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, 2014
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:	**Common Shares, no par value (together with associated common share purchase rights)**	Name of each exchange on which registered:	**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: **107,303,380 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, 2014
Exhibit 99.2 - Management's Discussion and Analysis for the fiscal year ended December 31, 2014; and
Exhibit 99.3 - Audited Annual Financial Statements for the fiscal year ended December 31, 2014

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 2014 Audited Financial Statements included as Exhibit 99.3 to this report.

C. Auditor Attestation

See page 3 and 4 of the 2014 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. Joseph F. Killi 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 Joseph F. Killi 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 50 of the Annual Information Form for the year ended December 31, 2014 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 Audit Committee for approval prior to undertaking the annual audit of the financial statements.

All non-audit fees were pre-approved by the 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, 2014 (Cdn $000’s)

($M)	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
Long-term debt	14,625	1,240,691	-	-	1,255,316
Operating lease obligations	14,782	19,030	16,328	18,549	68,689
Ship or pay agreement relating to the Corrib project	6,807	9,128	7,461	40,152	63,548
Purchase obligations	25,257	8,911	27	-	34,195
Drilling and service agreements	24,884	21,153	-	-	46,037
Total contractual obligations and commitments	86,355	1,298,913	23,816	58,701	1,467,785

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 Joseph F. Killi (Chair), W. Kenneth Davidson, Claudio A. Ghersinich, 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 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 6, 2015

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

EXHIBIT INDEX

The following exhibits have been filed as part of this annual report:

Exhibits	Description
99.1	Annual Information Form for the Year Ended December 31, 2014
99.2	Management's Discussion and Analysis from the 2014 Annual Report to Shareholders
99.3	Audited Annual Financial Statements for the Year Ended December 31, 2014
99.4	Consent of Independent Registered Public Accounting Firm
99.5	Consent of Independent Petroleum Consultants
99.6 (2)	Officers' Certifications pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934
99.7 (2)	Officers' Certifications pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code

EXHIBIT 99.1

VERMILION ENERGY



Vermilion Energy Inc.

2014 Annual Information Form

For the Year Ended December 31, 2014

Dated March 6, 2015

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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;

"CGUs" 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;

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

"GLJ Report" means the independent engineering reserves evaluation of certain oil, NGL and natural gas interests of the Company prepared by GLJ dated February 6, 2015 and effective December 31, 2014;

"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 8, 2015 (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;

"Plan" means the Premium Dividend™ and Dividend Reinvestment Plan of the Company dated effective February 27, 2015, as amended or supplemented from time to time;

"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.
TTF	the day-ahead price for natural gas in the Netherlands, quoted in MWh of natural gas, at the Title Transfer Facility Virtual Trading Point operated by Dutch TSO Gas Transport Services

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, 2014 (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, 2014.

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 6 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

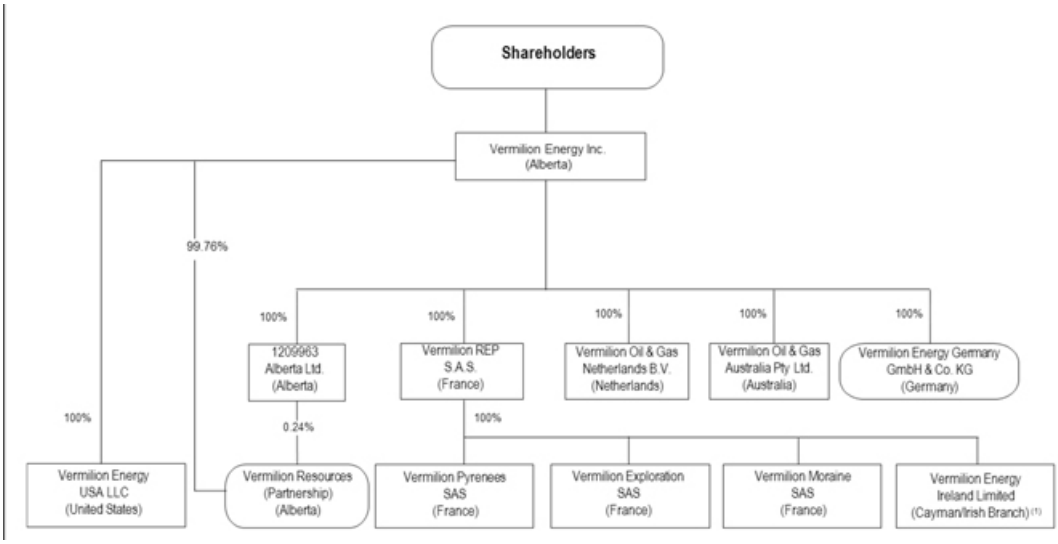
Vermilion Energy Inc. is the successor to the Trust, following the completion of the conversion of the Trust from an income trust to a corporate structure by way of a court approved plan of arrangement under the ABCA on September 1, 2010. Pursuant to the Conversion Arrangement, Unitholders exchanged 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. 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, 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.



Note:

(1) 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 Canada, France, Ireland, the Netherlands, Germany, Australia and the United States. 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 conventional and unconventional resource related exploration exposure in North America, Europe and Australia. Where possible, the Company will seek to expand its reserve base through the selective addition of high-quality, long-life conventional 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 debt 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 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. 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). 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 a final 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 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. The acquisition from GDF SUEZ was completed in February 2014, and was funded with cash balances on hand. The acquisition from GDF SUEZ did 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.

In Q1 2014, Vermilion was awarded the Ijsselmuiden exploration concession in the Netherlands, which consists of approximately 66,300 net undeveloped acres (60% working interest).

In May 2014, we executed the Battonya South concession in Hungary with 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 evaluation 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.

On April 29, 2014, Vermilion announced the completion of the acquisition of Elkhorn Resources Inc., a private S.E. Saskatchewan producer, for total consideration of approximately $427 million. Total consideration comprised the assumption of approximately $42 million of debt, $180 million of cash, and the issuance of 2.8 million common shares of Vermilion valued at approximately $205 million (based on the closing price per Vermilion common share of $72.50 on the Toronto Stock Exchange on April 29, 2014). The assets consist of high netback, light oil producing assets in the Northgate region of southeast Saskatchewan and include approximately 57,000 net acres of land (approximately 80% undeveloped), seven oil batteries, and preferential access to 50% or greater capacity at a solution gas facility.

On May 22, 2014, Vermilion announced the completion of tunnel boring operations beneath Sruwaddacon Bay, related to the Corrib project in Ireland. The tunnel will serve as a conduit for the gas pipeline between the Bellanaboy gas processing facility to the offshore pipeline landing valve at Glengad.

On November 10, 2014, Vermilion announced that it had acquired approximately 68,000 acres of land (98% undeveloped) in the Powder River Basin of northeastern Wyoming for approximately $11.1 million. The Wyoming acquisition did not constitute a "significant acquisition" within the meaning of applicable securities laws.

As at January 31, 2015, Vermilion had 532 full time employees of which 203 employees were located in its Calgary head office, 59 employees in its Canadian field offices, 161 employees in France, 60 employees in the Netherlands, 37 employees in Australia, 8 employees in the United States and 4 employees in Germany.

