106,198	52,137	56,914	30,798	37,816	65,094
Net earnings per share								
Basic	**1.00**	0.67	1.05	0.53	0.58	0.31	0.39	0.67
Diluted	**0.98**	0.66	1.04	0.51	0.57	0.31	0.38	0.66

The following table shows a reconciliation of the change in net earnings:

($M)	**Q4/13 vs. Q3/13**	**Q4/13 vs. Q4/12**	**2013 vs. 2012**
Net earnings - Comparative period	67,796	56,914	190,622
Changes in:			
Fund flows from operations	(1,985)	21,923	109,798
Equity based compensation	(8,427)	(2,722)	(13,741)
Unrealized gain or loss on derivative instruments	4,971	(3,524)	(640)
Unrealized foreign exchange gain or loss	18,058	8,417	56,378
Unrealized other income	(146)	284	(231)
Accretion	(313)	(408)	(1,525)
Depletion and depreciation	(4,868)	(17,052)	(26,443)
Deferred tax	(20,976)	(9,722)	(54,468)
Gain on acquisition	-	-	(45,309)
Impairment (recovery)	47,400	47,400	113,200
Net earnings - Current Period	**101,510**	**101,510**	**327,641**

The fluctuations in net earnings from quarter-to-quarter and from year-to-year are caused by changes in both cash and non-cash charges. Cash charges are reflected in fund flows from operations and include: sales, royalties, operating expenses, transportation, general and administration expense, current tax expense, interest expense, realized gains and losses on derivative instruments, and realized foreign exchange gains and losses. Non-cash charges include: equity based compensation expense, unrealized gains and losses on derivative instruments, unrealized foreign exchange gains and losses, accretion, depletion and depreciation expense, and deferred taxes. In addition, non-cash charges may also include non-recurring charges resulting from acquisitions or charges resulting from impairment or impairment recoveries.

Equity based compensation expense
Equity based compensation expense relates to non-cash compensation expense attributable to long-term incentives granted to directors, officers and employees under the Vermilion Incentive Plan ("VIP"). The expense is recognized over the vesting period based on the grant date fair value of awards, adjusted for the ultimate number of awards that actually vest as determined by the Company's achievement of performance conditions.

Fluctuations in equity based compensation expense primarily result from revisions in the future performance conditions related to the VIP estimated forfeiture rates, and the overall number of VIP outstanding. In general, future performance conditions and estimated forfeiture rates are revised during the fourth quarter as information becomes more readily available relating to the Company's performance during the fiscal year.

Equity based compensation expense increased in 2013 as compared to 2012 as a result of the revision of future performance condition assumptions in both Q4 2012 and Q4 2013. Equity based compensation expense was higher for Q3 2013 as compared to Q4 2013 as the revision of performance condition assumptions was partially offset by an increase in the estimated forfeiture rate, from 5.37% to 6.61%.

Unrealized gain or loss on derivative instruments
Unrealized gain or loss on derivative instruments arise as a result of changes in forecasted future commodity prices. As Vermilion uses derivative instruments to manage the commodity price exposure of our future crude oil and natural gas production, we will normally recognize unrealized gains on derivative instruments when forecasted future commodity prices decline and vise-versa.

In the three months and year ended December 31, 2013, Vermilion recognized an unrealized gain on derivative instruments of $1.3 million and $5.1 million, respectively. These unrealized gains on derivative instruments were primarily the result of the reversal of unrealized losses on contracts settled during the respective periods. As at December 31, 2013, Vermilion had a net current derivative liability position of $1.3 million relating primarily to crude oil derivative instruments for the first half of 2014.

Unrealized foreign exchange gain or loss
As a result of Vermilion's international operations, Vermilion conducts business in currencies other than the Canadian dollar and has monetary assets and liabilities (including cash, receivables, payables, derivative assets and liabilities, and intercompany loans) denominated in such currencies. Vermilion's exposure to foreign currencies includes the U.S. Dollar, the Euro and the Australian Dollar.

Unrealized foreign exchange gains and losses are the result of translating monetary assets and liabilities held in non-functional currencies to the respective functional currencies of Vermilion and its subsidiaries. Unrealized foreign exchange primarily results from the translation of Euro denominated financial assets. As such, an appreciation in the Euro against the Canadian dollar will result in an unrealized foreign exchange gain, and vice versa.

During the three months and year ended December 31, 2013, the Euro strengthened significantly versus the Canadian dollar resulting in unrealized foreign exchange gains of $22.3 million and $52.0 million, respectively.

Accretion
Fluctuations in accretion expense are primarily the result of changes in the balance of asset retirement obligations. The increase in accretion expense for 2013 as compared to 2012 was primarily the result of accretion on new wells drilled during 2013 and on wells acquired in an acquisition in France late in 2012.

Depletion and depreciation
Fluctuations in depletion and depreciation expense are primarily the result of changes in produced crude oil and natural gas volumes. For the three months and year ended December 31, 2013, production as compared to the same periods in 2012 increased by 13% and 8%, respectively, resulting in higher depletion and depreciation expense of 26% and 9%, respectively.

Deferred tax
Deferred tax expense arises primarily as a result of changes in the accounting basis and tax basis for capital assets and asset retirement obligations and fluctuations in tax losses. The year-over-year increase in deferred tax expense resulted primarily from an increase in the temporary differences relating to asset retirement obligations. For accounting purposes, asset retirement obligations decreased due to a change in discount and inflation rates while there was no corresponding decrease in the tax basis.

Impairment (recovery)
During Q1 2012, we recorded impairment losses of $65.8 million pertaining to our conventional deep gas and shallow coal bed methane natural gas plays in Canada. These impairment charges were the result of significant declines in the forward pricing assumptions for natural gas in Canada.

In 2013, we recognized a recovery of a portion of the impairment charges previously recorded. The impairment recovery resulted from increased proved and probable reserves of natural gas and natural gas liquids, due primarily to the successful application of horizontal drilling and multi-stage fracturing technology to the previously impaired cash generating unit.

Gain on acquisition
During the 2012 period, we recognized a gain on acquisition of $45.3 million and other expense of $8.5 million relating to transfer taxes resulting from our acquisition of certain working interests in the Paris and Aquitaine Basins in France. The gain on acquisition arose as a result of the increase in the fair value of the acquired petroleum and natural gas reserves from the time when the acquisition was negotiated to the acquisition date. The increase resulted from a change in the underlying commodity price forecasts used to determine the fair value of the acquired reserves.

TAXES

Corporate income tax rates
Vermilion pays corporate income taxes in France, the Netherlands, and Australia. In addition, Vermilion pays PRRT in Australia. PRRT is a profit based tax applied at a rate of 40% on sales less operating expenses, capital expenditures, and other eligible expenditures. PRRT is deductible in the calculation of taxable income in Australia.

Taxable income was subject to corporate income tax at the following rates:

Jurisdiction	2013	2012
Canada	25.0%	25.0%
France	38.0%	36.1%
Netherlands	46.0%	46.0%
Australia	30.0%	30.0%
Ireland	25.0%	25.0%

France tax legislation
In December 2013, the France government enacted corporate tax legislation that will lead to increases in current tax for companies operating in France, including a temporary surtax of 10.7% (with the surtax levied as a percent of base corporate income tax payable). The new surtax rate is applicable for companies which have annual revenue in excess of €250 million and effectively increases the statutory rate applicable to our French operations to 38.0%, with retrospective application to January 1, 2013. The surtax is only applicable to tax years ending up to December 30, 2015 and as a result our French operations tax rate will decrease to 34.4% for the tax year 2015.

In addition, the legislation adds a new test to the existing rules governing interest deductions for related party financing. Under the legislation, interest deductions would be allowed only if the French borrower demonstrates that the lender is subject to corporate tax on interest income that equals 25% or more of the corporate tax that would otherwise be due under French tax rules. This legislation, among other changes, may reduce the effectiveness of our existing international corporate financing structures and could result in a reduction of certain eligible deductions in our French operating companies.

Tax assessments
As at December 31, 2013, Income Taxes Payable includes a provision relating to tax assessments from tax authorities for prior period tax positions. We have determined the provision based on our best estimate of the amount required to settle the tax assessments and we have classified the provision as a current liability. The amounts ultimately paid and the timing of settlement could differ from our best estimate and, therefore, could have an impact on future net earnings and cash flows.

Tax pools
As at December 31, 2013, we had the following tax pools:

($M)	Oil & Gas Assets	Tax Losses [4]	Other	Total
Canada	856,023 [1]	385,105	8,110	1,249,238
France	388,549 [2]	12,144	-	400,693
Netherlands	61,868 [3]	-	-	61,868
Australia	217,069 [1]	-	-	217,069
Ireland	844,761 [4]	272,201	-	1,116,962
Total	2,368,270	669,450	8,110	3,045,830

[1] Deduction calculated using various declining balance rates
[2] Deduction calculated using a combination of straight-line over the assets life and unit of production method
[3] Deduction calculated using a unit of production method
[4] Development expenditures and losses are deductible at 100% against taxable income

FINANCIAL POSITION REVIEW

Balance sheet strategy
We believe that our balance sheet supports our defined growth initiatives and our focus is on managing and maintaining a conservative balance sheet. To ensure that our balance sheet continues to support our defined growth initiatives, we regularly review whether forecasted fund flows from operations is sufficient to finance planned capital expenditures, dividends, and abandonment and reclamation expenditures. To the extent that forecasted fund flows from operations is not expected to be sufficient to fulfill such expenditures, we will evaluate our ability to finance any excess with debt (including borrowing using the unutilized capacity of our existing revolving credit facility) or issue equity.

To ensure that we maintain a conservative balance sheet, we monitor the ratio of net debt to fund flows from operations and typically strive to maintain a ratio of near 1.0. In a commodity price environment where prices trend higher, we may target a lower ratio and conversely, in a lower commodity price environment, the acceptable ratio may be higher. At times, we will use our balance sheet to finance acquisitions and, in these situations, we are prepared to accept a higher ratio in the short term but will implement a strategy to reduce the ratio to acceptable levels within a reasonable period of time, usually considered to be no more than 12 to 24 months. This plan could potentially include an increase in hedging activities, a reduction in capital expenditures, an issuance of equity or the utilization of excess fund flows from operations to reduce outstanding indebtedness.

Long-term debt
Our long-term debt consists of our revolving credit facility and our senior unsecured notes. The applicable annual interest rates and the balances recognized on our balance sheet are as follows:

	Annual Interest Rate		As At	
($M)	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Revolving credit facility	**3.3%**	3.3%	**766,898**	419,784
Senior unsecured notes	**6.5%**	6.5%	**223,126**	222,238
Long-term debt	**4.2%**	4.7%	**990,024**	642,022

Revolving Credit Facility

Our revolving credit facility bears interest at rates applicable to demand loans plus applicable margins. The following table outlines the terms of our revolving credit facility:

	As At	
	Dec 31, 2013	Dec 31, 2012
Total facility amount	$1.20 billion	$0.95 billion
Amount drawn	$766.9 million	$419.8 million
Letters of credit outstanding	$8.1 million	$49.2 million
Facility maturity date	31-May-16	31-May-15

In addition, the revolving credit facility is subject to the following covenants:

		Year Ended	
Financial covenant	Limit	Dec 31, 2013	Dec 31, 2012
Consolidated total debt to consolidated EBITDA	4.0	1.06	0.83
Consolidated total senior debt to consolidated EBITDA	3.0	0.82	0.54

Our covenants include financial measures defined within our revolving credit facility agreement that are not defined under GAAP. These financial measures are defined by our revolving credit facility agreement as follows:

- Consolidated total debt: Includes all amounts classified as “Long-term debt” on our 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.

Vermilion was in compliance with its financial covenants for all periods presented.

Senior Unsecured Notes

We have outstanding senior unsecured notes that are senior unsecured obligations and rank pari passu with all our other present and future unsecured and unsubordinated indebtedness. The following table outlines the terms of these notes:

Total issued amount	$225.0 million
Interest	6.5% per annum
Issued date	February 10, 2011
Maturity date	February 10, 2016

We may redeem all or part of the notes at fixed redemption prices plus in each case, accrued and unpaid interest, if any, to the applicable redemption date. The notes were initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using an effective interest rate of 7.1%.

Net debt

Net debt is reconciled to its most directly comparable GAAP measure, long-term debt, as follows:

	As At	
($M)	Dec 31, 2013	Dec 31, 2012
Long-term debt	**990,024**	642,022
Current liabilities	**347,444**	355,711
Current assets	**(587,783)**	(320,502)
Net debt	**749,685**	677,231
Ratio of net debt to fund flows from operations	**1.1**	1.2

Long-term debt as at December 31, 2013 increased to $990.0 million from $642.0 million as at December 31, 2012 as a result of increased borrowings on the revolving credit facility. Additional borrowings were used to fund current year development capital expenditures in Ireland and also reflect borrowings in anticipation of the closing of our acquisition in Germany. In Ireland, development activities related to tunneling, onshore pipelining, offshore umbilical-laying and offshore seismic acquisition activities.

As our acquisition in Germany did not close prior to year-end, borrowings on our revolving credit facility during the fourth quarter of 2013 were largely held as cash and cash equivalents, which increased $287.4 million to $389.6 million as at December 31, 2013. As a result, the increase to net debt was limited to $72.5 million as compared to the $348.0 million increase in long-term debt.

Overall, we continue to maintain a strong financial position, with a net debt to fund flows from operations of 1.1.

Shareholders' capital

During the year ended December 31, 2013, we maintained monthly dividends at $0.20 per share and declared dividends totalled $242.6 million. In November of 2013, we announced a 7.5% increase in the monthly dividend to $0.215 per common share per month (effective for the January 2014 dividend and paid on February 17, 2014). This dividend increase is our second consecutive annual increase.

The following table outlines our dividend payment history:

Date	Monthly dividend per unit or share
January 2003 to December 2007	$0.17
January 2008 to December 2012	$0.19
January 2013 to December 31, 2013	$0.20
Beginning January 2014	$0.215

As at December 31, 2013, there were 1.7 million VIP awards outstanding. As at February 27, 2014, there were 102.3 million shares outstanding.

Our policy with respect to dividends is to be conservative and maintain a low ratio of dividends to fund flows from operations. During low price commodity cycles, we will initially maintain dividends and allow the ratio to rise. Should low commodity price cycles remain for an extended period of time, we will evaluate the necessity of changing the level of dividends, taking into consideration capital development requirements, debt levels and acquisition opportunities.

Over the next two years, we anticipate that Corrib, Cardium and other exploration and development activities will require significant capital investment. Although we currently expect to be able to maintain our current dividend, fund flows from operations may not be sufficient during this period to fund cash dividends, capital expenditures and asset retirement obligations. We will evaluate our ability to finance any shortfalls with debt, issuances of equity or by reducing some or all categories of expenditures to ensure that total expenditures do not exceed available funds.

The following table reconciles the change in shareholders' capital:

	Number of Shares ('000s)	Amount ($M)
Balance as at December 31, 2012	99,135	1,481,345
Issuance of shares pursuant to the dividend reinvestment plan	1,402	72,291
Vesting of equity based awards	1,372	54,370
Share-settled dividends on vested equity based awards	202	9,808
Shares issued pursuant to the bonus plan	12	629
Balance as at December 31, 2013	102,123	1,618,443

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2013, we had the following contractual obligations and commitments:

($M)	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
Long-term debt	13,406	1,008,148	-	-	1,021,554
Operating lease obligations	12,881	19,189	15,565	26,466	74,101
Ship or pay agreement relating to the Corrib project	6,157	10,300	8,354	35,745	60,556
Purchase obligations	25,775	18,456	15	-	44,246
Drilling and service agreements	13,648	16,152	-	-	29,800
Total contractual obligations and commitments	71,867	1,072,245	23,934	62,211	1,230,257

ASSET RETIREMENT OBLIGATIONS

As at December 31, 2013, asset retirement obligations were $326.2 million compared to $371.1 million as at December 31, 2012.

The increase in asset retirement obligations is largely attributable to an overall decrease in the inflation rates applied to the abandonment obligations.

RISKS AND UNCERTAINTIES

Crude oil and natural gas exploration, production, acquisition and marketing operations involve a number of risks and uncertainties including financial risks and uncertainties. These include fluctuations in commodity prices, exchange rates and interest rates as well as uncertainties associated with reserve and resource volumes, sales volumes and government regulatory and income tax regime changes. These and other related risks and uncertainties are discussed in additional detail below.