NARRATIVE DESCRIPTION OF THE BUSINESS

Business Objectives

Vermilion is an oil-leveraged energy producer that seeks to create value through the acquisition, exploration, development and optimization of producing properties in North America, Europe and Australia. The Company's business model targets annual organic production growth along with providing reliable and increasing dividends to investors. Vermilion is targeting growth in production primarily through the exploitation of light oil and liquids-rich natural gas conventional resource plays in Western Canada, the exploration and development of high impact natural gas opportunities in the Netherlands and Germany, and through drilling and workover programs targeting oil in France and Australia. Vermilion also holds an 18.5% working interest in the Corrib gas field in Ireland. In addition, Vermilion continues to develop new venture initiatives which target the identification and capture of meaningful conventional and unconventional resource related development and exploration exposure in North America, 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 and Saskatchewan.
- France business unit: Relates to our operations in France in the Paris and Aquitaine basins.
- Netherlands business unit: Relates to our operations in the Netherlands.
- Germany business unit: Relates to our 25% contractual participation interest in a four-partner consortium in Germany.
- Ireland business unit: Relates to our 18.5% non-operated interest in the offshore Corrib natural gas field and related infrastructure.
- Australia business unit: Relates to operations on the Wandoo offshore crude oil field.
- United States business unit: Relates to our operations in Wyoming in the Powder River Basin.
- 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.

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, 2014, 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 of Alberta: Drayton Valley, Slave Lake and Central Alberta and the Northgate Region of southeast Saskatchewan. Vermilion's main gas producing areas are Drayton Valley and Central Alberta, while Northgate, Slave Lake and the Cardium light oil play in Drayton Valley are the main oil producing areas.

Vermilion holds 65% working interest in 481,700 (313,700 net) acres of developed land, and 86% working interest in 679,600 (582,300 net) acres of undeveloped land. Vermilion had 635 (443 net) producing natural gas wells and 619 (447 net) producing oil wells in Canada as at December 31, 2014.

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 25,000 bbl/d of oil in eleven operated oil batteries including a 15,000 bbl/d oil battery that handles Cardium production which commenced operations August 1, 2011.

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, 2014, production in Canada averaged approximately 55.7 MMcf/d of natural gas and 13,724 bbl/d of crude oil and NGL. Sales of natural gas in 2014 were approximately $92.1 million (2013 - $52.6 million) and sales from crude oil and NGLs were approximately $445.7 million (2013 - $329.4 million).

The GLJ Report assigned 70,608 Mboe of total proved reserves and 120,243 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. Vermilion operates 13 oil batteries and 12 single well batteries with current throughput of approximately 12,000 bbl/d. Given the legacy nature of these assets, the throughput capability of these batteries 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 333 (322 net) producing oil wells in France as at December 31, 2014.

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, 2014, production in France averaged approximately 11,011 bbl/d of oil. Sales from oil in 2014 were approximately $431.3 million (2013 - $449.9 million). Due to the closure of a third party facility, there were no sales of natural gas in 2014 (2013 - $3.4 million).

The GLJ Report assigned 37,249 Mboe of total proved reserves and 57,967 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. Production consists solely of natural gas with a small amount of related condensate. Vermilion's total position in the Netherlands covers 1,495,100 (845,700 net) acres at an average 57% working interest, of which 95% is undeveloped, and 50 (34 net) producing gas wells as at December 31, 2014.

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, 2014, Vermilion's production in the Netherlands averaged 77 bbl/d of NGLs and 38.2 MMcf/d of natural gas. Sales in 2014 of natural gas were approximately $121.2 million (2013 - $134.7 million) and sales from NGLs were approximately $2.6 million (2013 - $4.9 million).

The GLJ Report assigned 6,247 Mboe of total proved reserves and 14,196 Mboe of proved plus probable reserves to Vermilion's properties located in the Netherlands.

Germany Business Unit

Vermilion's Germany assets consist of 25% interest in four producing natural gas fields and a surrounding exploration license located in northwest Germany. Vermilion also holds a 0.4% equity interest in Ergas Munster GmbH ("EGM"), a joint venture created in 1959 to jointly transport, process, and market gas in northwest Germany. This transportation interest allows for our proportionate share of produced volumes to be processed, blended, and transported to designated gas consumers through the EGM network of approximately 2,000 kilometres of pipeline. Vermilion's interest in Germany include 207,300 (51,800 net) acres, of which 85% is undeveloped, and 16 (four net) producing gas wells as at December 31, 2014.

For the year ended December 31, 2014, production in Germany averaged approximately 15.0 MMcf/d of natural gas. Sales of natural gas in 2014 were approximately $42.0 million.

The GLJ Report assigned 6,710 Mboe of total proved reserves and 10,260 Mboe of proved plus probable reserves to Vermilion's properties located in Germany.

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. On May 22, 2014, Vermilion announced the completion of tunnel boring operations. Vermilion expects to continue to invest capital in this project over the next year with approximately $60 million budgeted for 2015. The project is anticipated to produce first gas in approximately 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.

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, 2014, Vermilion's production in Australia averaged 6,571 bbl/d of crude oil. Sales in 2014 from crude oil were approximately $283.5 million (2013 - $298.9 million).

The GLJ Report assigned 12,534 Mboe of total proved reserves and 17,983 Mboe of proved plus probable reserves to Vermilion's property located in Australia.

United States Business Unit

Vermilion's assets in the United States include approximately 104,100 (68,300 net) acres of land in the Powder River basin of northeastern Wyoming, of which 98% is undeveloped. Vermilion had six (three net) producing oil wells in the United States as at December 31, 2014.

From the acquisition date until December 31, 2014, production in the United States averaged approximately 195 bbl/d of crude oil. Sales from crude oil in 2014 were approximately $1.3 million.

The GLJ Report assigned 500 Mboe of total proved reserves and 2,129 Mboe of proved plus probable reserves to Vermilion's properties located in the United States.

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 6, 2015 with an effective date of December 31, 2014. 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, 2014 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, Germany Ireland, the Netherlands and United States 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 Crude 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	10,434	10,434	-	-	-	-	-	-	10,434	10,434
Canada	16,174	13,206	10	9	94,264	85,967	5,150	3,804	37,046	31,347
France	31,650	29,431	-	-	9,875	9,430	-	-	33,297	31,003
Germany	-	-	-	-	29,432	25,245	-	-	4,905	4,208
Ireland	-	-	-	-	-	-	-	-	-	-
Netherlands	-	-	-	-	14,123	13,450	28	25	2,382	2,267
United States	165	137	-	-	61	51	2	2	177	148
Total Proved Developed Producing	58,423	53,208	10	9	147,755	134,143	5,180	3,831	88,241	79,407
Proved Developed Non-Producing [3] [5] [7]										
Australia	-	-	-	-	-	-	-	-	-	-
Canada	1,227	1,099	-	-	12,561	11,248	476	322	3,796	3,296
France	977	874	-	-	-	-	-	-	977	874
Germany	-	-	-	-	10,324	8,806	-	-	1,721	1,468
Ireland	-	-	-	-	-	-	-	-	-	-
Netherlands	-	-	-	-	17,863	17,863	16	16	2,994	2,993
United States	-	-	-	-	-	-	-	-	-	-
Total Proved Developed Non-Producing	2,204	1,973	-	-	40,748	37,917	492	338	9,488	8,631
Proved Undeveloped [3] [8]										
Australia	2,100	2,100	-	-	-	-	-	-	2,100	2,100
Canada	10,077	8,789	-	-	70,589	64,886	7,924	6,542	29,766	26,145
France	2,975	2,780	-	-	-	-	-	-	2,975	2,780
Germany	-	-	-	-	502	(39)	-	-	84	(7)
Ireland	-	-	-	-	105,931	105,931	-	-	17,655	17,655
Netherlands	-	-	-	-	5,169	2,584	10	5	872	436
United States	284	234	-	-	182	150	8	6	322	265
Total Proved Undeveloped	15,436	13,903	-	-	182,373	173,512	7,942	6,553	53,774	49,374
Proved [3]										
Australia	12,534	12,534	-	-	-	-	-	-	12,534	12,534
Canada	27,478	23,094	10	9	177,414	162,101	13,550	10,668	70,608	60,788
France	35,602	33,085	-	-	9,875	9,430	-	-	37,249	34,657
Germany	-	-	-	-	40,258	34,012	-	-	6,710	5,669
Ireland	-	-	-	-	105,931	105,931	-	-	17,655	17,655
Netherlands	-	-	-	-	37,155	33,897	54	46	6,247	5,696
United States	449	371	-	-	243	201	10	8	500	413
Total Proved	76,063	69,084	10	9	370,876	345,572	13,614	10,722	151,502	137,412
Probable [4]										
Australia	5,449	5,449	-	-	-	-	-	-	5,449	5,449
Canada	14,797	12,175	2	2	141,032	126,232	11,331	8,689	49,635	41,905
France	20,288	18,848	-	-	2,582	2,465	-	-	20,719	19,259
Germany	-	-	-	-	21,301	17,816	-	-	3,550	2,969
Ireland	-	-	-	-	38,707	38,707	-	-	6,451	6,451
Netherlands	-	-	-	-	47,076	41,987	103	85	7,949	7,083
United States	1,338	1,104	-	-	1,402	1,159	58	48	1,630	1,345
Total Probable	41,872	37,576	2	2	252,100	228,366	11,492	8,822	95,383	84,461
Proved Plus Probable [3] [4]										
Australia	17,983	17,983	-	-	-	-	-	-	17,983	17,983
Canada	42,275	35,269	12	11	318,446	288,333	24,881	19,357	120,243	102,693
France	55,890	51,933	-	-	12,457	11,895	-	-	57,967	53,916
Germany	-	-	-	-	61,559	51,828	-	-	10,260	8,638
Ireland	-	-	-	-	144,638	144,638	-	-	24,106	24,106
Netherlands	-	-	-	-	84,231	75,884	157	131	14,196	12,779
United States	1,787	1,475	-	-	1,645	1,360	68	56	2,129	1,758
Total Proved Plus Probable	117,935	106,660	12	11	622,976	573,938	25,106	19,544	246,884	221,873