Commodity prices
Our operational results and financial condition is dependent on the prices received for crude oil and natural gas production. Crude oil and natural gas prices have fluctuated significantly during recent years and are determined by supply and demand factors, including weather and general economic conditions as well as conditions in other crude oil and natural gas producing regions.

Exchange rates
Much of our revenue stream is priced in U.S. dollars and as such an increase in the strength of the Canadian dollar relative to the U.S. dollar may result in the receipt of fewer Canadian dollars with respect to our production. In addition, we incur expenses and capital costs in U.S. dollars, Euros and Australian dollars and accordingly, the Canadian dollar equivalent of these expenditures as reported in our financial results is impacted by the prevailing foreign currency exchange rates at the time the transaction occurs. We monitor risks associated with exchange rates and, when appropriate, uses derivative financial instruments to manage our exposure to these risks.

Production and sales volumes
The operation of crude oil and natural gas wells and facilities involves a number of operating and natural hazards which may result in blowouts, environmental damage and other unexpected or dangerous conditions resulting in damage to us and possible liability to third parties. We maintain liability insurance, where available, in amounts consistent with industry standards. Business interruption insurance may also be purchased for selected operations, to the extent that such insurance is commercially viable. We may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Costs incurred to repair such damage or pay such liabilities may materially impact our financial results.
Continuing production from a property, and to some extent the marketing of produced volumes, is largely dependent upon the ability of the operator of the property. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. Although satisfactory title reviews are generally conducted in accordance with industry standards, such reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat our claim to certain properties. Such circumstances could negatively affect our financial results.

An increase in operating costs or a decline in our production level could have an adverse effect on our financial results. The level of production may decline at rates greater than anticipated due to unforeseen circumstances, many of which are beyond our control. A significant decline in production could result in materially lower revenues.

Interest rates
An increase in interest rates could result in a significant increase in the amount we pay to service debt.

Reserve volumes
Our reserve volumes and related reserve values support the carrying value of our crude oil and natural gas assets on the consolidated balance sheets and provide the basis to calculate the depletion of those assets. There are numerous uncertainties inherent in estimating quantities of reserves and future net revenues to be derived therefrom, including many factors beyond our control. These include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of crude oil, NGLs and natural gas, operating expenses, well abandonment and salvage values, royalties and any government levies that may be imposed over the producing life of the reserves. These assumptions were based on estimated prices in use at the date the evaluation was prepared, and many of these assumptions are subject to change and are beyond our control. Actual production and income derived therefrom will vary from these evaluations, and such variations could be material.

Asset retirement obligations
Our asset retirement obligations are based on environmental regulations and estimates of future costs and the timing of expenditures. Changes in environmental regulations, the estimated costs associated with reclamation activities and the related timing may impact our financial position and results of operations.

Government regulation and income tax regime
Our operations are governed by many levels of government, including municipal, state, provincial and federal governments, in Canada, France, the Netherlands, Australia and Ireland. We are subject to laws and regulations regarding environment, health and safety issues, lease interests, taxes and royalties, among others. Failure to comply with the applicable laws can result in significant increases in costs, penalties and even losses of operating licences. The regulatory process involved in each of the countries in which we operate is not uniform and regulatory regimes vary as to complexity, timeliness of access to, and response from, regulatory bodies and other matters specific to each jurisdiction. If regulatory approvals or permits are delayed or not obtained, there can also be delays or abandonment of projects and decreases in production and increases in costs, potentially resulting in us being unable to fully execute our strategy. Governments may also amend or create new legislation and regulatory bodies may also amend regulations or impose additional requirements which could result in increased capital, operating and compliance costs.

There can be no assurance that income tax laws and government incentive programs relating to the crude oil and natural gas industry in Canada and the foreign jurisdictions in which we operate, will not be changed in a manner which adversely affects the results of our operations.

A change in the royalty regime resulting in an increase in royalties would reduce our net earnings and could make future capital expenditures or our operations uneconomic and could, in the event of a material increase in royalties, make it more difficult to service and repay outstanding debt. Any material increase in royalties would also significantly reduce the value of the associated assets.

FINANCIAL RISK MANAGEMENT

To mitigate the aforementioned risks whenever possible, we seek to hire personnel with experience in specific areas. In addition, we provide continued training and development to staff to further develop their skills. When appropriate, we use third party consultants with relevant experience to augment our internal capabilities with respect to certain risks.

We consider our commodity price risk management program as a form of insurance that protects our cash flow and rate of return. The primary objective of the risk management program is to support our dividends and our internal capital development program. The level of commodity price risk management that occurs is highly dependent on the amount of debt that is carried. When debt levels are higher, we will be more active in protecting our cash flow stream through our commodity price risk management strategy.

When executing our commodity price risk management programs, we use derivative financial instruments encompassing over-the-counter financial structures as well as fixed/collar structures to economically hedge a part of our physical crude oil and natural gas production. We have strict controls and guidelines in relation to these activities and contract principally with counterparties that have investment grade credit ratings.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of any possible contingencies. These estimates and assumptions are developed based on the best available information which management believed to be reasonable at the time such estimates and assumptions were made. As such, these assumptions are uncertain at the time estimates are made and could change, resulting in a material impact on our consolidated financial statements or financial performance. Estimates are reviewed by management on an ongoing basis, and as a result, certain estimates may change from period to period due to the availability of new information. Additionally, as a result of the unique circumstances of each jurisdiction in which we operate, the critical accounting estimates may affect one or more jurisdictions.

The following discussion outlines what management believes to be the most critical accounting policies involving the use of estimates and assumptions.

Depletion and depreciation

We classify our assets into depletion units, which are groups of assets or properties that are within a specific production area and have similar economic lives. The depletion units represent the lowest level of disaggregation for which we accumulate costs for the purposes of calculating and recording depletion and depreciation.

The net carrying value of each depletion unit is depleted using the unit of production method by reference to the ratio of production in the period to the total proven and probable reserves, taking into account the future development costs necessary to bring the applicable reserves into production. As a result, depletion and depreciation charges are based on estimates of total proven and probable reserves that we expect to recover in the future. The reserve estimates are reviewed annually by management or when material changes occur to the underlying assumptions.

Asset retirement obligations

Our estimate of asset retirement obligations are based on past experience and current economic factors which management believes are reasonable. The estimates include assumptions of environmental regulations, legal requirements, technological advances, inflation and the timing of expenditures, all of which impact our measurement of the present value of the obligations. Due to these estimates, the actual cost of the obligation may change from period to period due to new information being available. Several or all of these estimates are subject to change and such changes could have a material impact on our financial position and net earnings.

Assessment of impairments

Impairment tests are performed at the level of the cash generating unit (“CGU”), which are determined based on management’s judgment of the lowest level at which there are identifiable cash inflows which are largely independent of the cash inflows of other groups of assets or properties. The factors used to determine CGUs vary by country due to the unique operating and geographic circumstances in each jurisdiction. However, in general, we will assess the following factors in determining whether a group of assets generate largely independent cash inflows: geographic proximity of the assets within a group to one another, geographic proximity of the group of assets to other groups of assets, homogeneity of the production from the group of assets and the sharing of infrastructure used to process or transport production.

The calculation of the recoverable amount of CGUs is based on market factors as well as estimates of reserves and future costs required to develop reserves. Our reserves estimates and the related future cash flows are subject to measurement uncertainty, and the impact on the consolidated financial statements in future periods could be material. Considerable judgment is used in determining the recoverable amount of petroleum and natural gas assets, including determining the quantity of reserves, the time horizon to develop and produce such reserves and the estimated revenues and expenditures from such production.

Taxes
Tax interpretations, regulations and legislation in the various jurisdictions in which we operate are subject to change. Such changes can affect the timing of the reversal of temporary tax differences, the tax rates in effect when such differences reverse and our ability to use tax losses and other credits in the future. The determination of deferred tax amounts recognized in the consolidated financial statements was based on management's assessment of the tax positions, including consideration of their technical merits and communications with tax authorities. The effect of a change in income tax rates or legislation on tax assets and liabilities is recognized in net earnings in the period in which the change is enacted.

OFF BALANCE SHEET ARRANGEMENTS

We have certain lease agreements that are entered into in the normal course of operations, all of which are operating leases and accordingly no asset or liability value has been assigned to the consolidated balance sheet as at December 31, 2013.

We have not entered into any guarantee or off balance sheet arrangements that would materially impact our financial position or results of operations.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The impact of the adoption of the following pronouncements are currently being evaluated, but are not expected to have a material impact on Vermilion's consolidated financial statements:

IFRIC 21 "Levies"
On May 20, 2013, IASB issued guidance on IFRIC 21, which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that a liability for a levy is recognized only when the triggering event specified in the legislation occurs. The interpretation is effective for annual periods beginning on or after January 1, 2014.

IAS 36 "Impairment of Assets"
On May 29, 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. This amendment is effective for annual periods beginning on or after January 1, 2014.

IFRS 9 "Financial Instruments"
The IASB has undertaken a three-phase project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. In February of 2014, the IASB confirmed that the mandatory effective date of IFRS 9 shall be January 1, 2018.

HEALTH, SAFETY AND ENVIRONMENT

We are committed to ensuring we conduct our activities in a manner that will protect the health and safety of our employees, contractors and the public. Our health, safety and environment vision is to fully integrate health, safety and environment into our business, where our culture is recognized as a model by industry and stakeholders, resulting in a workplace free of incidents. Our mantra is HSE: Everywhere. Everyday. Everyone.

We maintain health, safety and environmental practices and procedures that comply or exceed regulatory requirements and industry standards. It is a condition of employment that our personnel work safely and in accordance with established regulations and procedures.

In 2013, we remained committed to the principles of the Responsible Canadian Energy™ program set out by the Canadian Association of Petroleum Producers. Responsible Canadian Energy™ is an association-wide performance reporting program to demonstrate progress in environmental, health, safety, and social performance.

We continued our commitment to reduce impacts to land, water and air, as policies and procedures demonstrating leadership in these areas, were maintained and further developed in 2013. Examples of our accomplishments during the year included:

- Receiving a National Ecology award in France for our tomato greenhouse partnership;
- Clear priorities around 5 key focus areas of HSE Culture, Communication and Knowledge Management, Technical Safety Management, Incident Prevention and Operational Stewardship & Sustainability;
- Completed a detailed, corporate wide HSE perception survey to ensure organizational engagement, define areas of strength and identify areas to focus on;
- Reducing long-term environmental liabilities through decommissioning, abandoning and reclaiming well leases and facilities;
- Continuous auditing and management inspections;
- Development, communication and measurement against leading and lagging HSE key performance indicators;
- Further enhancement of our competency and training programs;
- Managing our waste products by reducing, recycling and recovering; and
- Continuing risk management efforts in addition to detailed emergency-response planning.

We are a member of several organizations concerned with environment, health and safety, including numerous regional co-operatives and synergy groups. In the area of stakeholder relations, we work to build long-term relationships with environmental stakeholders and communities.

CORPORATE GOVERNANCE

We are committed to a high standard of corporate governance practices, a dedication that begins at the Board level and extends throughout the Company. We believe good corporate governance is in the best interest of our shareholders, and that successful companies are those that deliver growth and a competitive return along with a commitment to the environment, to the communities where they operate and to their employees.

We comply with the objectives and guidelines relating to corporate governance adopted by the Canadian Securities Administrators and the Toronto Stock Exchange. In addition, the Board monitors and considers the implementation of corporate governance standards proposed by various regulatory and non-regulatory authorities in Canada. A discussion of corporate governance policies will be provided in our Management Proxy Circular, which will be filed on SEDAR (www.sedar.com) and mailed to all shareholders on April 8, 2014.

A summary of the significant differences between the governance practices of the Company and those required of U.S. domestic companies under the New York Stock Exchange listing standards can be found in the Governance section of the Company's website at *http://www.vermilionenergy.com/about/governance.cfm*.

DISCLOSURE CONTROLS AND PROCEDURES

Our officers have established and maintained disclosure controls and procedures and evaluated the effectiveness of these controls in conjunction with our filings.

As of December 31, 2013, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded and certified that our disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

A company's internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

The Chief Executive Officer and the Chief Financial Officer of Vermilion have assessed the effectiveness of Vermilion's internal control over financial reporting as defined in Rule 13a-15 under the US Securities Exchange Act of 1934 and as defined in Canada by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. The Chief Executive Officer and the Chief Financial Officer of Vermilion have concluded that Vermilion's internal control over financial reporting was effective as of December 31, 2013. The effectiveness of Vermilion's internal control over financial reporting as of December 31, 2013 has been audited by Deloitte LLP, as reflected in their report included in the 2013 audited annual financial statements filed with the US Securities and Exchange Commission. No changes were made to Vermilion's internal control over financial reporting during the year ending December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

Supplemental Table 1: Netbacks

The following table includes financial statement information on a per unit basis by business unit. Natural gas sales volumes have been converted on a basis of six thousand cubic feet of natural gas to one barrel of oil equivalent.

	Three Months Ended Dec 31, 2013			Year Ended Dec 31, 2013			Three Months Ended Dec 31, 2012	Year Ended Dec 31, 2012
	Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Total $/boe	Total $/boe
Canada								
Sales	86.87	3.70	**61.10**	89.78	3.40	**61.14**	58.80	54.89
Royalties	(10.67)	(0.21)	**(6.93)**	(10.42)	(0.17)	**(6.55)**	(5.62)	(5.71)
Transportation	(3.57)	(0.18)	**(2.57)**	(2.64)	(0.17)	**(1.96)**	(1.46)	(1.50)
Operating	(10.50)	(0.83)	**(8.29)**	(9.24)	(1.42)	**(8.93)**	(11.01)	(10.00)
Operating netback	62.13	2.48	**43.31**	67.48	1.64	**43.70**	40.71	37.68
General and administration			**(1.60)**			**(2.24)**	(1.34)	(2.23)
Fund flows from operations netback			**41.71**			**41.46**	39.37	35.45
France								
Sales	112.84	-	**112.84**	108.55	10.20	**106.26**	102.26	105.13
Royalties	(6.70)	-	**(6.70)**	(6.57)	(0.29)	**(6.34)**	(5.29)	(5.53)
Transportation	(4.71)	-	**(4.71)**	(3.08)	-	**(2.93)**	(2.16)	(2.23)
Operating	(15.82)	-	**(15.82)**	(16.04)	(1.52)	**(15.70)**	(15.97)	(14.86)
Operating netback	85.61	-	**85.61**	82.86	8.39	**81.29**	78.84	82.51
General and administration			**(5.18)**			**(4.61)**	(5.57)	(4.06)
Current income taxes			**(28.55)**			**(22.16)**	(15.55)	(17.05)
Fund flows from operations netback			**51.88**			**54.52**	57.72	61.40
Netherlands								
Sales	111.00	11.24	**67.88**	100.49	10.61	**64.08**	60.96	58.69
Operating	-	(1.79)	**(10.63)**	-	(1.59)	**(9.47)**	(11.14)	(9.10)
Operating netback	111.00	9.45	**57.25**	100.49	9.02	**54.61**	49.82	49.59
General and administration			**(2.67)**			**(1.25)**	(1.22)	(0.63)
Current income taxes			**(14.22)**			**(15.67)**	(2.15)	(12.18)
Fund flows from operations netback			**40.36**			**37.69**	46.45	36.78
Australia								
Sales	124.63	-	**124.63**	119.38	-	**119.38**	115.22	117.03
Operating	(21.25)	-	**(21.25)**	(20.62)	-	**(20.62)**	(24.97)	(21.47)
PRRT [(1)]	(27.60)	-	**(27.60)**	(22.59)	-	**(22.59)**	(4.11)	(26.33)
Operating netback	75.78	-	**75.78**	76.17	-	**76.17**	86.14	69.23
General and administration			**(2.32)**			**(2.30)**	(1.59)	(1.63)
Corporate income taxes			**(9.98)**			**(12.67)**	(17.42)	(13.86)
Fund flows from operations netback			**63.48**			**61.20**	67.13	53.74
Total Company								
Sales	106.00	7.29	**86.04**	104.46	6.83	**83.83**	78.40	79.51
Realized hedging loss			**(0.34)**			**(0.47)**	(0.51)	(0.93)
Royalties	(6.55)	(0.11)	**(4.66)**	(6.33)	(0.10)	**(4.47)**	(3.88)	(3.82)
Transportation	(3.13)	(0.14)	**(2.40)**	(2.16)	(0.23)	**(1.90)**	(1.77)	(1.77)
Operating	(15.11)	(1.28)	**(12.74)**	(14.69)	(1.50)	**(12.84)**	(14.18)	(13.10)
PRRT [(1)]	(6.69)	-	**(4.55)**	(5.52)	-	**(3.72)**	(0.52)	(4.41)
Operating netback	74.52	5.76	**61.35**	75.76	5.00	**60.43**	57.54	55.48
General and administration			**(3.69)**			**(3.28)**	(2.89)	(3.21)
Interest expense			**(2.66)**			**(2.51)**	(2.49)	(2.03)
Realized foreign exchange (loss) gain			**(0.34)**			**(0.12)**	0.81	0.21
Other income (expense)			**0.06**			**0.07**	0.08	(0.55)
Corporate income taxes [(1)]			**(11.40)**			**(10.65)**	(6.98)	(8.94)
Fund flows from operations netback			**43.32**			**43.94**	46.07	40.96

[(1)] Vermilion considers Australian PRRT to be an operating item and accordingly has included PRRT in the calculation of operating netbacks. Current income taxes presented above excludes PRRT.

Supplemental Table 2: Hedges

The following table summarizes Vermilion's outstanding risk management positions as at December 31, 2013:

	Note	Daily Volume	Strike Price(s)
Crude Oil			
WTI - Collar			
January 2014 - March 2014		1,000 bbl/d	97.50 - 104.69 USD $
WTI - Swap			
January 2014 - March 2014		500 bbl/d	101.22 USD $
January 2014 - March 2014	(1)	250 bbl/d	105.45 USD $
January 2014 - June 2014		250 bbl/d	100.05 USD $
January 2014 - June 2014	(2)	1,000 bbl/d	100.07 USD $
Dated Brent - Collar			
January 2014 - March 2014		2,500 bbl/d	104.00 - 110.46 USD $
January 2014 - June 2014		1,250 bbl/d	103.20 - 110.24 USD $
April 2014 - June 2014		1,000 bbl/d	105.00 - 115.00 USD $
April 2014 - September 2014		1,000 bbl/d	105.00 - 112.00 USD $
April 2014 - December 2014		1,000 bbl/d	106.00 - 110.73 USD $
Dated Brent - Swap			
January 2014 - March 2014		2,000 bbl/d	107.80 USD $
January 2014 - June 2014		1,000 bbl/d	107.25 USD $
January 2014 - June 2014	(2)	1,500 bbl/d	110.32 USD $
April 2014 - June 2014		1,250 bbl/d	109.74 USD $
January 2014 - December 2014		500 bbl/d	108.28 USD $
MSW - Fixed Price Sale (Physical)			
January 2014 - March 2014		1,000 bbl/d	93.37 CAD $
April 2014 - June 2014		1,000 bbl/d	92.85 CAD $
Canadian Natural Gas			
AECO - Collar			
January 2014 - December 2014		10,000 GJ/d	3.18 - 3.81 CAD $
AECO - Swap			
January 2014 - December 2014		5,000 GJ/d	3.71 CAD $
AECO - Collar (Physical)	(3)		
April 2012 - March 2014		5,500 GJ/d	2.60 - 3.78 CAD $
June 2012 - March 2014		3,000 GJ/d	2.30 - 3.75 CAD $
European Natural Gas			
TTF - Swap			
January 2014 - March 2014		16,200 GJ/d	7.88 EUR €
Electricity			
AESO - Swap			
January 2014 - December 2014		7.2 MWh/d	54.75 CAD $
AESO - Swap (Physical)			
January 2013 - December 2015		72.0 MWh/d	53.17 CAD $

(1) Prior to the expiration of this swap, the counterparty has the option to extend the swap to June 30, 2014 at the contracted volume and price.

(2) Prior to the expiration of this swap, the counterparty has the option to extend the swap to December 31, 2014 at the contracted volume and price.

(3) Physical AECO collars have a funded cost of $0.10/GJ.

Supplemental Table 3: Capital expenditures

By classification ($M)	Three Months Ended Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Year Ended Dec 31, 2013	Dec 31, 2012
Drilling and development	**147,929**	135,110	151,157	**537,564**	413,221
Dispositions	**-**	-	-	**(8,627)**	-
Exploration and evaluation	**549**	551	5,878	**13,789**	39,317
Capital expenditures	**148,478**	135,661	157,035	**542,726**	452,538
Property acquisition	**1,603**	7,586	-	**9,189**	106,184
Corporate acquisition	**27,500**	-	74,947	**27,500**	74,947
Payment of amount due pursuant to acquisition	**-**	-	134,307	**-**	134,307
Acquisitions	**29,103**	7,586	209,254	**36,689**	315,438

By category ($M)	Three Months Ended Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Year Ended Dec 31, 2013	Dec 31, 2012
Land	**2,676**	(4,450)	462	**3,662**	46,508
Seismic	**1,942**	5,284	3,963	**16,608**	8,742
Drilling and completion	**68,993**	63,590	76,774	**279,003**	215,261
Production equipment and facilities	**63,420**	47,665	64,232	**201,846**	150,396
Recompletions	**3,309**	15,650	5,040	**27,600**	12,044
Other	**8,138**	7,922	6,564	**22,634**	19,587
Dispositions	**-**	-	-	**(8,627)**	-
Capital expenditures	**148,478**	135,661	157,035	**542,726**	452,538
Acquisitions	**29,103**	7,586	209,254	**36,689**	315,438
Total capital expenditures and acquisitions	**177,581**	143,247	366,289	**579,415**	767,976

By country ($M)	Three Months Ended Dec 31, 2013	Sept 30, 2013	Dec 31, 2012	Year Ended Dec 31, 2013	Dec 31, 2012
Canada	**78,848**	69,856	82,844	**250,386**	271,843
France	**31,899**	23,664	95,905	**100,378**	228,444
Netherlands	**43,198**	8,316	8,118	**56,043**	21,324
Australia	**8,420**	5,880	25,257	**77,931**	49,389
Ireland	**14,472**	35,028	152,400	**90,898**	193,071
Corporate	**744**	503	1,765	**3,779**	3,905
Total capital expenditures and acquisitions	**177,581**	143,247	366,289	**579,415**	767,976

Supplemental Table 4: Production

	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12	Q4/11	Q3/11	Q2/11	Q1/11
Canada												
Crude oil (bbls/d)	**8,719**	7,969	8,885	7,966	7,983	7,322	7,757	7,574	6,591	4,526	3,856	3,801
NGLs (bbls/d)	**1,699**	1,897	1,725	1,335	1,106	1,204	1,321	1,302	1,246	1,305	1,353	1,285
Natural gas (mmcf/d)	**41.43**	43.40	43.69	41.04	31.41	35.54	41.32	41.83	43.96	42.94	43.30	43.31
Total (boe/d)	**17,322**	17,099	17,892	16,140	14,323	14,449	15,965	15,848	15,163	12,987	12,426	12,304
% of consolidated	**43%**	41%	42%	41%	40%	40%	40%	40%	41%	38%	35%	36%
France												
Crude oil (bbls/d)	**11,131**	11,625	10,390	10,330	9,843	9,767	9,931	10,270	7,819	7,946	8,273	8,411
Natural gas (mmcf/d)	**-**	5.23	4.19	4.21	3.91	3.39	3.57	3.48	0.94	0.97	0.88	1.02
Total (boe/d)	**11,131**	12,496	11,088	11,032	10,495	10,333	10,526	10,850	7,976	8,108	8,419	8,582
% of consolidated	**27%**	30%	26%	29%	29%	28%	27%	28%	22%	23%	24%	25%
Netherlands												
NGLs (bbls/d)	**62**	48	50	96	70	41	84	72	66	64	54	46
Natural gas (mmcf/d)	**37.53**	28.78	38.52	36.91	33.03	34.59	33.74	35.08	34.58	33.15	33.77	29.96
Total (boe/d)	**6,318**	4,845	6,470	6,248	5,574	5,806	5,707	5,919	5,829	5,589	5,682	5,039
% of consolidated	**15%**	12%	15%	16%	15%	16%	15%	15%	16%	16%	16%	15%
Australia												
Crude oil (bbls/d)	**6,189**	7,070	7,363	5,287	5,873	5,958	6,970	6,648	7,686	7,992	8,692	8,309
% of consolidated	**15%**	17%	17%	14%	16%	16%	18%	17%	21%	23%	25%	24%
Consolidated												
Crude oil & NGLs (bbls/d)	**27,800**	28,609	28,413	25,014	24,875	24,292	26,063	25,866	23,408	21,833	22,228	21,852
% of consolidated	**68%**	69%	66%	65%	69%	66%	67%	66%	64%	63%	63%	64%
Natural gas (mmcf/d)	**78.96**	77.41	86.40	82.16	68.34	73.52	78.63	80.39	79.48	77.06	77.95	74.29
% of consolidated	**32%**	31%	34%	35%	31%	34%	33%	34%	36%	37%	37%	36%
Total (boe/d)	**40,960**	41,510	42,813	38,707	36,265	36,546	39,168	39,265	36,654	34,676	35,219	34,234

	2013	2012	2011	2010	2009	2008
Canada						
Crude oil (bbls/d)	**8,387**	7,659	4,701	2,778	2,137	2,620
NGLs (bbls/d)	**1,666**	1,232	1,297	1,427	1,518	1,551
Natural gas (mmcf/d)	**42.39**	37.50	43.38	43.91	47.85	51.15
Total (boe/d)	**17,117**	15,142	13,227	11,524	11,629	12,696
% of consolidated	**41%**	40%	38%	36%	37%	38%
France						
Crude oil (bbls/d)	**10,873**	9,952	8,110	8,347	8,246	8,514
Natural gas (mmcf/d)	**3.40**	3.59	0.95	0.92	1.05	1.17
Total (boe/d)	**11,440**	10,550	8,269	8,501	8,421	8,710
% of consolidated	**28%**	28%	23%	26%	27%	27%
Netherlands						
NGLs (bbls/d)	**64**	67	58	35	23	24
Natural gas (mmcf/d)	**35.42**	34.11	32.88	28.31	21.06	27.23
Total (boe/d)	**5,967**	5,751	5,538	4,753	3,533	4,562
% of consolidated	**15%**	15%	16%	15%	11%	14%
Australia						
Crude oil (bbls/d)	**6,481**	6,360	8,168	7,354	7,812	6,773
% of consolidated	**16%**	17%	23%	23%	25%	21%
Consolidated						
Crude oil & NGLs (bbls/d)	**27,471**	25,270	22,334	19,941	19,735	19,483
% of consolidated	**67%**	67%	63%	62%	63%	60%
Natural gas (mmcf/d)	**81.21**	75.20	77.21	73.14	69.96	79.55
% of consolidated	**33%**	33%	37%	38%	37%	40%
Total (boe/d)	**41,005**	37,803	35,202	32,132	31,395	32,741

Supplemental Table 5: Segmented Financial Results

	Three Months Ended December 31, 2013						
($M)	**Canada**	**France**	**Netherlands**	**Australia**	**Ireland**	**Corporate**	**Total**
Oil and gas sales to external customers	97,367	110,757	39,451	77,533	-	-	325,108
Royalties	(11,039)	(6,577)	-	-	-	-	(17,616)
Revenue from external customers	86,328	104,180	39,451	77,533	-	-	307,492
Transportation expense	(4,102)	(4,622)	-	-	(357)	-	(9,081)
Operating expense	(13,218)	(15,524)	(6,179)	(13,219)	-	-	(48,140)
General and administration	(2,478)	(5,080)	(1,553)	(1,442)	(482)	(2,919)	(13,954)
Corporate income taxes	-	(28,024)	(8,267)	(6,210)	-	(564)	(43,065)
PRRT	-	-	-	(17,173)	-	-	(17,173)
Interest expense	-	-	-	-	-	(10,049)	(10,049)
Realized loss on derivative instruments	-	-	-	-	-	(1,300)	(1,300)
Realized foreign exchange loss	-	-	-	-	-	(1,294)	(1,294)
Realized other income	-	-	-	-	-	224	224
Fund flows from operations	66,530	50,930	23,452	39,489	(839)	(15,902)	163,660

	Year Ended December 31, 2013						
($M)	**Canada**	**France**	**Netherlands**	**Australia**	**Ireland**	**Corporate**	**Total**
Total assets	1,212,056	901,582	228,869	322,773	747,882	295,557	3,708,719
Drilling and development	232,858	96,479	28,543	77,931	90,898	2,228	528,937
Exploration and evaluation	8,339	3,899	-	-	-	1,551	13,789
Oil and gas sales to external customers	382,005	453,315	139,570	298,945	-	-	1,273,835
Royalties	(40,891)	(27,045)	-	-	-	-	(67,936)
Revenue from external customers	341,114	426,270	139,570	298,945	-	-	1,205,899
Transportation expense	(12,254)	(12,505)	-	-	(4,165)	-	(28,924)
Operating expense	(55,804)	(66,997)	(20,617)	(51,625)	-	-	(195,043)
General and administration	(12,979)	(19,657)	(2,724)	(5,752)	(1,442)	(7,356)	(49,910)
Corporate income taxes	-	(94,524)	(34,132)	(31,735)	-	(1,403)	(161,794)
PRRT	-	-	-	(56,565)	-	-	(56,565)
Interest expense	-	-	-	-	-	(38,183)	(38,183)
Realized loss on derivative instruments	-	-	-	-	-	(7,082)	(7,082)
Realized foreign exchange loss	-	-	-	-	-	(1,866)	(1,866)
Realized other income	-	-	-	-	-	994	994
Fund flows from operations	260,077	232,587	82,097	153,268	(5,607)	(54,896)	667,526

ADDITIONAL AND NON-GAAP FINANCIAL MEASURES

This MD&A includes references to certain financial measures which do not have standardized meanings prescribed by IFRS. As such, these financial measures are considered additional GAAP or non-GAAP financial measures and therefore are unlikely to be comparable with similar measures presented by other issuers.

Fund flows from operations: We define fund flows from operations as cash flows from operating activities before changes in non-cash operating working capital and asset retirement obligations settled. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, fund flows from operations provides a measure of our ability to generate cash (that is not subject to short-term movements in non-cash operating working capital) necessary to pay dividends, repay debt, fund asset retirement obligations and make capital investments. As we have presented fund flows from operations in the "Segmented Information" note of our audited consolidated financial statements for the year ended December 31, 2013, we consider fund flows from operations to be an additional GAAP financial measure.

Free cash flow: Represents fund flows from operations in excess of capital expenditures. We consider free cash flow to be a key measure as it is used to determine the funding available for investing and financing activities, including payment of dividends, repayment of long-term debt, reallocation to existing business units, and deployment into new ventures.

Net dividends: We define net dividends as dividends declared less proceeds received for the issuance of shares pursuant to the dividend reinvestment plan. Management monitors net dividends and net dividends as a percentage of fund flows from operations to assess our ability to pay dividends.

Payout: We define payout as net dividends plus drilling and development, exploration and evaluation, dispositions and asset retirement obligations settled. Management uses payout to assess the amount of cash distributed back to shareholders and re-invested in the business for maintaining production and organic growth.

Fund flows from operations (excluding Corrib) and Payout (excluding Corrib): Management excludes expenditures relating to the Corrib project in assessing fund flows from operations (an additional GAAP financial measure) and payout in order to assess our ability to generate cash and finance organic growth from our current producing assets.

Net debt: We define net debt as the sum of long-term debt and working capital. Management uses net debt, and the **ratio of net debt to fund flows from operations**, to analyze our financial position and leverage. Please refer to the preceding "Net Debt" section for a reconciliation of the net debt non-GAAP financial measure.

Diluted shares outstanding: Is the sum of shares outstanding at the period end plus outstanding awards under the VIP, based on current estimates of future performance factors and forfeiture rates.

Cash dividends per share: Represents cash dividends declared per share.

Netbacks: Per boe and per mcf measures used in the analysis of operational activities.

Total returns: Includes cash dividends per share and the change in Vermilion's share price on the Toronto Stock Exchange.

The following tables reconcile fund flows from operations, net dividends, payout, and diluted shares outstanding to their most directly comparable GAAP measures as presented in our financial statements.