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	291,164	263,104	239,218	218,979	201,803	280,825	242,543	213,082	189,932	171,394
Canada	1,262,154	972,328	790,894	668,312	580,565	1,262,155	972,328	790,895	668,312	580,565
France	2,054,566	1,447,105	1,120,222	918,238	781,399	1,655,535	1,184,551	921,918	755,890	641,911
Germany	104,703	88,743	76,967	68,031	61,063	104,703	88,743	76,967	68,031	61,063
Ireland	-	-	-	-	-	-	-	-	-	-
Netherlands	44,934	46,660	46,565	45,756	44,670	44,726	46,457	46,366	45,563	44,480
United States	8,235	6,662	5,619	4,885	4,343	8,235	6,662	5,619	4,885	4,343
Total Proved Developed Producing	3,765,756	2,824,602	2,279,485	1,924,201	1,673,843	3,356,179	2,541,284	2,054,847	1,732,613	1,503,756
Proved Developed Non-Producing (2) (4) (6)										
Australia	-	-	-	-	-	-	-	-	-	-
Canada	101,096	72,953	56,758	46,332	39,099	54,946	50,000	44,899	39,996	35,611
France	57,393	38,340	27,990	21,760	17,681	37,650	24,928	18,020	13,868	11,154
Germany	46,636	32,713	23,976	18,295	14,442	46,636	32,713	23,976	18,295	14,442
Ireland	-	-	-	-	-	-	-	-	-	-
Netherlands	61,915	45,630	34,900	27,543	22,322	60,340	44,093	33,399	26,075	20,884
United States	-	-	-	-	-	-	-	-	-	-
Total Proved Developed Non-Producing	267,040	189,636	143,624	113,930	93,544	199,572	151,734	120,294	98,234	82,091
Proved Undeveloped (2) (7)										
Australia	71,575	47,975	31,079	18,724	9,524	25,361	12,037	2,650	(4,084)	(8,989)
Canada	681,560	465,275	327,825	235,860	171,712	508,412	345,509	242,605	173,718	125,419
France	197,047	145,815	109,125	83,358	64,840	128,782	92,384	66,709	48,918	36,283
Germany	831	1,201	991	566	125	831	1,201	991	566	125
Ireland	774,335	642,348	534,368	451,049	387,017	774,335	642,348	534,368	451,049	387,017
Netherlands	14,875	12,536	10,658	9,129	7,868	14,704	12,369	10,495	8,969	7,712
United States	8,855	4,795	2,502	1,084	141	7,367	3,917	1,939	696	(139)
Total Proved Undeveloped	1,749,078	1,319,945	1,016,548	799,770	641,227	1,459,792	1,109,765	859,757	679,832	547,428
Proved (2)										
Australia	362,739	311,079	270,297	237,703	211,327	306,187	254,580	215,732	185,848	162,405
Canada	2,044,810	1,510,556	1,175,477	950,504	791,376	1,825,513	1,367,837	1,078,399	882,026	741,595
France	2,309,006	1,631,260	1,257,337	1,023,356	863,920	1,821,967	1,301,863	1,006,647	818,676	689,348
Germany	152,170	122,657	101,934	86,892	75,630	152,170	122,657	101,934	86,892	75,630
Ireland	774,335	642,348	534,368	451,049	387,017	774,335	642,348	534,368	451,049	387,017
Netherlands	121,724	104,826	92,123	82,428	74,860	119,770	102,919	90,260	80,607	73,076
United States	17,090	11,457	8,121	5,969	4,484	15,602	10,579	7,558	5,581	4,204
Total Proved	5,781,874	4,334,183	3,439,657	2,837,901	2,408,614	5,015,544	3,802,783	3,034,898	2,510,679	2,133,275
Probable (3)										
Australia	344,309	273,659	222,624	185,158	157,114	196,770	151,343	119,726	97,200	80,756
Canada	1,473,018	920,352	628,307	455,987	345,800	1,102,943	680,073	458,267	328,291	245,822
France	1,561,454	867,399	562,195	397,231	296,268	1,022,105	555,401	349,205	238,204	170,866
Germany	95,306	62,229	43,077	31,263	23,563	85,929	56,977	39,975	29,351	22,344
Ireland	430,350	269,590	183,438	133,486	102,376	430,350	269,590	183,438	133,486	102,376
Netherlands	302,536	222,307	172,861	140,087	117,110	259,231	184,444	138,913	109,209	88,748
United States	68,675	36,091	21,316	13,434	8,723	46,431	23,501	12,945	7,264	3,865
Total Probable	4,275,648	2,651,627	1,833,818	1,356,646	1,050,954	3,143,759	1,921,329	1,302,469	943,005	714,777
Proved Plus Probable (2) (3)										
Australia	707,048	584,738	492,921	422,861	368,441	502,957	405,923	335,458	283,048	243,161
Canada	3,517,828	2,430,908	1,803,784	1,406,491	1,137,176	2,928,456	2,047,910	1,536,666	1,210,317	987,417
France	3,870,460	2,498,659	1,819,532	1,420,587	1,160,188	2,844,072	1,857,264	1,355,852	1,056,880	860,214
Germany	247,476	184,886	145,011	118,155	99,193	238,099	179,634	141,909	116,243	97,974
Ireland	1,204,685	911,938	717,806	584,535	489,393	1,204,685	911,938	717,806	584,535	489,393
Netherlands	424,260	327,133	264,984	222,515	191,970	379,001	287,363	229,173	189,816	161,824
United States	85,765	47,548	29,437	19,403	13,207	62,033	34,080	20,503	12,845	8,069
Total Proved Plus Probable	10,057,522	6,985,810	5,273,475	4,194,547	3,459,568	8,159,303	5,724,112	4,337,367	3,453,684	2,848,052