	Three Months Ended			Year Ended	
($M)	**Dec 31, 2013**	**Sept 30, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Cash flows from operating activities	**177,003**	158,236	99,907	**705,025**	496,580
Changes in non-cash operating working capital	**(18,769)**	4,671	33,406	**(49,421)**	47,409
Asset retirement obligations settled	**5,426**	2,738	8,424	**11,922**	13,739
Fund flows from operations	**163,660**	165,645	141,737	**667,526**	557,728
Expenses related to Corrib	**839**	876	2,023	**5,607**	8,902
Fund flows from operations (excluding Corrib)	**164,499**	166,521	143,760	**673,133**	566,630

	Three Months Ended			Year Ended	
($M)	**Dec 31, 2013**	**Sept 30, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Dividends declared	**61,208**	61,003	56,435	**242,599**	223,717
Issuance of shares pursuant to the dividend reinvestment plan	**(18,775)**	(19,354)	(18,468)	**(72,291)**	(72,058)
Net dividends	**42,433**	41,649	37,967	**170,308**	151,659
Drilling and development	**147,929**	135,110	151,157	**537,564**	413,221
Dispositions	**-**	-	-	**(8,627)**	-
Exploration and evaluation	**549**	551	5,878	**13,789**	39,317
Asset retirement obligations settled	**5,426**	2,738	8,424	**11,922**	13,739
Payout	**196,337**	180,048	203,426	**724,956**	617,936
Payout relating to Corrib	**(14,472)**	(35,028)	(18,092)	**(90,898)**	(58,666)
Payout (excluding Corrib)	**181,865**	145,020	185,334	**634,058**	559,270

	As At		
('000s of shares)	**Dec 31, 2013**	**Sept 30, 2013**	**Dec 31, 2012**
Shares outstanding	**102,123**	101,787	99,135
Potential shares issuable pursuant to the VIP	**2,746**	2,408	2,778
Diluted shares outstanding	**104,869**	104,195	101,913

CORPORATE INFORMATION

DIRECTORS

Larry J. Macdonald [1, 2, 3, 4, 5]
Chairman & CEO, Point Energy Ltd.
Calgary, Alberta

W. Kenneth Davidson [2, 3]
Toronto, Ontario

Lorenzo Donadeo
Calgary, Alberta

Claudio A. Ghersinich [2, 5]
Executive Director, Carrera Investments Corp.
Calgary, Alberta

Joseph F. Killi [2, 3]
Chairman, Parkbridge Lifestyle Communities Inc.
Vice Chairman, Realex Properties Corp.
Calgary, Alberta

Loren M. Leiker [5]
Houston, Texas

William F. Madison [2, 4, 5]
Sugar Land, Texas

Timothy R. Marchant [3, 4, 5]
Calgary, Alberta

[1] Chairman of the Board
[2] Audit Committee
[3] Governance and Human Resources Committee
[4] Health, Safety and Environment Committee
[5] Independent Reserves Committee

ANNUAL GENERAL MEETING

May 2, 2014
10:00 AM MST
The Ballroom
Metropolitan Centre
333 - 4th Avenue S.W.
Calgary, Alberta

OFFICERS AND KEY PERSONNEL

CANADA

Lorenzo Donadeo, P.Eng.
Chief Executive Officer

Anthony Marino, P.Eng.
President & COO

John D. Donovan, FCA
Executive Vice President Business Development

Curtis W. Hicks, CA
Executive Vice President & CFO

Mona Jasinski, M.B.A., C.H.R.P.
Executive Vice President People

Terry Hergott, CMA
Vice President Marketing

Daniel Goulet, P.Eng.
Director Corporate HSE

Michael Kaluza, P.Eng.
Director Canada Business Unit

Dean N. Morrison, CFA
Director Investor Relations

Mike Prinz
Director Information Technology

Jenson Tan, P.Eng.
Director New Ventures

Robert (Bob) J. Engbloom, LL.B
Corporate Secretary

EUROPE

Gerard Schut, P.Eng.
Vice President European Operations

Darcy Kerwin, P.Eng.
Managing Director
France Business Unit

Neil Wallace
Managing Director
Netherlands Business Unit

AUSTRALIA

Bruce D. Lake, P.Eng.
Managing Director
Australia Business Unit

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

Bank of Montreal
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

Royal Bank of Canada
Calgary, Alberta

The Bank of Nova Scotia
Calgary, Alberta

The Toronto-Dominion Bank
Calgary, Alberta

National Bank of Canada
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

Wells Fargo Bank N.A., London Branch
London, England

HSBC Bank Canada
Calgary, Alberta

JPMorgan Chase Bank, N.A., Toronto Branch
Toronto, Ontario

La Caisse Centrale Desjardins du Québec
Montréal, Quebec

Citibank N.A., Canadian Branch
Citibank Canada
Calgary, Alberta

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Norton Rose Fullbright Canada LLP
Calgary, Alberta

TRANSFER AGENT

Computershare Trust Company of Canada

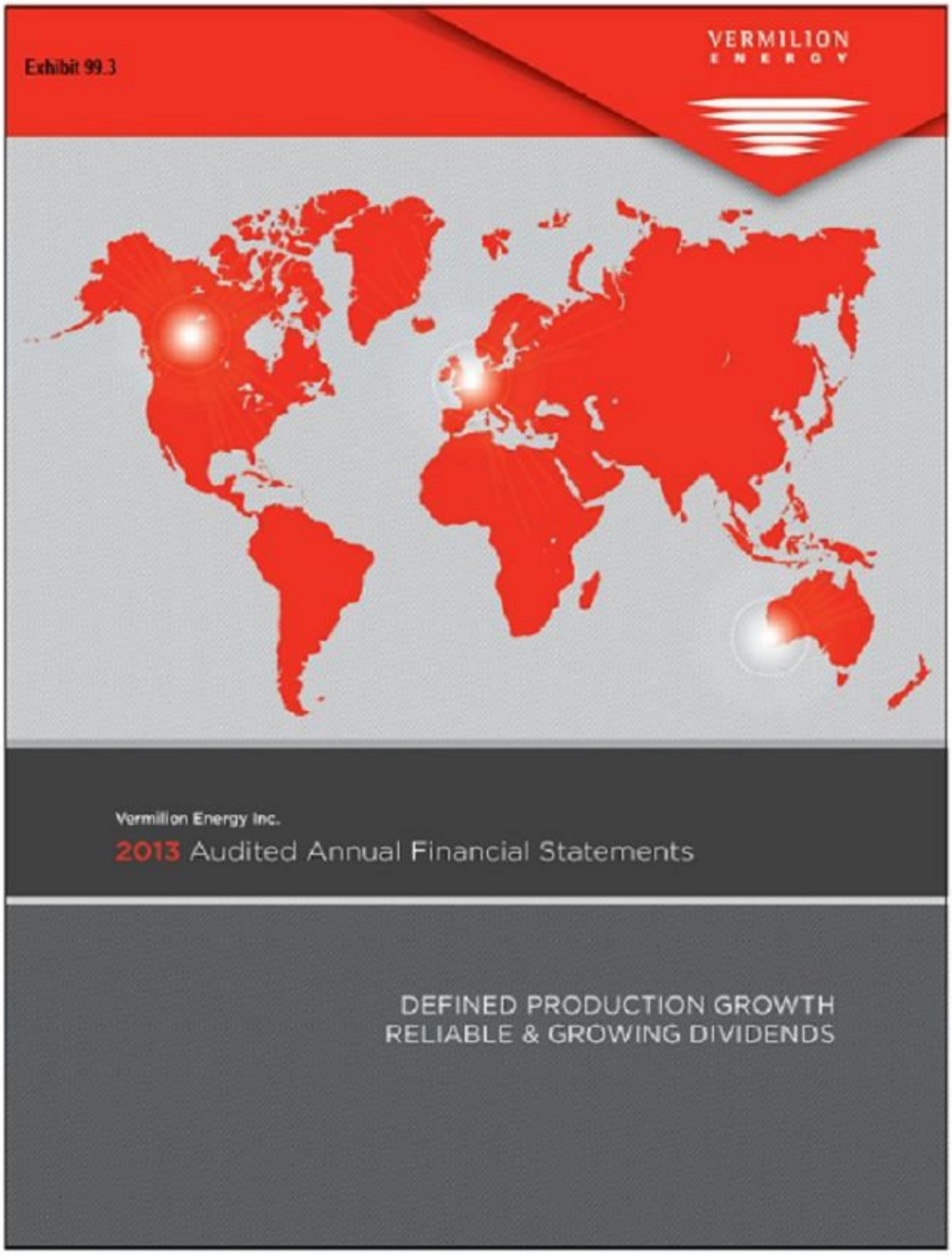
STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange (“VET”)
The New York Stock Exchange (“VET”)

INVESTOR RELATIONS

Dean Morrison, Director Investor Relations


VERMILION
ENERGY
EXCELLENCE
We aim for exceptional results in everything we do.
TRUST
At Vermilion, we operate with honesty and fairness, and can be counted on to do what we say we will.
RESPECT
We embrace diversity, value our people and believe every employee and business associate worldwide deserves to be treated with the utmost dignity and respect.
RESPONSIBILITY
Vermilion continually shows its commitment to the care of our people and environment, and enrichment of the communities in which we live and work.
Vermilion Energy Inc.
3500, 520 3rd Avenue SW
Calgary, Alberta T2P 0R3
Telephone: 1.403.269.4884
Facsimile: 1.403.476.8100
IR Toll Free: 1.866.895.8101
investor_relations@vermilionenergy.com
vermilionenergy.com
FSC
MIX


Exhibit 99.3
VERMILION
ENERGY
Vermilion Energy Inc.
2013 Audited Annual Financial Statements
DEFINED PRODUCTION GROWTH
RELIABLE & GROWING DIVIDENDS

MANAGEMENT'S REPORT TO SHAREHOLDERS

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Vermilion Energy Inc. are the responsibility of management and have been approved by the Board of Directors of Vermilion Energy Inc. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes to the consolidated financial statements and are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Where necessary, management has made informed judgements and estimates of transactions that were not yet completed at the balance sheet date. Financial information throughout the Annual Report is consistent with the consolidated financial statements.

Management ensures the integrity of the consolidated financial statements by maintaining high-quality systems of internal control. Procedures and policies are designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded, and that the financial records are reliable for preparation of the consolidated financial statements. Deloitte LLP, Vermilion's external auditors, have conducted an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) and have provided their report.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board carries out this responsibility principally through the Audit Committee, which is appointed by the Board and is comprised entirely of independent Directors. The Committee meets periodically with management and Deloitte LLP to satisfy itself that each party is properly discharging its responsibilities and to review the consolidated financial statements, the Management's Discussion and Analysis and the external Auditor's Report before they are presented to the Board of Directors.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the criteria established in "Internal Control – Integrated Framework (1992)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has assessed the effectiveness of Vermilion's internal control over financial reporting as defined in Rule 13a-15 under the US Securities Exchange Act of 1934 and as defined in Canada by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Management concluded that Vermilion's internal control over financial reporting was effective as of December 31, 2013. The effectiveness of Vermilion's internal control over financial reporting as of December 31, 2013 has been audited by Deloitte LLP, the Company's Independent Registered Public Accounting Firm, who also audited the Company's consolidated financial statements for the year ended December 31, 2013.

("Lorenzo Donadeo")

Lorenzo Donadeo
Chief Executive Officer
February 27, 2014

("Curtis W. Hicks")

Curtis W. Hicks
Executive Vice President & Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Vermilion Energy Inc.

We have audited the internal control over financial reporting of Vermilion Energy Inc. and subsidiaries (the "Company") as of December 31, 2013, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2013 of the Company and our report dated February 27, 2014 expressed an unqualified opinion on those financial statements.

("Deloitte LLP")

Chartered Accountants

February 27, 2014
Calgary, Canada

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Vermilion Energy Inc.

We have audited the accompanying consolidated financial statements of Vermilion Energy Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of net earnings and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vermilion Energy Inc. and subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

("Deloitte LLP")

Chartered Accountants

February 27, 2014
Calgary, Canada

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF CANADIAN DOLLARS)

	Note	December 31, 2013	December 31, 2012
ASSETS			
Current			
Cash and cash equivalents	17	**389,559**	102,125
Accounts receivable		**167,618**	180,064
Crude oil inventory		**17,143**	25,719
Derivative instruments	13	**2,285**	2,086
Prepaid expenses		**11,178**	10,508
		587,783	320,502
Deferred taxes	9	**184,832**	193,354
Exploration and evaluation assets	6	**136,259**	117,161
Capital assets	5	**2,799,845**	2,445,240
		3,708,719	3,076,257
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**267,832**	300,682
Dividends payable	10	**20,425**	18,836
Derivative instruments	13	**3,572**	8,484
Income taxes payable	9	**55,615**	27,709
		347,444	355,711
Long-term debt	8	**990,024**	642,022
Asset retirement obligations	7	**326,162**	371,063
Deferred taxes	9	**328,714**	288,815
		1,992,344	1,657,611
SHAREHOLDERS' EQUITY			
Shareholders' capital	10	**1,618,443**	1,481,345
Contributed surplus		**75,427**	69,581
Accumulated other comprehensive income (loss)		**47,142**	(32,409)
Deficit		**(24,637)**	(99,871)
		1,716,375	1,418,646
		3,708,719	3,076,257

APPROVED BY THE BOARD

("Kenneth Davidson") *("Lorenzo Donadeo")*

W. Kenneth Davidson, Director Lorenzo Donadeo, Director

CONSOLIDATED STATEMENTS OF NET EARNINGS AND COMPREHENSIVE INCOME
(THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Note	Year Ended December 31, 2013	Year Ended December 31, 2012
REVENUE			
Petroleum and natural gas sales		**1,273,835**	1,083,103
Royalties		**(67,936)**	(52,084)
Petroleum and natural gas revenue		**1,205,899**	1,031,019
EXPENSES			
Operating	21	**195,043**	178,442
Transportation		**28,924**	24,113
Equity based compensation	11	**60,845**	47,104
Loss on derivative instruments	13	**1,971**	6,986
Interest expense		**38,183**	27,586
General and administration	21	**49,910**	43,773
Foreign exchange (gain) loss		**(50,162)**	1,546
Other expense	4	**457**	8,751
Accretion	7	**24,565**	23,040
Depletion and depreciation	5, 6	**322,386**	295,943
Impairment (recovery)	5	**(47,400)**	65,800
Gain on acquisition	4	**-**	(45,309)
		624,722	677,775
EARNINGS BEFORE INCOME TAXES		**581,177**	353,244
INCOME TAXES	9		
Deferred		**35,177**	(19,291)
Current		**218,359**	181,913
		253,536	162,622
NET EARNINGS		**327,641**	190,622
OTHER COMPREHENSIVE INCOME			
Currency translation adjustments		**79,551**	978
COMPREHENSIVE INCOME		**407,192**	191,600
NET EARNINGS PER SHARE	12		
Basic		**3.24**	1.94
Diluted		**3.20**	1.92
WEIGHTED AVERAGE SHARES OUTSTANDING ('000s)	12		
Basic		**100,969**	98,016
Diluted		**102,467**	99,294

CONSOLIDATED STATEMENTS OF CASH FLOWS
(THOUSANDS OF CANADIAN DOLLARS)

	Note	Year Ended December 31, 2013	Year Ended December 31, 2012
OPERATING			
Net earnings		**327,641**	190,622
Adjustments:			
Accretion	7	**24,565**	23,040
Depletion and depreciation	5, 6	**322,386**	295,943
Impairment (recovery)	5	**(47,400)**	65,800
Gain on acquisition	4	**-**	(45,309)
Unrealized gain on derivative instruments	13	**(5,111)**	(5,751)
Equity based compensation	11	**60,845**	47,104
Unrealized foreign exchange (gain) loss		**(52,028)**	4,350
Unrealized other expense		**1,451**	1,220
Deferred taxes	9	**35,177**	(19,291)
Asset retirement obligations settled	7	**(11,922)**	(13,739)
Changes in non-cash operating working capital	14	**49,421**	(47,409)
Cash flows from operating activities		**705,025**	496,580
INVESTING			
Drilling and development	5	**(537,564)**	(413,221)
Exploration and evaluation	6	**(13,789)**	(39,317)
Property acquisitions	4, 6	**(9,189)**	(106,184)
Dispositions	5	**8,627**	-
Corporate acquisitions, net of cash acquired	4	**(24,124)**	(63,482)
Payment of amount due pursuant to acquisition		**-**	(134,307)
Changes in non-cash investing working capital	14	**(41,691)**	16,588
Cash flows used in investing activities		**(617,730)**	(739,923)
FINANCING			
Increase in long-term debt	8	**347,284**	265,395
Issuance of shares pursuant to the dividend reinvestment plan	10	**-**	36,339
Cash dividends	10	**(168,719)**	(187,484)
Cash flows from financing activities		**178,565**	114,250
Foreign exchange gain (loss) on cash held in foreign currencies		**21,574**	(3,289)
Net change in cash and cash equivalents		**287,434**	(132,382)
Cash and cash equivalents, beginning of year		**102,125**	234,507
Cash and cash equivalents, end of year	17	**389,559**	102,125
Supplementary information for operating activities - cash payments			
Interest paid		**37,562**	30,792
Income taxes paid		**192,865**	190,611

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(THOUSANDS OF CANADIAN DOLLARS)

	Note	Shareholders' Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
Balances as at January 1, 2012		1,368,145	56,468	(33,387)	(59,625)	1,331,601
Net earnings		-	-	-	190,622	190,622
Currency translation adjustments		-	-	978	-	978
Equity based compensation expense	11	-	46,468	-	-	46,468
Dividends declared	10	-	-	-	(223,717)	(223,717)
Issuance of shares pursuant to the dividend reinvestment plan	10	72,058	-	-	-	72,058
Vesting of equity based awards	10, 11	33,355	(33,355)	-	-	-
Share-settled dividends on vested equity based awards	10, 11	7,151	-	-	(7,151)	-
Shares issued pursuant to the bonus plan	10	636	-	-	-	636
Balances as at December 31, 2012		1,481,345	69,581	(32,409)	(99,871)	1,418,646

	Note	Shareholders' Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balances as at January 1, 2013		1,481,345	69,581	(32,409)	(99,871)	1,418,646
Net earnings		-	-	-	327,641	327,641
Currency translation adjustments		-	-	79,551	-	79,551
Equity based compensation expense	11	-	60,216	-	-	60,216
Dividends declared	10	-	-	-	(242,599)	(242,599)
Issuance of shares pursuant to the dividend reinvestment plan	10	72,291	-	-	-	72,291
Vesting of equity based awards	10, 11	54,370	(54,370)	-	-	-
Share-settled dividends on vested equity based awards	10, 11	9,808	-	-	(9,808)	-
Shares issued pursuant to the bonus plan	10	629	-	-	-	629
Balances as at December 31, 2013		1,618,443	75,427	47,142	(24,637)	1,716,375

DESCRIPTION OF EQUITY RESERVES

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

Contributed surplus
Represents the recognized value of employee awards which are settled in shares. Once vested, the value of the awards is transferred to shareholders' capital.