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	1,360,391	-	712,428	245,532	39,691	362,740	56,553	306,187
Canada	4,302,228	648,056	1,026,393	534,106	48,863	2,044,810	219,297	1,825,513
France	3,982,049	279,641	1,083,549	124,021	185,833	2,309,005	487,038	1,821,967
Germany	374,000	57,252	147,030	8,056	9,492	152,170	-	152,170
Ireland	1,149,786	-	218,436	89,042	67,973	774,335	-	774,335
Netherlands	378,250	32,084	135,382	44,893	44,167	121,724	1,954	119,770
United States	43,127	11,043	6,605	8,190	199	17,090	1,488	15,602
Total Proved	11,589,831	1,028,076	3,329,823	1,053,840	396,218	5,781,874	766,330	5,015,544
Proved Plus Probable **(2) (3)**								
Australia	2,035,436	-	1,039,962	245,532	42,893	707,049	204,092	502,957
Canada	7,407,493	1,181,971	1,715,243	931,517	60,935	3,517,827	589,371	2,928,456
France	6,504,904	456,374	1,596,847	342,728	238,496	3,870,459	1,026,387	2,844,072
Germany	598,427	93,266	234,697	12,180	10,808	247,476	9,377	238,099
Ireland	1,656,494	-	294,794	89,042	67,973	1,204,685	-	1,204,685
Netherlands	918,290	90,017	262,155	87,177	54,681	424,260	45,259	379,001
United States	198,397	50,816	26,673	34,589	554	85,765	23,732	62,033
Total Proved Plus Probable	19,319,441	1,872,444	5,170,371	1,742,765	476,340	10,057,521	1,898,218	8,159,303

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 crude oil [3]	1,993,508	33.44
Heavy Oil [3]	197	14.45
Natural gas [4]	278,281	15.12
Shale Gas	6,234	17.02
Coal Bed Methane	1,265	1.26
Total Proved Developed Producing	2,279,485	28.71
Proved Developed Non-Producing		
Light and medium crude oil [3]	55,301	26.31
Heavy Oil [3]	-	-
Natural gas [4]	84,921	14.46
Shale Gas	-	-
Coal Bed Methane	3,402	5.19
Total Proved Developed Non-Producing	143,624	16.64
Proved Undeveloped		
Light and medium crude oil [3]	338,689	18.97
Heavy Oil [3]	-	-
Natural gas [4]	671,645	22.60
Shale Gas	-	-
Coal Bed Methane	6,214	3.44
Total Proved Undeveloped	1,016,548	20.59
Proved		
Light and medium crude oil [3]	2,387,498	29.76
Heavy Oil [3]	197	14.22
Natural gas [4]	1,034,847	19.52
Shale Gas	6,234	16.75
Coal Bed Methane	10,881	3.22
Total Proved	3,439,657	25.03
Probable		
Light and medium crude oil [3]	1,192,527	27.46
Heavy Oil [3]	107	24.80
Natural gas [4]	632,758	16.07
Shale Gas	1,912	18.54
Coal Bed Methane	6,514	4.15
Total Probable	1,833,818	21.71
Proved Plus Probable		
Light and medium crude oil [3]	3,580,025	28.97
Heavy Oil [3]	304	16.75
Natural gas [4]	1,667,605	18.04
Shale Gas	8,146	17.24
Coal Bed Methane	17,395	3.50
Total Proved Plus Probable	5,273,475	23.77

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 Canada	Natural Gas Europe	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 ($Cdn/MMBtu)	National Balancing Point (UK) ($US/MMBtu)	FOB Field Gate ($Cdn/bbl)	Percent Per Year	($US/$Cdn)	(EUR/$Cdn)
2014	93.06	94.77	89.86	99.89	4.52	8.26	72.59	2.0	0.905	1.467
Forecast										
2015	62.50	64.71	61.47	67.50	3.31	7.50	38.13	2.0	0.850	1.450
2016	75.00	80.00	76.00	82.50	3.77	8.25	47.68	2.0	0.875	1.450
2017	80.00	85.71	81.43	87.50	4.02	8.75	52.15	2.0	0.875	1.450
2018	85.00	91.43	86.86	90.00	4.27	9.00	55.62	2.0	0.875	1.450
2019	90.00	97.14	92.29	95.00	4.53	9.50	59.10	2.0	0.875	1.450
Thereafter	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.875	1.450

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 2014, 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. The price of Vermilion's natural gas in Germany is based on the TTF month-ahead index, as determined on the Title Transfer Facility Virtual Trading Point operated by Dutch TSO Gas Transport Services, plus various fees. 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, 2014, the average realized sales prices before hedging were $113.80 per bbl (Australia), $8.70 per Mcf (Netherlands), $7.67 per Mcf (Germany), $105.43 per bbl (France) for Brent-based crude oil, $74.08 per bbl (United States) for WTI, $88.98 per bbl for Canadian-based crude oil and NGLs and $4.53 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, 2014 compared to such reserves as at December 31, 2013 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 Crude Oil			Light and Medium Crude 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, 2013	14,024	5,439	19,463	14,024	5,439	19,463	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	900	(900)	-	900	(900)	-	-	-	-	-	-	-
Technical Revisions	8	910	918	8	910	918	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(2,398)	-	(2,398)	(2,398)	-	(2,398)	-	-	-	-	-	-
At December 31, 2014	12,534	5,449	17,983	12,534	5,449	17,983	-	-	-	-	-	-

	Total Natural Gas			Conventional Natural Gas			Unconventional Natural Gas			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, 2013	-	-	-	-	-	-	-	-	-	14,024	5,439	19,463
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	900	(900)	-
Technical Revisions	-	-	-	-	-	-	-	-	-	8	910	918
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	(2,398)	-	(2,398)
At December 31, 2014	-	-	-	-	-	-	-	-	-	12,534	5,449	17,983

CANADA	Total Crude Oil			Light and Medium Crude 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, 2013	20,863	10,453	31,316	20,850	10,450	31,300	13	3	16	8,167	5,685	13,852
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	2,105	2,013	4,118	2,105	2,013	4,118	-	-	-	2,654	2,889	5,543
Technical Revisions	1,544	(1,950)	(406)	1,543	(1,949)	(406)	1	(1)	-	2,368	1,970	4,338
Acquisitions	7,081	4,283	11,364	7,081	4,283	11,364	-	-	-	1,265	787	2,052
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(4,105)	-	(4,105)	(4,101)	-	(4,101)	(4)	-	(4)	(904)	-	(904)
At December 31, 2014	27,488	14,799	42,287	27,478	14,797	42,275	10	2	12	13,550	11,331	24,881

	Total Natural Gas			Conventional Natural Gas			Unconventional Natural Gas			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, 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
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	28,466	47,945	76,411	26,811	47,525	74,336	1,656	420	2,076	9,503	12,893	22,396
Technical Revisions	2,716	(4,631)	(1,915)	1,296	(4,536)	(3,240)	1,420	(95)	1,325	4,365	(752)	3,613
Acquisitions	11,589	7,055	18,644	11,589	7,055	18,644	-	-	-	10,278	6,246	16,524
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(20,318)	-	(20,318)	(17,191)	-	(17,191)	(3,127)	-	(3,127)	(8,395)	-	(8,395)
At December 31, 2014	177,414	141,032	318,446	153,563	130,580	284,143	23,852	10,452	34,304	70,608	49,635	120,243