Accumulated other comprehensive income (loss)
Represents the cumulative income and expenses which are not recorded immediately in net earnings and are accumulated until an event triggers recognition in net earnings. The current balance consists of currency translation adjustments resulting from translating financial statements of subsidiaries with a foreign functional currency to Canadian dollars at period-end rates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
(TABULAR AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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 consolidated financial statements were approved and authorized for issuance by the Board of Directors of Vermilion on February 27, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting Framework
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Principles of Consolidation
Subsidiaries that are directly controlled by the parent company or indirectly controlled through other consolidated subsidiaries are fully consolidated. Vermilion accounts for joint operations by recognizing its share of assets, liabilities, income and expenses. All significant intercompany balances, transactions, income and expenses are eliminated upon consolidation.

Vermilion currently has no special purpose entities of which it retains control and accordingly the consolidated financial statements do not include the accounts of any such entities.

Exploration and Evaluation Assets
Vermilion accounts for exploration and evaluation of petroleum and natural gas property ("E&E") costs in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources". Costs incurred are classified as E&E costs when they relate to exploring and evaluating a property for which the Company has the licence or right to explore and extract resources.

E&E costs related to each license or prospect area are initially capitalized within E&E assets. E&E costs that are capitalized may include costs of licence acquisitions, technical services and studies, seismic acquisitions, exploration drilling and testing, directly attributable overhead and administration expenses and, if applicable, the estimated costs of retiring the assets. Any costs incurred prior to the acquisition of the legal rights to explore an area are expensed as incurred.

E&E assets are not initially depleted and are carried at cost until technical feasibility and commercial viability of the area can be determined. The technical feasibility and commercial viability of extracting the reserves is considered to be determinable when proven and probable reserves are identified. If proven and probable reserves are identified as recoverable, the related E&E costs are reclassified to Petroleum and Natural Gas ("PNG") assets pending an impairment test. If reserves are not found within the license area or the area is abandoned, the related E&E costs are amortized over a period not greater than five years.

Petroleum and Natural Gas Assets
Vermilion recognizes PNG assets at cost less accumulated depletion, depreciation and impairment losses. Directly attributable costs incurred for the drilling of development wells and for the construction of production facilities are capitalized together with the discounted value of estimated future costs of asset retirement obligations. When components of PNG assets are replaced, disposed of, or no longer in use, they are derecognized.

Gains and losses on disposal of a component of PNG assets, including oil and gas interests, are determined by comparing the proceeds of disposal with the carrying amount of the component, and are recognized in net earnings.

Depletion and Depreciation
Vermilion classifies its assets into PNG depletion units, which are groups of assets or properties that are within a specific production area and have similar economic lives. The PNG depletion units represent the lowest level of disaggregation for which Vermilion accumulates costs for the purposes of calculating and recording depletion and depreciation.

The net carrying value of each PNG depletion unit is depleted using the unit of production method by reference to the ratio of production in the period to the total proven and probable reserves, taking into account the future development costs necessary to bring the applicable reserves into production. The reserve estimates are reviewed annually by management or when material changes occur to the underlying assumptions.

For the purposes of the depletion calculations, oil and gas reserves are converted to a common unit of measure on the basis of their relative energy content based on a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture and office equipment are recorded at cost and are depreciated on a declining-balance basis.

Impairment of Long-Lived Assets
E&E assets are tested for impairment when reclassified to PNG assets or when indicators of impairment are identified. If indicators of impairment are identified, E&E assets are tested for impairment as part of the group of Cash Generating Units ("CGU's") attributable to the jurisdiction in which the exploration area resides.

PNG depletion units are aggregated into CGUs for impairment testing. The determination of CGU's is based on managements' judgement and represents the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets or properties. CGUs are reviewed for indicators that the carrying value of the CGU may exceed its recoverable amount. If an indication of impairment exists, the CGU's recoverable amount is then estimated. A CGU's recoverable amount is defined as the higher of the fair value less costs to sell and its value in use. If the carrying amount exceeds its recoverable amount, an impairment loss is recorded to net earnings in the period to reduce the carrying value of the CGU to its recoverable amount.

For PNG assets and E&E assets, when there has been an impairment loss recognized, at each reporting date an assessment is performed as to whether the circumstances which led to the impairment loss have reversed. If the change in circumstances leads to the recoverable amount being higher than the carrying value after recognition of an impairment, that impairment loss is reversed, with such reversal not to exceed the depreciated value of the asset had no impairment loss been previously recognized.

Cash and Cash Equivalents
Cash and cash equivalents include monies on deposit and short-term investments, which are comprised primarily of guaranteed investment certificates.

Crude Oil Inventory
Inventories of crude oil, consisting of production for which title has not yet transferred to the buyer, are valued at the lower of cost or net realizable value. Cost is determined on a weighted-average basis and includes related operating expenses, royalties, and depletion.

Provisions and Asset Retirement Obligations
Vermilion recognizes a provision or asset retirement obligation in the consolidated financial statements when an event gives rise to an obligation of uncertain timing or amount.

The estimated present value of the asset retirement obligation is recorded as a long term liability, with a corresponding increase in the carrying amount of the related asset. This increase is depleted with the related depletion unit and is allocated to a CGU for impairment testing. The liability recorded is increased each reporting period due to the passage of time and this change is charged to net earnings in the period as accretion expense. The asset retirement obligation can also increase or decrease due to changes in the estimated timing of cash flows, changes in the discount rate and/or changes in the original estimated undiscounted costs. Increases or decreases in the obligation will result in a corresponding change in the carrying amount of the related asset. Actual costs incurred upon settlement of the asset retirement obligation are charged against the asset retirement obligation to the extent of the liability recorded. Vermilion discounts the costs related to asset retirement obligations using the discount rate that reflects current market assessment of time value of money and risks specific to the liabilities that have not been reflected in the cash flow estimates. Vermilion applies discount rates applicable to each of the jurisdictions in which it has future asset retirement obligations. Asset retirement obligations are remeasured at each reporting period in order to reflect the discount rates in effect at that time.

A provision for onerous contracts is recognized when the expected benefits to be derived by Vermilion from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the lower of the expected cost of terminating the contract and the present value of the expected net cost of the remaining term of the contract. Before a provision is established, Vermilion first recognizes any impairment loss on assets associated with the onerous contract. For the periods presented in the consolidated financial statements there were no onerous contracts recognized.

Revenue Recognition
Revenues associated with the sale of crude oil, natural gas and natural gas liquids are recorded when title passes to the customer. For the majority of Canadian oil and natural gas production, legal title transfers upon delivery to major pipelines. In Australia, oil is sold at the Wandoo B Platform. In the Netherlands, natural gas is sold at the plant gate. In France, oil is sold either when delivered to the refinery by pipeline or when delivered to the refinery via tanker.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments
Cash and cash equivalents are classified as held for trading and are measured at fair value. A gain or loss arising from a change in the fair value is recognized in net earnings in the period in which it occurs.

Accounts receivable are classified as loans and receivables and are initially measured at fair value and are then subsequently measured at amortized cost. The carrying value of accounts receivable approximates the fair value due to the short-term nature of these instruments.

Accounts payable and accrued liabilities, dividends payable, and long-term debt have been classified as other financial liabilities and are initially recognized at fair value and are subsequently measured at amortized cost. Transaction costs and discounts are recorded against the fair value of long-term debt on initial recognition.

All derivative instruments have been classified as held for trading and are measured at fair value. A gain or loss arising from a change in the fair value is recognized in net earnings in the period in which it occurs.

Equity Based Compensation
Vermilion has long-term equity based compensation plans for directors, officers and employees of Vermilion and its subsidiaries. Equity based compensation expense is recognized in net earnings over the vesting period of the awards with a corresponding adjustment to contributed surplus. Upon vesting, the amount previously recognized in contributed surplus is reclassified to shareholders' capital.

The expense recognized is based on the grant date fair value of the awards and incorporates an estimate of the forfeiture rate based on historical vesting data. The grant date fair value of the awards is determined as the grant date closing price of Vermilion's common shares on the Toronto Stock Exchange, adjusted by the Company's estimate of the performance factor that will ultimately be achieved.

Per Share Amounts
Net earnings per share is calculated using the weighted-average number of shares outstanding during the period. Diluted net earnings per share is calculated using the diluted weighted-average number of shares outstanding during the period. The diluted weighted-average number of shares is determined by considering whether equity based compensation plans, if converted during the year, would result in reduced net earnings per share.

The treasury stock method is used to determine the dilutive effect of equity based compensation plans. The treasury stock method assumes that the deemed proceeds related to unrecognized equity based compensation expense are used to repurchase shares at the average market price during the period. Equity based awards outstanding are included in the calculation of diluted net earnings per share based on estimated performance factors.

Foreign Currency Translation
The consolidated financial statements are presented in Canadian dollars, which is Vermilion's reporting currency. As several of Vermilion's subsidiaries transact and operate primarily in countries other than Canada, they accordingly have functional currencies other than the Canadian dollar.

Transactions denominated in currencies other than the functional currency of the subsidiary are translated to the functional currency at the prevailing rates on the date of the transaction. Non-monetary assets or liabilities that result from such transactions are held at the prevailing rate on the date of the transaction. Monetary items denominated in non-functional currencies are translated to the functional currency of the subsidiary at the prevailing rate at the balance sheet date. All translations associated with currencies other than the respective functional currencies are recorded in net earnings.

Translation of all assets and liabilities from the respective functional currencies to the reporting currency are performed using the rates prevailing at the balance sheet date. The differences arising upon translation from the functional currency to the reporting currency are recorded as currency translation adjustments in other comprehensive income (loss) and are held within accumulated other comprehensive income (loss) until a disposal or partial disposal of a subsidiary. A disposal or partial disposal may give rise to a realized gain or loss, which is recorded in net earnings.

Within the consolidated group there are outstanding intercompany loans which in substance represent investments in certain subsidiaries. When these loans are identified as part of the net investment in a foreign subsidiary, any exchange differences arising on those loans are recorded to currency translation adjustments within other comprehensive income (loss) until the disposal or partial disposal of the subsidiary.

Income Taxes
Deferred taxes are calculated using the liability method of accounting. Under this method, deferred tax is recognized for the estimated effect of any temporary differences between the amounts recognized on Vermilion's consolidated balance sheets and respective tax basis. This calculation uses enacted or substantively enacted tax rates that will be in effect when the temporary differences are expected to reverse. The effect of a change in tax rates on deferred taxes is recognized in net earnings in the period in which the related legislation is substantively enacted.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vermilion is subject to current income taxes based on the tax legislation of each respective country in which Vermilion conducts business.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to prepare for its intended use are capitalized as part of the cost of that asset. Borrowing costs are capitalized by applying interest rates attributable to the project being financed and could include both general and/or specific borrowings. Interest rates applied from general borrowings are computed using the weighted average borrowing rate for the period.

Measurement Uncertainty
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the periods presented.

Key areas where management has made complex or subjective judgements include asset retirement obligations, assessment of impairment or recovery of impairment of long-lived assets and income taxes. Actual results could differ significantly from these and other estimates.

Asset Retirement Obligations
Vermilion's asset retirement obligations are based on environmental regulations and estimates of the amount and timing of future expenditures. Changes in environmental regulations, the estimated costs associated with reclamation activities, the discount rate applied and the timing of expenditures could materially impact Vermilion's measurement of the obligations and, correspondingly, impact Vermilion's financial position and net earnings.

Assessment of Impairments or Recovery of Previous Impairments
Impairment tests are performed at a CGU level. CGUs are determined based on management's judgment of the lowest level at which there is identifiable cash inflows that are largely independent of the cash inflows of other groups of assets or properties. The factors used by Vermilion to determine CGUs may vary by country due to the unique operating and geographic circumstances in each country. However, in general, Vermilion will assess the following factors in determining whether a group of assets generate largely independent cash inflows: geographic proximity of the assets within a group to one another, geographic proximity of the group of assets to other groups of assets, homogeneity of the production from the group of assets and the sharing of infrastructure used to process and/or transport production.

The calculation of the recoverable amount of the CGUs is based on market factors, estimates of PNG reserves and future costs required to develop reserves. Vermilion's reserve estimates and the related future cash flows are subject to measurement uncertainty, and the impact on the consolidated financial statements of future periods could be material. Considerable management judgment is used in determining the recoverable amount of PNG assets, including determining the quantity of reserves, the time horizon to develop and produce such reserves and the estimated revenues and expenditures of such production.

Income Taxes
Tax interpretations, regulations, and legislation in the various jurisdictions in which Vermilion and its subsidiaries operate are subject to change and interpretation. Such changes can affect the timing of the reversal of temporary tax differences, the tax rates in effect when such differences reverse and Vermilion's ability to use tax losses and other tax pools in the future. The Company's income tax filings are subject to audit by taxation authorities in numerous jurisdictions and the results of such audits may increase or decrease our tax liability. The determination of current and deferred tax amounts recognized in the consolidated financial statements was based on management's assessment of the tax positions, which includes consideration of their technical merits, communications with tax authorities and management's view of the most likely outcome.

3. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

On January 1, 2013, Vermilion adopted the following pronouncements as issued by the IASB. The adoption of these standards did not have a material impact on Vermilion's consolidated financial statements.

IFRS 10 "Consolidated Financial Statements"
IFRS 10 replaced Standing Interpretations Committee 12, "Consolidation - Special Purpose Entities" and the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements". The new standard replaces the existing risk and rewards based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 11 "Joint Arrangements"
IFRS 11 replaced IAS 31 "Interests in Joint Ventures". The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

3. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS (Continued)

IFRS 12 "Disclosure of Interests in Other Entities"
IFRS 12 provides comprehensive disclosure requirements for interests in other entities, including joint arrangements, associates, and special purpose entities. The new disclosures are intended to assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements.

IFRS 13 "Fair Value Measurement"
IFRS 13 provides a common definition of fair value within IFRS. The new standard provides measurement and disclosure guidance and applies when another IFRS requires or permits an item to be measured at fair value, with limited exceptions.

Accounting pronouncements not yet adopted

The impact of the adoption of the following pronouncements are currently being evaluated, but are not expected to have a material impact on Vermilion's consolidated financial statements:

IFRIC 21 "Levies"
On May 20, 2013, IASB issued guidance on IFRIC 21, which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that a liability for a levy is recognized only when the triggering event specified in the legislation occurs. The interpretation is effective for annual periods beginning on or after January 1, 2014.

IAS 36 "Impairment of Assets"
On May 29, 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. This amendment is effective for annual periods beginning on or after January 1, 2014.

IFRS 9 "Financial Instruments"
The IASB has undertaken a three-phase project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. In February of 2014, the IASB confirmed that the mandatory effective date of IFRS 9 shall be January 1, 2018.

4. BUSINESS COMBINATIONS

Property acquisition:

France

On January 19, 2012, Vermilion acquired, through its wholly owned subsidiaries, working interests in six producing fields located in the Paris and Aquitaine Basins in France, for total consideration of $106.1 million before closing adjustments. The acquired working interests expanded Vermilion's existing interests and was a natural addition to the Company's existing France asset base.

The acquired assets include land, wells, facilities, and inventory located in the Company's core producing basins in France. The fair value of the acquired identifiable assets and liabilities assumed at the date of acquisition was $151.4 million. A gain of $45.3 million was recognized as a result of an increase in the fair value of the acquired petroleum and natural gas reserves from the time when the acquisition was negotiated to the acquisition date. The increase resulted from a change in the underlying commodity price forecasts used to determine the fair value of the acquired reserves.

4. BUSINESS COMBINATIONS (Continued)

The acquisition has been accounted for as a business combination with the fair value of the assets acquired and liabilities assumed at the date of acquisition summarized as follows:

($M)	Consideration
Cash paid to vendor	106,115
Total consideration	106,115

($M)	Allocation of Consideration
Petroleum and natural gas assets	206,191
Asset retirement obligations assumed	(27,518)
Deferred tax liabilities	(23,151)
Acquired non-cash working capital deficiencies	(4,098)
Net assets acquired	151,424
Gain on acquisition	(45,309)
Net assets acquired, net of gain on acquisition	106,115

Transfer taxes associated with this acquisition totalling $8.5 million have been excluded from the consideration and have been recognized as an expense in the year ended December 31, 2012 within “Other expense” in the consolidated statements of net earnings and comprehensive income.

Corporate acquisitions:

a) Netherlands

On October 10, 2013, Vermilion acquired, through its wholly-owned subsidiary, 100% of the shares of Northern Petroleum Nederland B.V., a subsidiary of UK-based Northern Petroleum Plc. (“Northern”) for total consideration of $27.5 million. The acquisition is a complementary addition to the existing Netherlands asset base, including interests in six onshore licences in production or development, three onshore exploration licenses, and one offshore production license in the Netherlands. Vermilion funded this acquisition from cash on hand.

The acquisition has been accounted for as a business combination with the fair value of the assets acquired and liabilities assumed at the date of acquisition summarized as follows:

($M)	Consideration
Cash paid to vendor	27,500
Total consideration	27,500

($M)	Allocation of Consideration
Petroleum and natural gas assets	47,743
Asset retirement obligations assumed	(12,439)
Deferred tax liabilities	(10,412)
Cash acquired	3,376
Acquired non-cash working capital	(768)
Net assets acquired	27,500

The results of operations from the assets acquired have been included in Vermilion's consolidated financial statements beginning October 10, 2013 and have contributed revenues of $2.7 million and operating income of $1.0 million for the year ended December 31, 2013.

Had the acquisition occurred on January 1, 2013, management estimates that consolidated revenues would have increased by an additional $13.5 million and consolidated operating income would have increased by $6.3 million for the year ended December 31, 2013. In determining the pro-forma amounts, management has assumed that the fair value adjustments, determined provisionally, that arose at the date of acquisition would have been the same if the acquisition had occurred on January 1, 2013. It is impracticable to derive all amounts necessary to determine the increase to net earnings from the acquired working interests as operations were immediately merged with Vermilion’s operations.

4. BUSINESS COMBINATIONS (Continued)

b) France

On December 21, 2012, Vermilion acquired, through its wholly owned subsidiaries, 100% of the shares of ZaZa Energy France S.A.S for total consideration of $74.9 million. The acquired company holds operating interests covering approximately 24,300 acres with 100% working interests in the Saint Firmin, Chateaurenard, Courtenay, Chuelles, and Charmottes fields in the Paris Basin. The acquired company expands Vermilion's existing operations in France and is aligned with Vermilion's objective to consolidate assets within the Company's core operating areas.

The acquisition has been accounted for as a business combination with the fair value of the assets acquired and liabilities assumed at the date of acquisition summarized as follows:

($M)	Consideration
Cash paid to vendor	74,947
Total consideration	74,947

($M)	Allocation of Consideration
Petroleum and natural gas assets	136,297
Asset retirement obligations assumed	(22,623)
Deferred tax liabilities	(40,046)
Cash acquired	11,465
Acquired non-cash working capital	(10,146)
Net assets acquired	74,947

5. CAPITAL ASSETS

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

($M)	Petroleum and Natural Gas Assets	Furniture and Office Equipment	Total Capital Assets
Balance at January 1, 2012	2,016,611	15,071	2,031,682
Additions	407,973	5,248	413,221
Transfers from exploration and evaluation assets	10,528	-	10,528
Property acquisitions	206,260	-	206,260
Corporate acquisitions	136,297	-	136,297
Borrowing costs capitalized	9,994	-	9,994
Changes in estimate for asset retirement obligations	1,334	-	1,334
Depletion and depreciation	(289,194)	(5,165)	(294,359)
Impairments	(65,800)	-	(65,800)
Effect of movements in foreign exchange rates	(3,882)	(35)	(3,917)
Balance at December 31, 2012	2,430,121	15,119	2,445,240
Additions	531,760	5,804	537,564
Transfers from exploration and evaluation assets	1,508	-	1,508
Corporate acquisitions	47,743	-	47,743
Dispositions	(8,627)	-	(8,627)
Changes in estimate for asset retirement obligations	(91,527)	-	(91,527)
Depletion and depreciation	(310,370)	(6,138)	(316,508)
Impairment recovery	47,400	-	47,400
Effect of movements in foreign exchange rates	136,626	426	137,052
Balance at December 31, 2013	2,784,634	15,211	2,799,845
Cost	3,260,772	35,268	3,296,040
Accumulated depletion and depreciation	(830,651)	(20,149)	(850,800)
Carrying amount at December 31, 2012	2,430,121	15,119	2,445,240
Cost	3,938,986	43,932	3,982,918
Accumulated depletion and depreciation	(1,154,352)	(28,721)	(1,183,073)
Carrying amount at December 31, 2013	2,784,634	15,211	2,799,845

5. CAPITAL ASSETS (Continued)

Depletion and depreciation rates
PNG assets (unit of production method)
Furniture and office equipment (declining balance at rates of 5% to 25%)

Capitalized overhead
During the year ended December 31, 2013, Vermilion capitalized $8.5 million (2012 - $4.8 million) of overhead costs directly attributable to PNG activities.

Impairments and recovery of previous impairments
On a quarterly basis, Vermilion performs an assessment as to whether any CGUs have indicators of impairment. When indicators of impairment are identified, Vermilion assesses the recoverable amount of the applicable CGU based on the estimated fair value less costs to sell as at the reporting date. The estimated fair value takes into account the most recent commodity price forecasts, expected production and estimated costs of development.

During the years ended December 31, 2013 and 2012, Vermilion performed assessments as to whether any cash generating units ("CGU") had indicators of impairment or recovery of previous impairment. In the fourth quarter of 2013, Vermilion identified indicators of impairment recovery for a Canadian CGU where impairment charges were previously recorded for the three months ended December 31, 2011 and March 31, 2012. The impairment recovery resulted from increased proved and probable reserves of natural gas and natural gas liquids, due primarily to the successful application of horizontal drilling and multi-stage fracturing technology to the previously impaired cash generating unit.

Benchmark prices used in the calculations of recoverable amounts were determined by multiplying the mix of oil, natural gas and NGLs inherent in the reserves of the conventional deep natural gas and shallow coal bed methane CGUs by the price forecasts for each year. The blended price per barrel of oil equivalent (BOE) forecasts were:

$/BOE	December 31, 2013	March 31, 2012	December 31, 2011
2014	42.09	35.78	37.12
2015	44.18	38.23	39.52
2016	45.39	40.68	41.95
2017	45.41	43.13	44.34
2018	45.43	45.61	45.82
2019	45.50	46.53	46.79
2020	45.86	47.51	47.72
2021	46.78	48.44	48.71
Average increase thereafter	2.0%	2.0%	2.0%

6. EXPLORATION AND EVALUATION ASSETS

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

($M)	Exploration and Evaluation Assets
Balance at January 1, 2012	92,301
Additions	39,317
Transfers to petroleum and natural gas assets	(10,528)
Depreciation	(3,485)
Effect of movements in foreign exchange rates	(444)
Balance at December 31, 2012	117,161
Additions	13,789
Property acquisitions	9,189
Transfers to petroleum and natural gas assets	(1,508)
Depreciation	(3,712)
Effect of movements in foreign exchange rates	1,340
Balance at December 31, 2013	136,259
Cost	125,165
Accumulated depreciation	(8,004)
Carrying amount at December 31, 2012	117,161
Cost	149,175
Accumulated depreciation	(12,916)
Carrying amount at December 31, 2013	136,259

7. ASSET RETIREMENT OBLIGATIONS

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

($M)	Asset Retirement Obligations
Balance at January 1, 2012	310,531
Additional obligations recognized	55,228
Changes in estimates for existing obligations	(26,560)
Obligations settled	(13,739)
Accretion	23,040
Changes in discount rates	22,807
Effect of movements in foreign exchange rates	(244)
Balance at December 31, 2012	371,063
Additional obligations recognized	15,655
Changes in estimates for existing obligations	(21,068)
Obligations settled	(11,922)
Accretion	24,565
Changes in discount rates	(73,675)
Effect of movements in foreign exchange rates	21,544
Balance at December 31, 2013	326,162

Vermilion has estimated the net present value of its asset retirement obligations to be $326.2 million as at December 31, 2013 (2012 - $371.1 million) based on a total undiscounted future liability, after inflation adjustment, of $1.3 billion (2012 - $1.3 billion). These payments are expected to be made between 2014 and 2063. Vermilion calculated the present value of the obligations using discount rates between 6.4% and 8.3% (2012 - between 5.8% and 7.5%) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. Inflation rates used in determining the cash flow estimates were between 1.1% and 2.5% (2012 - between 1.4% and 2.5%).

Vermilion reviews annually its estimates of the expected costs to reclaim the net interest in its wells and facilities. The resulting changes are categorized as changes in estimates for existing obligations in the preceding table. The significant changes in the liability for the year ended December 31, 2013 primarily resulted from an overall decrease in the inflation rates applied to the abandonment obligations.

8. LONG-TERM DEBT

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

	As At	
($M)	**Dec 31, 2013**	**Dec 31, 2012**
Revolving credit facility	**766,898**	419,784
Senior unsecured notes	**223,126**	222,238
Long-term debt	**990,024**	642,022

Revolving Credit Facility

At December 31, 2013, Vermilion had in place a bank revolving credit facility totalling $1.2 billion, of which approximately $766.9 million was drawn. The facility, which matures on May 31, 2016, is fully revolving up to the date of maturity.

The facility is extendable from time to time, but not more than once per year, for a period not longer than three years, 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 repayable on the maturity date. This facility bears interest at a rate applicable to demand loans plus applicable margins. For the year ended December 31, 2013, the interest rate on the revolving credit facility was approximately 3.3% (2012 – 3.3%).

The amount available to Vermilion under this facility is reduced by certain outstanding letters of credit associated with Vermilion's operations totalling $8.1 million as at December 31, 2013 (2012 - $49.2 million).

The facility is secured by various fixed and floating charges against the subsidiaries of Vermilion. Under the terms of the facility, Vermilion must maintain a ratio of total bank borrowings (defined as consolidated total debt), to consolidated net earnings before interest, income taxes, depreciation, accretion and other certain non-cash items (defined as consolidated EBITDA) of not greater than 4.0. In addition, Vermilion must maintain a ratio of consolidated total senior debt (defined as consolidated total debt excluding unsecured and subordinated debt) to consolidated EBITDA of not greater than 3.0.

As at December 31, 2013, Vermilion was in compliance with its financial covenants.

Senior Unsecured Notes

On February 10, 2011, Vermilion issued $225.0 million of senior unsecured notes at par. The notes bear interest at a rate of 6.5% per annum and will mature on February 10, 2016. As direct senior unsecured obligations of Vermilion, the notes rank pari passu with all other present and future unsecured and unsubordinated indebtedness of the Company.

Vermilion may, at its option, prior to February 10, 2014, redeem up to 35% of the notes with net proceeds of equity offerings by the Company at a redemption price equal to 106.5% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to the applicable redemption date. Subsequently, Vermilion may, on or after February 10, 2014, redeem all or part of the notes at fixed redemption prices, plus, in each case, accrued and unpaid interest, if any, to the applicable redemption date. The notes were initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using an effective interest rate of 7.1%.

9. INCOME TAXES

Deferred taxes

The net deferred income tax liability at December 31, 2013 and 2012 is comprised of the following:

	Year Ended	
($M)	**Dec 31, 2013**	**Dec 31, 2012**
Deferred income tax liabilities:		
Capital assets	**(332,740)**	(322,620)
Asset retirement obligations	**(87,888)**	(45,362)
Basis difference of investments	**(189)**	(330)
Unrealized foreign exchange	**(13,017)**	(22,603)
Other	**(12,383)**	(11,502)
Deferred income tax assets:		
Derivative contracts	**323**	1,600
Capital assets	**75,352**	67,310
Non-capital losses	**170,625**	167,230
Asset retirement obligations	**54,037**	69,359
Other	**1,998**	1,457
Net deferred income tax liability	**(143,882)**	(95,461)
Comprised of:		
Deferred income tax assets	**184,832**	193,354
Deferred income tax liability	**(328,714)**	(288,815)
Net deferred income tax liability	**(143,882)**	(95,461)

Income tax expense differs from the amount that would have been expected if the reported earnings had been subject only to the statutory Canadian income tax rate of 25.0% (2012 - 25.0%), as follows:

	Year Ended	
($M)	**Dec 31, 2013**	**Dec 31, 2012**
Earnings before income taxes	**581,177**	353,244
Canadian corporate tax rate	**25.0%**	25.0%
Expected tax expense	**145,294**	88,311
Increase (decrease) in taxes resulting from:		
Petroleum resource rent tax rate (PRRT) differential [(1)]	**50,585**	44,605
Foreign tax rate differentials [(1)] [(2)]	**1,875**	18,539
Equity based compensation expense	**15,211**	11,776
Amended returns and changes to estimated tax pools and tax positions	**38,197**	3,478
Changes in statutory tax rates and the estimated reversal rates associated with temporary differences	**5,299**	7,506
Gain on acquisition	**-**	(12,389)
Other non-deductible items	**(2,925)**	796
Provision for income taxes	**253,536**	162,622

(1) In Australia, current taxes included both corporate income tax rates and PRRT. Corporate income tax rates were applied at a rate of 30% and PRRT was applied at a rate of 40%.

(2) The effective corporate tax rate was 38.0% in France, 46.0% in the Netherlands and 25.0% in Ireland.

Tax assessments

As at December 31, 2013, Income Taxes Payable includes a provision relating to tax assessments from tax authorities for prior period tax positions. Vermilion has determined the provision based on management's best estimate of the amount required to settle the tax assessments and has classified the provision as a current liability. The amounts ultimately paid and the timing of settlement could differ from our best estimate and, therefore, could have an impact on future net earnings and cash flows.

10. SHAREHOLDERS' CAPITAL

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

Shareholders' Capital	Number of Shares ('000s)	Amount ($M)
Balance as at January 1, 2012	96,430	1,368,145
Issuance of shares pursuant to the dividend reinvestment plan	1,631	72,058
Vesting of equity based awards	904	33,355
Share-settled dividends on vested equity based awards	157	7,151
Shares issued pursuant to the bonus plan	13	636
Balance as at December 31, 2012	99,135	1,481,345
Issuance of shares pursuant to the dividend reinvestment plan	1,402	72,291
Vesting of equity based awards	1,372	54,370
Share-settled dividends on vested equity based awards	202	9,808
Shares issued pursuant to the bonus plan	12	629
Balance as at December 31, 2013	102,123	1,618,443

Vermilion is authorized to issue an unlimited number of common shares with no par value.