FRANCE	**Total Crude Oil**			**Light and Medium Crude 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, 2013	34,391	18,394	52,785	34,391	18,394	52,785	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	1,049	2,195	3,244	1,049	2,195	3,244	-	-	-	-	-	-
Technical Revisions	4,181	(301)	3,880	4,181	(301)	3,880	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(4,019)	-	(4,019)	(4,019)	-	(4,019)	-	-	-	-	-	-
At December 31, 2014	35,602	20,288	55,890	35,602	20,288	55,890	-	-	-	-	-	-

	Total Natural Gas			**Conventional Natural Gas**			**Unconventional Natural Gas**			**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, 2013	11,031	3,269	14,300	11,031	3,269	14,300	-	-	-	36,230	18,939	55,168
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	1,049	2,195	3,244
Technical Revisions	(1,156)	(687)	(1,843)	(1,156)	(687)	(1,843)	-	-	-	3,989	(415)	3,574
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	(4,019)	-	(4,019)
At December 31, 2014	9,875	2,582	12,457	9,875	2,582	12,457	-	-	-	37,249	20,719	57,967

GERMANY	**Total Crude Oil**			**Light and Medium Crude 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, 2013	-	-	-	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2014	-	-	-	-	-	-	-	-	-	-	-	-

	Total Natural Gas			**Conventional Natural Gas**			**Unconventional Natural Gas**			**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, 2013	-	-	-	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	2,784	3,856	6,640	2,784	3,856	6,640	-	-	-	464	643	1,107
Technical Revisions	21	6	27	21	6	27	-	-	-	4	1	5
Acquisitions	42,923	17,439	60,362	42,923	17,439	60,362	-	-	-	7,154	2,906	10,060
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(5,470)	-	(5,470)	(5,470)	-	(5,470)	-	-	-	(912)	-	(912)
At December 31, 2014	40,258	21,301	61,559	40,258	21,301	61,559	-	-	-	6,710	3,550	10,260

IRELAND	Total Crude Oil			Light and Medium Crude 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, 2013	-	-	-	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2014	-	-	-	-	-	-	-	-	-	-	-	-

	Total Natural Gas			Conventional Natural Gas			Unconventional Natural Gas			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, 2013	105,931	38,707	144,638	105,931	38,707	144,638	-	-	-	17,655	6,451	24,106
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2014	105,931	38,707	144,638	105,931	38,707	144,638	-	-	-	17,655	6,451	24,106

NETHERLANDS	Total Crude Oil			Light and Medium Crude 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, 2013	-	-	-	-	-	-	-	-	-	61	99	160
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	14	9	23
Technical Revisions	-	-	-	-	-	-	-	-	-	7	(5)	2
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-	(28)	-	(28)
At December 31, 2014	-	-	-	-	-	-	-	-	-	54	103	157

	Total Natural Gas			Conventional Natural Gas			Unconventional Natural Gas			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, 2013	36,750	44,592	81,342	36,750	44,592	81,342	-	-	-	6,186	7,531	13,717
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	6,741	4,950	11,691	6,741	4,950	11,691	-	-	-	1,138	834	1,972
Technical Revisions	7,606	(2,466)	5,140	7,606	(2,466)	5,140	-	-	-	1,275	(416)	859
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(13,942)	-	(13,942)	(13,942)	-	(13,942)	-	-	-	(2,352)	-	(2,352)
At December 31, 2014	37,155	47,076	84,231	37,155	47,076	84,231	-	-	-	6,247	7,949	14,196

UNITED STATES	Total Crude Oil			Light and Medium Crude 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, 2013	-	-	-	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	477	1,340	1,817	477	1,340	1,817	-	-	-	12	66	78
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	(10)	(2)	(12)	(10)	(2)	(12)	-	-	-	(2)	(8)	(10)
Production	(18)	-	(18)	(18)	-	(18)	-	-	-	-	-	-
At December 31, 2014	449	1,338	1,787	449	1,338	1,787	-	-	-	10	58	68

	Total Natural Gas			Conventional Natural Gas			Unconventional Natural Gas			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, 2013	-	-	-	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	297	1,605	1,902	297	1,605	1,902	-	-	-	539	1,674	2,212
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	(54)	(203)	(257)	(54)	(203)	(257)	-	-	-	(21)	(44)	(65)
Production	-	-	-	-	-	-	-	-	-	(18)	-	(18)
At December 31, 2014	243	1,402	1,645	243	1,402	1,645	-	-	-	500	1,630	2,129

TOTAL COMPANY	Total Crude Oil			Light and Medium Crude 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, 2013	69,278	34,286	103,564	69,265	34,283	103,548	13	3	16	8,228	5,784	14,012
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	4,054	3,308	7,362	4,054	3,308	7,362	-	-	-	2,668	2,898	5,566
Technical Revisions	5,733	(1,341)	4,392	5,732	(1,340)	4,392	1	(1)	-	2,375	1,965	4,340
Acquisitions	7,558	5,623	13,181	7,558	5,623	13,181	-	-	-	1,277	853	2,130
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	(10)	(2)	(12)	(10)	(2)	(12)	-	-	-	(2)	(8)	(10)
Production	(10,540)	-	(10,540)	(10,536)	-	(10,536)	(4)	-	(4)	(932)	-	(932)
At December 31, 2014	76,073	41,874	117,947	76,063	41,872	117,935	10	2	12	13,614	11,492	25,106

	Total Natural Gas			Conventional Natural Gas			Unconventional Natural Gas			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, 2013	308,673	177,231	485,904	284,770	167,104	451,874	23,903	10,127	34,030	128,952	69,609	198,559
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Extensions & Improved Recovery	37,991	56,751	94,742	36,336	56,331	92,667	1,656	420	2,076	13,054	15,665	28,719
Technical Revisions	9,187	(7,778)	1,409	7,767	(7,683)	84	1,420	(95)	1,325	9,640	(672)	8,969
Acquisitions	54,809	26,099	80,908	54,809	26,099	80,908	-	-	-	17,971	10,825	28,796
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	(54)	(203)	(257)	(54)	(203)	(257)	-	-	-	(21)	(44)	(65)
Production	(39,730)	-	(39,730)	(36,603)	-	(36,603)	(3,127)	-	(3,127)	(18,094)	-	(18,094)
At December 31, 2014	370,876	252,100	622,976	347,025	241,648	588,673	23,852	10,452	34,304	151,502	95,383	246,884

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 Crude Oil (Mbbl)		Conventional Natural Gas (MMcf)		Unconventional Natural 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	3,543	4,734	15,655	47,793
2014	5,614	15,434	26,111	170,763	-	11,610	2,175	7,942	12,140	53,772
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	1,276	5,723	32,762
2013	7,967	17,797	53,927	115,066	5,338	7,085	3,742	4,640	21,587	42,795
2014	6,541	22,050	60,779	163,645	-	6,741	3,762	9,615	20,432	60,063

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		
2015	81,700	81,700
2016	78,438	78,438
2017	21,120	21,120
2018	36,506	36,506
2019	13,747	13,747
Remainder	14,021	14,021
Total for all years undiscounted	245,532	245,532
Canada		
2015	166,244	200,656
2016	192,500	269,800
2017	98,904	265,047
2018	55,131	156,202
2019	11,784	25,639
Remainder	9,543	14,173
Total for all years undiscounted	534,106	931,517
France		
2015	31,772	67,540
2016	32,483	73,283
2017	10,032	83,687
2018	19,018	52,090
2019	6,395	41,807
Remainder	24,321	24,321
Total for all years undiscounted	124,021	342,728
Germany		
2015	653	4,778
2016	6,887	6,887
2017	384	384
2018	65	65
2019	67	67
Remainder	-	(1)
Total for all years undiscounted	8,056	12,180
Ireland		
2015	60,029	60,029
2016	9,450	9,450
2017	-	-
2018	-	-
2019	1,882	1,882
Remainder	17,681	17,681
Total for all years undiscounted	89,042	89,042

Netherlands		
2015	6,920	7,795
2016	1,871	6,934
2017	416	18,628
2018	28,678	35,767
2019	433	11,479
Remainder	6,575	6,574
Total for all years undiscounted	44,893	87,177
United States		
2015	8,190	10,920
2016	-	23,669
2017	-	-
2018	-	-
2019	-	-
Remainder	-	-
Total for all years undiscounted	8,190	34,589
Total Company		
2015	355,508	433,418
2016	321,629	468,461
2017	130,856	388,866
2018	139,398	280,630
2019	34,308	94,621
Remainder	72,141	76,769
Total for all years undiscounted	1,053,840	1,742,765

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 Vermilion's 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, 2014:

	Oil				Natural Gas			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross Wells (3)	Net Wells (4)	Gross Wells (3)	Net Wells (4)	Gross Wells (3)	Net Wells (4)	Gross Wells (3)	Net Wells
Canada								
Alberta	492	339	147	90	635	443	267	190
Saskatchewan	127	108	11	11	-	-	-	-
Total Canada	619	447	158	101	635	443	267	190
Australia	18	18	-	-	-	-	-	-
France	333	322	90	85	-	-	2	2
Germany	-	-	-	-	16	4	1	-
Ireland	-	-	-	-	-	-	6	1
Netherlands	-	-	-	-	50	34	16	13
United States	6	3	-	-	-	-	-	-
Total Vermilion	976	790	248	186	701	481	292	206

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, 2014:

	Acquisition Costs				
(M$)	**Proved Properties**	**Unproved Properties**	**Exploration Costs**	**Development Costs**	**Total Costs**
Australia	-	-	-	44,283	44,283
Canada	249,485	168,334	45,157	291,046	754,022
France	-	-	11,833	136,019	147,852
Germany	156,806	16,065	-	2,747	175,618
Ireland	-	-	-	94,439	94,439
Netherlands	-	-	12,045	49,695	61,740
United States	11,175	-	-	460	11,635
Total	417,466	184,399	69,035	618,689	1,289,589

Acreage

The following table summarizes the acreage for the year ended December 31, 2014:

	Developed [1]		Undeveloped		Total	Total
(M$)	**Gross [2]**	**Net [3]**	**Gross [2]**	**Net [3]**	**Gross [2]**	**Net**
Australia	20,200	20,200	39,400	39,400	59,600	59,600
Canada	481,700	313,700	679,600	582,300	1,161,300	896,000
France	218,100	208,900	344,900	344,900	563,000	553,800
Germany	31,400	7,800	175,900	44,000	207,300	51,800
Hungary	-	-	116,300	116,300	116,300	116,300
Ireland	7,200	1,300	-	-	7,200	1,300
Netherlands	72,600	44,800	1,422,500	800,900	1,495,100	845,700
United States	1,800	1,200	102,300	67,100	104,100	68,300
Total	833,000	597,900	2,880,900	1,994,900	3,713,900	2,592,800

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 2014 financial year:

	Exploration Wells		Development Wells	
	Gross [1]	Net [2]	Gross [1]	Net [2]
Australia				
Oil	-	-	-	-
Gas	-	-	-	-
Standing	-	-	-	-
Dry Holes	-	-	-	-
Total Completed	-	-	-	-
Canada				
Oil	-	-	50.0	37.0
Gas	2.0	1.3	21.0	11.0
Standing	-	-	-	-
Dry Holes	-	-	1.0	1.0
Total Completed	2.0	1.3	72.0	49.0
France				
Oil	-	-	6.0	5.5
Gas	-	-	-	-
Service	-	-	1.0	1.0
Standing	-	-	-	-
Dry Holes	1.0	1.0	-	-
Total Completed	1.0	1.0	7.0	6.5
Germany				
Oil	-	-	-	-
Gas	-	-	1.0	0.3
Standing	-	-	-	-
Dry Holes	-	-	-	-
Total Completed	-	-	1.0	0.3
Ireland				
Oil	-	-	-	-
Gas	-	-	-	-
Standing	-	-	-	-
Dry Holes	-	-	-	-
Total Completed	-	-	-	-
Netherlands				
Oil	-	-	-	-
Gas	-	-	3.0	1.4
Standing	-	-	-	-
Dry Holes	3.0	2.4	1.0	0.9
Total Completed	3.0	2.4	4.0	2.3
United States				
Oil	-	-	1.0	0.7
Gas	-	-	-	-
Standing	-	-	-	-
Dry Holes	-	-	-	-
Total Completed	-	-	1.0	0.7
Total Company				
Oil	-	-	57.0	43.2
Gas	2.0	1.3	25.0	12.7
Service	-	-	1.0	1.0
Standing	-	-	-	-
Dry Holes	4.0	3.4	2.0	1.9
Total Completed	6.0	4.7	85.0	58.8

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.

In December, 2014, Vermilion had initially announced a $525 million 2015 capital program with activities planned in Australia, Canada, France, Ireland, the Netherlands, Germany and the United States. Subsequently in February 2015, Vermilion announced a reduction in budgeted 2015 capital expenditures to $415 million. Key development expenditures in 2015 include drilling activity targeting high-netback European gas in the Netherlands and Germany, and the continued development of our Cardium and Saskatchewan oil plays and Mannville liquids-rich gas opportunities in Canada. In Australia, the reduction of the capital program resulted in the deferral and potential cancellation of our planned Q1 2015 drilling program. In Ireland, remaining work includes terminal commissioning and finalization of operating permits in advance of first gas from Corrib, anticipated in mid-2015.

Properties with No Attributed Reserves

The following table sets out Vermilion's properties with no attributed reserves as at December 31, 2014:

	Properties with No Attributed Reserves	
Country	**Gross Acres (1)**	**Net Acres**
Australia	39,400	39,400
Canada	341,100	292,300
France	344,900	344,900
Germany	175,800	44,000
Hungary	116,300	116,300
Ireland	-	-
Netherlands	1,422,500	800,900
United States	96,400	63,300
Total	2,536,400	1,701,100

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 71,000 (69,000 net) acres in Canada, 4,000 (2,900 net) acres in the United States, and 66,000 (66,000 net) acres in France 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 for Australia, Germany, Hungary, Ireland and the Netherlands. Work commitments on these lands are categorized as seismic acquisition, geophysical studies or well commitments. Vermilion currently has no material work commitments in Australia, Canada and the United States. Vermilion's work commitments with respect to its European lands held are estimated to be $5 million in the next year.

Contingent and Prospective Resources

The GLJ Resources Assessment estimated contingent resources of 103.1 million boe (low estimate) to 408.0 million boe (high estimate), with a best estimate of 293.4 million boe and prospective resources of 308.3 million boe (low estimate) to 900.2 million boe (high estimate), with a best estimate of 601.6 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 and are derived, in each case, from the GLJ Resources Assessment. The GLJ Resources Assessment was prepared in accordance with COGEH and NI-51-101 by GLJ, an independent qualified reserve evaluator.