Dividends

Dividends declared to shareholders for the year ended December 31, 2013 were $242.6 million (2012 - $223.7 million). Dividends are approved by the Board of Directors and are paid monthly. Vermilion has a dividend reinvestment plan which allows eligible holders of common shares to purchase additional common shares at a 5% discount to market by reinvesting their cash dividends. Subsequent to the end of the period and prior to the consolidated financial statements being authorized for issue on February 27, 2014, Vermilion declared dividends totalling $44.0 million or $0.215 per share for each of January and February of 2014.

11. EQUITY BASED COMPENSATION

The following table summarizes the number of awards outstanding under the Vermilion Incentive Plan ("VIP"):

Number of Awards ('000s)	2013	2012
Opening balance	**1,690**	1,750
Granted	**832**	681
Vested	**(749)**	(596)
Forfeited	**(108)**	(145)
Closing balance	**1,665**	1,690

The fair value of a VIP award is determined on the grant date at the closing price of Vermilion's common shares on the Toronto Stock Exchange, adjusted by the estimated performance factor that will ultimately be achieved. Dividends, which notionally accrue to the awards during the vesting period, are not included in the determination of grant date fair values. For the year ended December 31, 2013, the awards granted had a weighted average fair value of $80.79 (2012 - $61.08).

The performance factor is determined by the Board of Directors after consideration of a number of key corporate performance measures including, but not limited to, shareholder return, capital efficiency metrics, production and reserves growth and health, safety and environment performance.

The expense recognized is based on the grant date fair value of the awards and incorporates an estimate of forfeiture rate based on historical vesting data. For the year ended December 31, 2013, Vermilion incorporated an estimated forfeiture rate of 6.61% (2012 - 5.37%). Equity based compensation expense of $60.2 million was recorded during the year ended December 31, 2013 (2012 - $46.5 million) related to the VIP.

12. PER SHARE AMOUNTS

Basic and diluted net earnings per share have been determined based on the following:

	Year Ended	
($M except per share amounts)	**Dec 31, 2013**	**Dec 31, 2012**
Net earnings [1]	**327,641**	190,622
Basic weighted average shares outstanding [2]	**100,969**	98,016
Dilutive impact of equity based award plans	**1,498**	1,278
Diluted weighted average shares outstanding [3]	**102,467**	99,294
Basic earnings per share ([1] ÷ [2])	**3.24**	1.94
Diluted earnings per share ([1] ÷ [3])	**3.20**	1.92

13. DERIVATIVE INSTRUMENTS

The nature of Vermilion's operations results in exposure to fluctuations in commodity prices, interest rates and foreign currency exchange rates. Vermilion monitors and, when appropriate, uses derivative financial instruments to manage its exposure to these fluctuations. All transactions of this nature entered into by Vermilion are related to an underlying financial position or to future crude oil and natural gas production. Vermilion does not use derivative financial instruments for speculative purposes. Vermilion has elected not to designate any of its derivative financial instruments as accounting hedges and thus accounts for changes in fair value in net earnings at each reporting period. Vermilion has not obtained collateral or other security to support its financial derivatives as management reviews the creditworthiness of its counterparties prior to entering into derivative contracts.

During the normal course of business, Vermilion may enter into fixed price arrangements to sell a portion of its production or purchase commodities for operational use. Vermilion does not apply fair value accounting on these contracts as they were entered into and continue to be held for the sale of production or operational use in accordance with the Company's expected requirements.

The following tables summarize Vermilion's outstanding risk management positions as at December 31, 2013:

	Note	Daily Volume	Strike Price(s)
Crude Oil			
WTI - Collar			
January 2014 - March 2014		1,000 bbl/d	97.50 - 104.69 USD $
WTI - Swap			
January 2014 - March 2014		500 bbl/d	101.22 USD $
January 2014 - March 2014	(1)	250 bbl/d	105.45 USD $
January 2014 - June 2014		250 bbl/d	100.05 USD $
January 2014 - June 2014	(2)	1,000 bbl/d	100.07 USD $
Dated Brent - Collar			
January 2014 - March 2014		2,500 bbl/d	104.00 - 110.46 USD $
January 2014 - June 2014		1,250 bbl/d	103.20 - 110.24 USD $
April 2014 - June 2014		1,000 bbl/d	105.00 - 115.00 USD $
April 2014 - September 2014		1,000 bbl/d	105.00 - 112.00 USD $
April 2014 - December 2014		1,000 bbl/d	106.00 - 110.73 USD $
Dated Brent - Swap			
January 2014 - March 2014		2,000 bbl/d	107.80 USD $
January 2014 - June 2014		1,000 bbl/d	107.25 USD $
January 2014 - June 2014	(2)	1,500 bbl/d	110.32 USD $
April 2014 - June 2014		1,250 bbl/d	109.74 USD $
January 2014 - December 2014		500 bbl/d	108.28 USD $
MSW - Fixed Price Sale (Physical)			
January 2014 - March 2014		1,000 bbl/d	93.37 CAD $
April 2014 - June 2014		1,000 bbl/d	92.85 CAD $

13. DERIVATIVE INSTRUMENTS (Continued)

Canadian Natural Gas			
AECO - Collar			
January 2014 - December 2014		10,000 GJ/d	3.18 - 3.81 CAD $
AECO - Swap			
January 2014 - December 2014		5,000 GJ/d	3.71 CAD $
AECO - Collar (Physical)	(3)		
April 2012 - March 2014		5,500 GJ/d	2.60 - 3.78 CAD $
June 2012 - March 2014		3,000 GJ/d	2.30 - 3.75 CAD $
European Natural Gas			
TTF - Swap			
January 2014 - March 2014		16,200 GJ/d	7.88 EUR €
Electricity			
AESO - Swap			
January 2014 - December 2014		7.2 MWh/d	54.75 CAD $
AESO - Swap (Physical)			
January 2013 - December 2015		72.0 MWh/d	53.17 CAD $

(1) Prior to the expiration of this swap, the counterparty has the option to extend the swap to June 30, 2014 at the contracted volume and price.
(2) Prior to the expiration of this swap, the counterparty has the option to extend the swap to December 31, 2014 at the contracted volume and price.
(3) Physical AECO collars have a funded cost of $0.10/GJ.

The following table reconciles the change in the fair value of Vermilion's derivative instruments:

	Year ended	
($M)	**Dec 31, 2013**	**Dec 31, 2012**
Fair value of contracts, beginning of year	**(6,398)**	(12,149)
Reversal of opening contracts settled during the year	**6,398**	12,149
Realized loss on contracts settled during the year	**(7,082)**	(12,737)
Unrealized loss during the year on contracts outstanding at the end of the year	**(1,287)**	(6,398)
Net payment to counterparties on contract settlements during the year	**7,082**	12,737
Fair value of contracts, end of year	**(1,287)**	(6,398)
Comprised of:		
Current derivative asset	**2,285**	2,086
Current derivative liability	**(3,572)**	(8,484)
Fair value of contracts, end of year	**(1,287)**	(6,398)

The loss on derivative instruments for 2013 and 2012 are comprised of the following:

	Year Ended	
($M)	**Dec 31, 2013**	**Dec 31, 2012**
Realized loss on contracts settled during the year	**7,082**	12,737
Reversal of opening contracts settled during the year	**(6,398)**	(12,149)
Unrealized loss during the year on contracts outstanding at the end of the year	**1,287**	6,398
Loss on derivative instruments	**1,971**	6,986

14. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital is comprised of the following:

	Year Ended	
($M)	**Dec 31, 2013**	**Dec 31, 2012**
Changes in:		
Accounts receivable	**12,446**	(818)
Crude oil inventory	**8,576**	(11,661)
Prepaid expenses	**(840)**	2,375
Accounts payable and accrued liabilities and income taxes payable	**(4,944)**	(18,836)
Movements in foreign exchange rates	**(7,508)**	(1,881)
Changes in non-cash working capital	**7,730**	(30,821)
Changes in non-cash operating working capital	**49,421**	(47,409)
Changes in non-cash investing working capital	**(41,691)**	16,588
Changes in non-cash working capital	**7,730**	(30,821)

15. SEGMENTED INFORMATION

Vermilion has operations principally in Canada, France, the Netherlands, Australia and Ireland. Vermilion's operating activities in each country relate solely to the exploration, development and production of petroleum and natural gas. Vermilion has a Corporate head office located Calgary, Alberta. Costs incurred in the Corporate segment relate to our global hedging program and expenses incurred in financing and managing our operating business units.

Vermilion's chief operating decision maker reviews the financial performance of the Company by assessing the fund flows from operations of each country individually. Fund flows from operations provides a measure of each business unit's ability to generate cash (that is not subject to short-term movements in non-cash operating working capital) necessary to pay dividends, fund asset retirement obligations, and make capital investments.

Prior to the year ended December 31, 2013, Vermilion's segmented disclosure provided a breakdown by country of operating income, which excluded general and administration expense, current income taxes, interest expense, realized foreign exchange, and realized other income. In addition, the prior year disclosure presented the results of the Canada and Corporate segments as a combined segment. The 2013 presentation is now expanded to reflect all of the directly attributable revenue and expenditures for each of Vermilion's business units in addition to the newly segregated corporate segment.

	Year Ended December 31, 2013						
($M)	**Canada**	**France**	**Netherlands**	**Australia**	**Ireland**	**Corporate**	**Total**
Total assets	1,212,056	901,582	228,869	322,773	747,882	295,557	3,708,719
Drilling and development	232,858	96,479	28,543	77,931	90,898	2,228	528,937
Exploration and evaluation	8,339	3,899	-	-	-	1,551	13,789
Oil and gas sales to external customers	382,005	453,315	139,570	298,945	-	-	1,273,835
Royalties	(40,891)	(27,045)	-	-	-	-	(67,936)
Revenue from external customers	341,114	426,270	139,570	298,945	-	-	1,205,899
Transportation expense	(12,254)	(12,505)	-	-	(4,165)	-	(28,924)
Operating expense	(55,804)	(66,997)	(20,617)	(51,625)	-	-	(195,043)
General and administration	(12,979)	(19,657)	(2,724)	(5,752)	(1,442)	(7,356)	(49,910)
Corporate income taxes	-	(94,524)	(34,132)	(31,735)	-	(1,403)	(161,794)
PRRT	-	-	-	(56,565)	-	-	(56,565)
Interest expense	-	-	-	-	-	(38,183)	(38,183)
Realized loss on derivative instruments	-	-	-	-	-	(7,082)	(7,082)
Realized foreign exchange loss	-	-	-	-	-	(1,866)	(1,866)
Realized other income	-	-	-	-	-	994	994
Fund flows from operations	260,077	232,587	82,097	153,268	(5,607)	(54,896)	667,526

15. SEGMENTED INFORMATION (Continued)

	Year Ended December 31, 2012						
($M)	**Canada**	**France**	**Netherlands**	**Australia**	**Ireland**	**Corporate**	**Total**
Total assets	1,112,335	868,300	156,620	296,169	576,904	65,929	3,076,257
Drilling and development	232,903	47,382	21,052	49,389	58,764	3,731	413,221
Exploration and evaluation	38,871	-	272	-	-	174	39,317
Oil and gas sales to external customers	304,202	388,410	123,528	266,963	-	-	1,083,103
Royalties	(31,667)	(20,417)	-	-	-	-	(52,084)
Revenue from external customers	272,535	367,993	123,528	266,963	-	-	1,031,019
Transportation expense	(8,321)	(8,236)	-	-	(7,556)	-	(24,113)
Operating expense	(55,418)	(54,907)	(19,149)	(48,968)	-	-	(178,442)
General and administration	(12,344)	(15,009)	(1,329)	(3,715)	(1,346)	(10,030)	(43,773)
Corporate income taxes	-	(63,006)	(25,648)	(31,607)	-	(1,582)	(121,843)
PRRT	-	-	-	(60,070)	-	-	(60,070)
Interest expense	-	-	-	-	-	(27,586)	(27,586)
Realized loss on derivative instruments	-	-	-	-	-	(12,737)	(12,737)
Realized foreign exchange gain	-	-	-	-	-	2,804	2,804
Realized other expense	-	-	-	-	-	(7,531)	(7,531)
Fund flows from operations	196,452	226,835	77,402	122,603	(8,902)	(56,662)	557,728

Reconciliation of fund flows from operations to net earnings

	Year Ended	
($M)	**Dec 31, 2013**	**Dec 31, 2012**
Fund flows from operations	**667,526**	557,728
Equity based compensation	**(60,845)**	(47,104)
Unrealized gain on derivative instruments	**5,111**	5,751
Unrealized foreign exchange gain (loss)	**52,028**	(4,350)
Unrealized other expense	**(1,451)**	(1,220)
Accretion	**(24,565)**	(23,040)
Depletion and depreciation	**(322,386)**	(295,943)
Deferred taxes	**(35,177)**	19,291
Impairment (recovery)	**47,400**	(65,800)
Gain on acquisition	**-**	45,309
Net earnings	**327,641**	190,622

Vermilion has two major customers with revenues in excess of 10% within the France and Netherlands segments. Sales to the major customer in the France segment for year ended December 31, 2013 were $453.3 million (2012 - $380.6 million). All sales in the Netherlands segment were to one customer.

16. COMMITMENTS

Vermilion had the following future commitments associated with its operating leases as at December 31, 2013:

($M)	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**	**Total**
Payments by period	19,038	29,489	23,919	62,211	134,657

In addition, Vermilion has various other commitments associated with its business operations; none of which, in management's view, are significant in relation to Vermilion's financial position.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents was comprised of the following:

($M)	Dec 31, 2013	Dec 31, 2012
Money on deposit with financial institutions	**379,936**	78,396
Short-term investments	**9,623**	23,729
Cash and cash equivalents	**389,559**	102,125

18. CAPITAL DISCLOSURES

Vermilion defines capital as net debt (a non-standardized measure, which is defined by management as long-term debt as shown on the consolidated balance sheets plus net working capital) and shareholders' capital.

In managing capital, Vermilion reviews whether fund flows from operations (a non-standardized measure, defined by management as cash flows from operating activities before changes in non-cash operating working capital and asset retirement obligations settled), is sufficient to pay for all capital expenditures, dividends and abandonment and reclamation expenditures. To the extent that the forecasted fund flows from operations is not expected to be sufficient in relation to these expenditures, Vermilion will evaluate its ability to finance any excess with debt, an issuance of equity or by reducing some or all categories of expenditures to ensure that total expenditures do not exceed available funds.

Additionally, Vermilion monitors the ratio of net debt to fund flows from operations. Vermilion typically strives to maintain a ratio of net debt to fund flows from operations near 1.0. In a commodity price environment where prices trend higher, Vermilion may target a lower ratio and conversely, in a lower commodity price environment, the acceptable ratio may be higher. At times, Vermilion will use its balance sheet to finance acquisitions and, in these situations, Vermilion is prepared to accept a higher ratio in the short term but will implement a plan to reduce the ratio to acceptable levels within a reasonable period of time, usually considered to be no more than 12 to 18 months. This plan could potentially include an increase in hedging activities, a reduction in capital expenditures, an issuance of equity or the utilization of excess fund flows from operations to reduce outstanding indebtedness.

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

	Year Ended	
($M except as indicated)	**Dec 31, 2013**	**Dec 31, 2012**
Long-term debt	**990,024**	642,022
Current liabilities	**347,444**	355,711
Current assets	**(587,783)**	(320,502)
Net debt [1]	**749,685**	677,231
Cash flows from operating activities	**705,025**	496,580
Changes in non-cash operating working capital	**(49,421)**	47,409
Asset retirement obligations settled	**11,922**	13,739
Fund flows from operations [2]	**667,526**	557,728
Ratio of net debt to fund flows from operations ([1] ÷ [2])	**1.1**	1.2

The ratio of net debt to fund flows from operations for the year ended December 31, 2013 was relatively consistent with same period in 2012 as fund flows from operations increased proportionately with net debt. The increase in net debt was the result of the Northern acquisition in the fourth quarter of 2013 and current year capital expenditures pertaining to the Ireland assets, which are currently under development.