Company Contingent and Prospective Resources as at December 31, 2014 (1) (2) - Forecast Prices and Costs (3) (4)

	Gross Reserves	Gross						Net					
		Contingent Resources			Prospective Resources			Contingent Resources			Prospective Resources		
Crude 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	17,983	1,350	3,950	6,200	-	1,207	3,046	1,350	3,950	6,200	-	1,207	3,046
Canada	67,168	38,923	109,571	151,394	99,092	215,169	335,029	30,165	83,004	113,008	77,132	165,088	253,483
France	55,890	16,714	32,640	49,379	3,478	12,512	34,866	15,797	30,639	46,388	3,325	11,553	33,074
Germany	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-
Netherlands	157	14	44	1,116	149	264	1,262	14	44	1,116	149	264	1,262
United States	1,855	-	8,482	8,482	-	-	-	-	6,998	6,998	-	-	-
Total	143,053	57,001	154,687	216,571	102,719	229,152	374,203	47,326	124,635	173,710	80,606	178,112	290,865

	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	318,446	260,803	772,308	1,055,506	1,031,549	1,869,590	2,475,894	238,734	703,634	952,492	958,760	1,730,748	2,283,476
France	12,457	475	1,330	2,613	-	-	-	449	1,257	2,469	-	-	-
Germany	61,559	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	144,638	6,359	23,842	35,734	-	-	-	6,359	23,842	35,734	-	-	-
Netherlands	84,231	8,704	27,539	47,394	202,035	365,182	680,499	8,704	27,539	47,394	202,035	365,182	680,499
United States	1,645	-	7,300	7,300	-	-	-	-	6,022	6,022	-	-	-
Total	622,976	276,341	832,319	1,148,547	1,233,584	2,234,772	3,156,393	254,246	762,294	1,044,111	1,160,795	2,095,930	2,963,975

	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	17,983	1,350	3,950	6,200	-	1,207	3,046	1,350	3,950	6,200	-	1,207	3,046
Canada	120,243	82,390	238,290	327,312	271,016	526,767	747,678	69,954	200,276	271,757	236,925	453,546	634,062
France	57,967	16,793	32,862	49,814	3,478	12,512	34,866	15,871	30,849	46,800	3,325	11,553	33,074
Germany	10,260	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	24,106	1,060	3,974	5,956	-	-	-	1,060	3,974	5,956	-	-	-
Netherlands	14,196	1,464	4,634	9,015	33,822	61,128	114,679	1,464	4,634	9,015	33,822	61,128	114,679
United States	2,129	-	9,698	9,698	-	-	-	-	8,001	8,001	-	-	-
Total	246,884	103,057	293,408	407,995	308,316	601,614	900,269	89,699	251,684	347,729	274,072	527,434	784,861

Summary of Net Present Value of Future Net Revenues as at December 31, 2014 - 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	53,588	36,337	28,793	24,638	9,903	3,796	1,318	26
Canada	2,095,806	1,211,845	901,127	747,500	1,563,303	873,722	634,037	516,572
France	1,204,380	661,229	474,985	384,557	789,158	410,775	283,929	223,171
Germany	-	-	-	-	-	-	-	-
Ireland	26,010	13,311	8,376	5,846	26,010	13,311	8,376	5,846
Netherlands	30,396	16,766	11,216	8,274	15,020	4,981	1,049	(979)
United States	-	-	-	-	-	-	-	-
Total Low Estimate	3,410,180	1,939,488	1,424,497	1,170,815	2,403,394	1,306,585	928,709	744,636
Best Estimate (C2) [7]								
Australia	284,255	200,400	164,163	144,286	103,353	68,354	53,704	45,831
Canada	6,459,393	3,570,683	2,589,387	2,111,760	4,818,494	2,586,094	1,831,852	1,466,556
France	2,360,314	1,292,886	932,442	758,266	1,547,524	807,329	562,967	446,486
Germany	-	-	-	-	-	-	-	-
Ireland	154,048	63,672	39,612	29,455	154,048	63,672	39,612	29,455
Netherlands	148,184	93,040	70,699	58,839	78,990	42,647	28,323	20,855
United States	374,344	181,832	122,734	95,296	243,284	115,575	76,064	57,643
Total Best Estimate	9,780,538	5,402,513	3,919,037	3,197,902	6,945,693	3,683,671	2,592,522	2,066,826
High Estimate (C3) [8]								
Australia	553,551	390,331	320,676	282,676	222,157	151,267	121,670	105,741
Canada	9,925,528	5,423,537	3,955,769	3,252,645	7,404,229	3,961,260	2,843,018	2,309,361
France	3,948,744	2,142,264	1,549,595	1,265,979	2,589,524	1,357,470	959,971	771,728
Germany	-	-	-	-	-	-	-	-
Ireland	346,330	128,788	80,411	61,194	346,330	128,788	80,411	61,194
Netherlands	369,732	241,527	189,883	162,531	198,799	118,282	86,830	70,491
United States	374,344	181,832	122,734	95,296	243,284	115,575	76,064	57,643
Total High Estimate	15,518,229	8,508,279	6,219,068	5,120,321	11,004,323	5,832,642	4,167,964	3,376,158

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	5,138,207	1,799,192	942,409	596,896	3,827,943	1,216,719	565,019	308,857
France	240,765	108,770	68,603	50,665	149,458	62,138	36,495	25,322
Germany	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-
Netherlands	1,569,880	707,181	475,734	374,648	840,417	344,972	211,133	153,483
United States	-	-	-	-	-	-	-	-
Total Low Estimate	6,948,852	2,615,143	1,486,746	1,022,209	4,817,818	1,623,829	812,647	487,662
Best Estimate (Pr2) [7]								
Australia	115,650	73,506	56,869	48,203	46,695	28,681	21,730	18,160
Canada	15,779,806	6,480,938	3,975,248	2,911,534	11,769,017	4,661,647	2,770,999	1,977,330
France	822,384	388,117	254,918	194,691	533,257	234,616	146,329	107,336
Germany	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-
Netherlands	3,529,396	1,693,769	1,196,675	975,168	1,904,042	881,861	602,841	479,314
United States	-	-	-	-	-	-	-	-
Total Best Estimate	20,247,236	8,636,330	5,483,710	4,129,596	14,253,011	5,806,805	3,541,899	2,582,140
High Estimate (Pr3) [8]								
Australia	356,273	214,338	162,747	136,788	148,981	88,333	66,497	55,578
Canada	28,841,614	11,940,966	7,525,330	5,652,671	21,515,226	8,730,765	5,414,330	4,016,964
France	2,663,885	1,204,684	784,942	600,089	1,745,296	748,687	471,094	351,229
Germany	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-
Netherlands	7,454,176	3,747,532	2,709,105	2,236,659	4,053,657	2,003,614	1,427,834	1,166,840
United States	-	-	-	-	-	-	-	-
Total High Estimate	39,315,948	17,107,520	11,182,124	8,626,207	27,463,160	11,571,399	7,379,755	5,590,611

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 2014 reserves report were also utilized by GLJ in preparing the contingent resource and prospective resource assessments. See ”GLJ December 31, 2014 Forecast Prices” in Vermilion’s Annual Information Form for the year ended December 31, 2014.

(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, Germany, Ireland, the Netherlands and United States. 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 1,118 in Canada, 578 in France, five in Germany, 63 in the Netherlands, 20 in Australia, one in Ireland and seven in the United States.