19. FINANCIAL INSTRUMENTS

Classification of Financial Instruments

The following table summarizes information relating to Vermilion's financial instruments as at December 31, 2013 and December 31, 2012:

				As at Dec 31, 2013		As at Dec 31, 2012		
Class of financial instrument	**Consolidated balance sheet caption**	**Accounting designation**	**Related caption on Statement of Net Earnings**	**Carrying value ($M)**	**Fair value ($M)**	**Carrying value ($M)**	**Fair value ($M)**	**Fair value measurement hierarchy**
Cash	Cash and cash equivalents	HFT	Gains and losses on foreign exchange are included in foreign exchange (gain) loss	**389,559**	**389,559**	102,125	102,125	Level 1
Receivables	Accounts receivable	LAR	Gains and losses on foreign exchange are included in foreign exchange (gain) loss and impairments are recognized as general and administration expense	**167,618**	**167,618**	180,064	180,064	Not applicable
Derivative assets	Derivative instruments	HFT	Loss on derivative instruments	**2,285**	**2,285**	2,086	2,086	Level 2
Derivative liabilities	Derivative instruments	HFT	Loss on derivative instruments	**(3,572)**	**(3,572)**	(8,484)	(8,484)	Level 2
Payables	Accounts payable and accrued liabilities Dividends payable	OTH	Gains and losses on foreign exchange are included in foreign exchange (gain) loss	**(288,257)**	**(288,257)**	(319,518)	(319,518)	Not applicable
Long-term debt	Long-term debt	OTH	Interest expense	**(990,024)**	**(998,648)**	(642,022)	(656,315)	Not applicable

The accounting designations used in the above table refer to the following:

HFT – Classified as "Held for trading" in accordance with International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". These financial assets and liabilities are carried at fair value on the consolidated balance sheets with associated gains and losses reflected in net earnings.

LAR – "Loans and receivables" are initially recognized at fair value and are subsequently measured at amortized cost. Impairments and foreign exchange gains and losses are recognized in net earnings.

OTH – "Other financial liabilities" are initially recognized at fair value net of transaction costs directly attributable to the issuance of the instrument and subsequently are measured at amortized cost. Interest is recognized in net earnings using the effective interest method. Foreign exchange gains and losses are recognized in net earnings.

Level 1 – Fair value measurement is determined by reference to unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Fair value measurement is determined based on inputs other than unadjusted quoted prices that are observable, either directly or indirectly.

Level 3 – Fair value measurement is based on inputs for the asset or liability that are not based on observable market data.

Determination of Fair Values

The level in the fair value hierarchy into which the fair value measurements are categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Transfers between levels on the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Fair values for derivative assets and derivative liabilities are determined using pricing models incorporating future prices that are based on assumptions which are supported by prices from observable market transactions and are adjusted for credit risk.

The carrying value of receivables approximate their fair value due to their short maturities.

The carrying value of long-term debt outstanding on the revolving credit facility approximates its fair value due to the use of short-term borrowing instruments at market rates of interest.

The fair value of the senior unsecured notes changes in response to changes in the market rates of interest payable on similar instruments and was determined with reference to prevailing market rates for such instruments.

19. FINANCIAL INSTRUMENTS (Continued)

Nature and Extent of Risks Arising from Financial Instruments

Vermilion is exposed to the following types of risks in relation to its financial instruments:

Credit risk:
Vermilion extends credit to customers and may, from time-to-time, be due amounts from counterparties in relation to derivative instruments. Accordingly, there is a risk of financial loss in the event that a counterparty fails to discharge its obligation. For transactions that are financially significant, Vermilion reviews third-party credit ratings and may require additional forms of security. Cash held on behalf of the Company by financial institutions is also subject to credit risk.

Liquidity risk:
Liquidity risk is the risk that Vermilion will encounter difficulty in meeting obligations associated with its financial liabilities. Vermilion does not consider this to be a significant risk as its financial position and available committed borrowing facility provide significant financial flexibility and allow Vermilion to meet its obligations as they come due.

Currency risk:
Vermilion conducts business in foreign currencies in addition to Canadian dollars and accordingly is subject to currency risk associated with changes in foreign exchange rates in relation to cash and cash equivalents, receivables, payables and derivative assets and liabilities. The impact related to working capital is somewhat mitigated as a result of the offsetting effects of foreign exchange fluctuations on assets and liabilities. Vermilion monitors its exposure to currency risk and reviews whether the use of derivative financial instruments is appropriate to manage potential fluctuations in foreign exchange rates. During the period covered by these consolidated financial statements, Vermilion did not use derivative financial instruments to manage potential fluctuations in foreign exchange rates.

Commodity price risk:
Vermilion uses derivative financial instruments as part of its risk management program to mitigate the effects of changes in commodity prices on future cash flows. Changes in the underlying commodity prices impact the fair value and future cash flows related to these derivatives.

Interest rate risk:
Vermilion's long-term debt is comprised of borrowings under the revolving credit facility and the Company's senior unsecured notes. Borrowings under the revolving credit facility bear interest at market rates plus applicable margins and as such changes in interest rates could result in an increase or decrease in the amount Vermilion pays to service this debt. The senior unsecured notes bear interest at a fixed 6.5% interest rate and as such, changes in prevailing interest rates would affect the fair value of these notes. However, as Vermilion does not intend to settle this debt prior to maturity, the notes are carried at amortized cost and changes in fair value do not affect net earnings.

The nature of these risks and Vermilion's strategy for managing these risks has not changed significantly from the prior period.

Summarized Quantitative Data Associated with the Risks Arising from Financial Instruments

Credit risk:
As at December 31, 2013, Vermilion's maximum exposure to receivable credit risk was $169.9 million (December 31, 2012 - $182.2 million) which is the aggregate value of receivables and derivative assets at the balance sheet date. Vermilion's receivables are primarily due from counterparties that have investment grade third party credit ratings or, in the absence of the availability of such ratings, have been satisfactorily reviewed by Vermilion for creditworthiness. Additionally, cash and cash equivalents consist of moneys on deposit and short-term investments which may be subject to counterparty credit risk. Vermilion mitigates this risk by transacting with North American institutions with high third party credit ratings.

As at the balance sheet date the amount of financial assets that were past due or impaired was not material.

Liquidity risk:
Vermilion's derivative financial instruments settle on a monthly basis.

19. FINANCIAL INSTRUMENTS (Continued)

The following table summarizes Vermilion's undiscounted non-derivative financial liabilities and their contractual maturities as at December 31, 2013 and December 31, 2012:

($M)	Due in one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
December 31, 2013	154,176	118,764	15,317	991,898
December 31, 2012	109,312	209,783	423	644,784

Market risk:
Vermilion's financial instruments are exposed to currency risk related to changes in foreign currency denominated financial instruments and commodity price risk related to outstanding derivative positions. The following table summarizes what the impact on comprehensive income before tax would be for the year ended December 31, 2013 given changes in the relevant risk variables that Vermilion considers were reasonably possible at the balance sheet date. The impact on comprehensive income before tax associated with changes in these risk variables for assets and liabilities that are not considered financial instruments are excluded from this analysis. This analysis does not attempt to reflect any interdependencies between the relevant risk variables.

Risk ($M)	Description of change in risk variable	Before tax effect on comprehensive income - increase (decrease) Dec 31, 2013	Dec 31, 2012
Currency risk - Euro to Canadian	**Increase** in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates	(14,276)	(6,476)
	Decrease in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates	14,276	6,476
Currency risk - US $ to Canadian	**Increase** in strength of the Canadian dollar against the US$ by 5% over the relevant closing rates	(4,420)	(1,971)
	Decrease in strength of the Canadian dollar against the US$ by 5% over the relevant closing rates	4,420	1,971
Commodity price risk	**Increase** in relevant oil reference price within option pricing models used to determine the fair value of financial derivatives by US$5.00/bbl at the relevant valuation dates	(12,291)	(12,908)
	Decrease in relevant oil reference price within option pricing models used to determine the fair value of financial derivatives by US$5.00/bbl at the relevant valuation dates	11,376	12,296
Interest rate risk	**Increase** in average Canadian prime interest rate by 100 basis points during the relevant periods	(4,945)	(2,007)
	Decrease in average Canadian prime interest rate by 100 basis points during the relevant periods	4,945	2,007

Reasonably possible changes in natural gas prices would not have had a material impact on comprehensive income for the years ended December 31, 2013 and 2012.

20. RELATED PARTY DISCLOSURES

The compensation of directors and management are reviewed annually by the independent Governance and Human Resources Committee against industry practices for oil and gas companies of similar size and scope.

The following table summarizes the compensation of directors and other members of key management personnel during the years ended December 31, 2013 and December 31, 2012:

	Year Ended	
($M)	Dec 31, 2013	Dec 31, 2012
Short-term benefits	**6,308**	6,545
Share-based payments	**19,302**	15,428
	25,610	21,973
Number of individuals included in the above amounts	**17**	19

21. WAGES AND BENEFITS

Included in operating expenses and general and administrative expenses for the year ended December 31, 2013 were $53.2 million and $45.9 million of wages and benefits, respectively (2012 – $45.3 million and $30.9 million, respectively).

22. SUBSEQUENT EVENTS

Purchase and Sale Agreement with GDF Suez E&P Deutschland GmbH

On November 6, 2013, Vermilion announced that it entered into a definitive purchase and sale agreement with GDF Suez E&P Deutschland GmbH ("GDF") whereby Vermilion, through its wholly-owned subsidiary, will acquire GDF's 25% interest in four producing natural gas fields and a surrounding exploration license located in northwest Germany. GDF is an affiliate of GDF Suez S.A., a publicly traded, French multinational utility. In addition, the acquisition also includes the purchase of 0.4% of the equity of Ergas Munster GmbH ("EGM"), a joint venture created in 1959 to jointly transport, process, and market gas in northwest Germany. The acquisition represents Vermilion's entry into the German E&P business, a producing region with a long history of oil and gas development activity, low political risk and strong marketing fundamentals. The acquisition is well aligned with Vermilion's European focus, and will increase its exposure to the strong fundamentals and pricing of the European natural gas markets. The acquisition closed in February of 2014 for cash proceeds of approximately $172.0 million plus customary working capital adjustments.

Given the recent timing of the acquisition, the Company has not yet completed the accounting for the acquisition and accordingly not all relevant disclosures are available for the business combination. The Company will report the purchase price allocation in the Company's consolidated financial statements for the three months ended March 31, 2014.

DIRECTORS

Larry J. Macdonald [1, 2, 3, 4, 5]
Chairman & CEO, Point Energy Ltd.
Calgary, Alberta

W. Kenneth Davidson [2, 3]
Toronto, Ontario

Lorenzo Donadeo
Calgary, Alberta

Claudio A. Ghersinich [2, 5]
Executive Director, Carrera Investments Corp.
Calgary, Alberta

Joseph F. Killi [2, 3]
Chairman, Parkbridge Lifestyle Communities Inc.
Vice Chairman, Realex Properties Corp.
Calgary, Alberta

Loren M. Leiker [5]
Houston, Texas

William F. Madison [2, 4, 5]
Sugar Land, Texas

Timothy R. Marchant [3, 4, 5]
Calgary, Alberta

[1] Chairman of the Board
[2] Audit Committee
[3] Governance and Human Resources Committee
[4] Health, Safety and Environment Committee
[5] Independent Reserves Committee

ANNUAL GENERAL MEETING

May 2, 2014
10:00 AM MST
The Ballroom
Metropolitan Centre
333 – 4th Avenue S.W.
Calgary, Alberta

OFFICERS AND KEY PERSONNEL

CANADA

Lorenzo Donadeo, P.Eng.
Chief Executive Officer

Anthony Marino, P.Eng.
President & COO

John D. Donovan, FCA
Executive Vice President Business Development

Curtis W. Hicks, CA
Executive Vice President & CFO

Mona Jasinski, M.B.A., C.H.R.P.
Executive Vice President People

Terry Hergott, CMA
Vice President Marketing

Daniel Goulet, P.Eng.
Director Corporate HSE

Michael Kaluza, P.Eng.
Director Canada Business Unit

Dean N. Morrison, CFA
Director Investor Relations

Mike Prinz
Director Information Technology

Jenson Tan, P.Eng.
Director New Ventures

Robert (Bob) J. Engbloom, LL.B
Corporate Secretary

EUROPE

Gerard Schut, P.Eng.
Vice President European Operations

Darcy Kerwin, P.Eng.
Managing Director
France Business Unit

Neil Wallace
Managing Director
Netherlands Business Unit

AUSTRALIA

Bruce D. Lake, P.Eng.
Managing Director
Australia Business Unit

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

Bank of Montreal
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

Royal Bank of Canada
Calgary, Alberta

The Bank of Nova Scotia
Calgary, Alberta

The Toronto-Dominion Bank
Calgary, Alberta

National Bank of Canada
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

Wells Fargo Bank N.A., London Branch
London, England

HSBC Bank Canada
Calgary, Alberta

JPMorgan Chase Bank, N.A., Toronto Branch
Toronto, Ontario

La Caisse Centrale Desjardins du Québec
Montréal, Quebec

Citibank N.A., Canadian Branch
Citibank Canada
Calgary, Alberta

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Norton Rose Fullbright Canada LLP
Calgary, Alberta

TRANSFER AGENT

Computershare Trust Company of Canada

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange (“VET”)
The New York Stock Exchange (“VET”)

INVESTOR RELATIONS

Dean Morrison, Director Investor Relations

VERMILION ENERGY

EXCELLENCE

We aim for exceptional results in everything we do.

TRUST

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

RESPECT

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

RESPONSIBILITY

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

Vermilion Energy Inc.
3500, 520 3rd Avenue SW
Calgary, Alberta T2P 0R3

Telephone: 1403.269.4884
Facsimile: 1403.476.8100
IR Toll Free: 1.866.895.8101
investor_relations@vermilionenergy.com

vermilionenergy.com

FSC

EXHIBIT 99.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our reports dated February 27, 2014 relating to the consolidated financial statements of Vermilion Energy Inc. and the effectiveness of Vermilion Energy Inc.'s internal control over financial reporting appearing in this Annual Report on Form 40-F of Vermilion Energy Inc. for the year ended December 31, 2013.

/s/ Deloitte LLP

Chartered Accountants
Calgary, Canada
March 7, 2014

EXHIBIT 99.5

CONSENT OF INDEPENDENT ENGINEERS

We hereby consent to the use of and reference to our name and our reports, and the inclusion of information derived from our reports, evaluating Vermilion Energy Inc.'s petroleum and natural gas reserves and resources as at December 31, 2013, in this Annual Report on Form 40-F of Vermilion Energy Inc., and any amendment thereof.

Yours very truly,

("GLJ Petroleum Consultants Ltd.")

GLJ Petroleum Consultants Ltd.
4100, 400 - 3rd Avenue S.W.,
Calgary, Alberta, Canada T2P 4H2
(403) 266-9500 Fax (403) 262-1855

March 7, 2014

EXHIBIT 99.6

VERMILION ENERGY INC.
CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Lorenzo Donadeo, certify that:

1. I have reviewed this annual report on Form 40-F of Vermilion Energy Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 7, 2014

("Lorenzo Donadeo")
[Signature]

Lorenzo Donadeo, Chief Executive Officer

EXHIBIT 99.6

VERMILION ENERGY INC.
CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Curtis Hicks, certify that:

6. I have reviewed this annual report on Form 40-F of Vermilion Energy Inc.;

7. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

8. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

9. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   e) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   f) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   g) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   h) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

10. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 7, 2014

("Curtis Hicks")
[Signature]

Curtis Hicks, Chief Financial Officer

EXHIBIT 99.7

VERMILION ENERGY INC.
CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER

Pursuant to Section 906(a) of the Sarbanes-Oxley Act of 2002
Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18 of the United States Code

In connection with the annual report of Vermilion Energy Inc. (the "Corporation") on Form 40-F for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lorenzo Donadeo, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated at Calgary, Alberta, Canada this 7th day of March 2014.

("Lorenzo Donadeo")
[Signature]

Lorenzo Donadeo, Chief Executive Officer

EXHIBIT 99.7

VERMILION ENERGY INC.
CERTIFICATE OF THE CHIEF FINANCIAL OFFICER

Pursuant to Section 906(a) of the Sarbanes-Oxley Act of 2002
Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18 of the United States Code

In connection with the annual report of Vermilion Energy Inc. (the "Corporation") on Form 40-F for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Curtis Hicks, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated at Calgary, Alberta, Canada this 7th day of March 2014.

("Curtis Hicks")
[Signature]

Curtis Hicks, Chief Financial Officer