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	42,893	11,998
Canada	60,935	16,368
France	238,496	39,065
Germany	10,808	1,568
Ireland	67,973	8,110
Netherlands	54,681	28,459
United States	554	35
Total	476,340	105,603

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	200,037	35,867
Canada	166,855	28,778
France	207,136	10,357
Germany	-	-
Ireland	-	-
Netherlands	122,129	61,371
United States	-	-
Total	696,157	136,373

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	3,365	3,002
France	2,092	1,841
Germany	-	-
Ireland	-	-
Netherlands	10,943	9,430
United States	-	-
Total	16,400	14,273

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, taxable income is taxed at 34.4%. In addition, a 10.7% temporary surtax is applicable for tax year 2014 and 2015 if annual revenue exceeds €250 million. The France business unit is not subject to the 10.7% surtax for 2014. In 2012, the France government enacted a new 3% tax on dividend distributions made by entities subject to corporate income tax in France. The tax applies to any dividends paid on or after April 17, 2012 and is not recovered by any tax treaties or deductible for French corporate income tax purposes. Vermilion did not pay any dividends from its French entities in 2014. 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, 2014:

(M$)	Oil and Gas Assets	Tax Losses (1)	Other	Total
Australia	219,273 (2)	-	-	219,273
Canada	1,128,614 (2)	326,300	6,299	1,461,213
France	403,201 (3)	-	-	403,201
Germany	134,550 (4)	17,348	17,004	168,902
Ireland	897,528 (1)	332,140	-	1,229,668
Netherlands	59,032 (4)	-	-	59,032
United States	12,072 (2)	395	-	12,467
Total	2,854,270	676,183	23,303	3,553,756

Notes:
(1)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, 2015 as reflected in the estimates of gross proved reserves and gross proved plus probable reserves in the GLJ Report:

	Light and Medium Oil (bbl/d)	Heavy Oil (bbl/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (bbl/d)	BOE (boe/d)
Australia					
Proved	6,161	-	-	-	6,161
Proved Plus Probable	6,932	-	-	-	6,932
Canada					
Proved	10,891	7	66,028	4,338	26,240
Proved Plus Probable	11,783	8	78,215	5,084	29,911
France					
Proved	10,641	-	688	-	10,756
Proved Plus Probable	11,750	-	694	-	11,865
Germany					
Proved	-	-	16,785	-	2,797
Proved Plus Probable	-	-	17,760	-	2,960
Ireland					
Proved	-	-	28,799	-	4,800
Proved Plus Probable	-	-	28,948	-	4,825
Netherlands					
Proved	-	-	23,577	48	3,977
Proved Plus Probable	-	-	31,337	64	5,287
United States					
Proved	257	-	17	1	260
Proved Plus Probable	415	-	22	1	420
Total Proved	27,950	7	135,894	4,387	54,991
Total Proved Plus Probable	30,880	8	156,976	5,149	62,200

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 2014. Light and medium crude 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, 2014	Three Months Ended June 30, 2014	Three Months Ended September 30, 2014	Three Months Ended December 31, 2014
Australia				
Average Daily Production				
Light and Medium Crude Oil (bbl/d)	7,110	6,483	6,567	6,134
Natural Gas (MMcf/d)	-	-	-	-
Natural Gas Liquids (bbl/d)	-	-	-	-
Average Net Prices Received				
Light and Medium Crude Oil ($/bbl)	127.26	126.87	119.07	90.37
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Royalties				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Production Costs				
Light and Medium Crude Oil ($/bbl)	24.55	25.99	26.73	22.56
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Netback Received				
Light and Medium Crude Oil ($/bbl)	102.71	100.88	92.34	67.81
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-

Canada				
Average Daily Production				
Light and Medium Crude Oil (bbl/d)	9,437	12,676	11,469	11,384
Natural Gas (MMcf/d)	49.53	57.59	57.07	58.36
Natural Gas Liquids (bbl/d)	2,071	2,796	2,291	2,741
Average Net Prices Received				
Light and Medium Crude Oil ($/bbl)	98.99	103.48	95.57	76.28
Natural Gas ($/Mcf)	5.50	4.60	4.44	3.74
Natural Gas Liquids ($/bbl)	78.19	77.67	69.65	49.74
Royalties				
Light and Medium Crude Oil ($/bbl)	9.55	11.19	13.36	11.40
Natural Gas ($/Mcf)	0.34	0.30	0.40	0.25
Natural Gas Liquids ($/bbl)	16.23	14.76	13.43	9.34
Transportation				
Light and Medium Crude Oil ($/bbl)	2.08	2.16	2.31	1.89
Natural Gas ($/Mcf)	0.17	0.17	0.17	0.15
Natural Gas Liquids ($/bbl)	3.10	2.51	3.47	2.61
Production Costs				
Light and Medium Crude Oil ($/bbl)	11.82	9.73	9.17	10.68
Natural Gas ($/Mcf)	1.17	1.55	1.42	1.08
Natural Gas Liquids ($/bbl)	7.22	7.30	9.34	9.24
Netback Received				
Light and Medium Crude Oil ($/bbl)	75.54	80.40	70.73	52.31
Natural Gas ($/Mcf)	3.82	2.58	2.45	2.26
Natural Gas Liquids ($/bbl)	51.64	53.10	43.41	28.55
France				
Average Daily Production				
Light and Medium Crude Oil (bbl/d)	10,771	11,025	11,111	11,133
Natural Gas (MMcf/d)	-	-	-	-
Natural Gas Liquids (bbl/d)	-	-	-	-
Average Net Prices Received				
Light and Medium Crude Oil ($/bbl)	117.54	117.29	107.99	79.25
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Royalties				
Light and Medium Crude Oil ($/bbl)	7.35	7.34	7.07	6.07
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Transportation				
Light and Medium Crude Oil ($/bbl)	4.75	5.07	4.80	3.94
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Production Costs				
Light and Medium Crude Oil ($/bbl)	16.42	15.58	15.42	13.01
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Netback Received				
Light and Medium Crude Oil ($/bbl)	89.02	89.30	80.70	56.23
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-

Germany				
Average Daily Production				
Light and Medium Crude Oil (bbl/d)	-	-	-	-
Natural Gas (MMcf/d)	10.64	16.13	15.38	17.71
Natural Gas Liquids (bbl/d)	-	-	-	-
Average Net Prices Received				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	9.31	7.56	6.07	8.20
Natural Gas Liquids ($/bbl)	-	-	-	-
Royalties				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	1.88	1.56	1.45	1.52
Natural Gas Liquids ($/bbl)	-	-	-	-
Transportation				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	0.44	0.72	0.48	0.13
Natural Gas Liquids ($/bbl)	-	-	-	-
Production Costs				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	1.62	1.39	1.57	1.76
Natural Gas Liquids ($/bbl)	-	-	-	-
Netback Received				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	5.37	3.89	2.57	4.79
Natural Gas Liquids ($/bbl)	-	-	-	-
Netherlands				
Average Daily Production				
Light and Medium Crude Oil (bbl/d)	-	-	-	-
Natural Gas (MMcf/d)	43.15	40.35	38.07	31.35
Natural Gas Liquids (bbl/d)	69	96	63	81
Average Net Prices Received				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	10.53	7.91	7.55	8.62
Natural Gas Liquids ($/bbl)	106.96	93.76	90.01	76.40
Royalties				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	0.57	0.19	0.27	0.41
Natural Gas Liquids ($/bbl)	-	-	-	-
Production Costs				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	1.56	1.74	1.54	2.15
Natural Gas Liquids ($/bbl)	-	-	-	-
Netback Received				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	8.40	5.98	5.74	6.06
Natural Gas Liquids ($/bbl)	106.96	93.76	90.01	76.40

United States				
Average Daily Production				
Light and Medium Crude Oil (bbl/d)	-	-	-	195
Natural Gas (MMcf/d)	-	-	-	-
Natural Gas Liquids (bbl/d)	-	-	-	-
Average Net Prices Received				
Light and Medium Crude Oil ($/bbl)	-	-	-	74.08
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Royalties				
Light and Medium Crude Oil ($/bbl)	-	-	-	20.38
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Transportation				
Light and Medium Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Production Costs				
Light and Medium Crude Oil ($/bbl)	-	-	-	13.44
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Netback Received				
Light and Medium Crude Oil ($/bbl)	-	-	-	40.26
Natural Gas ($/Mcf)	-	-	-	-
Natural Gas Liquids ($/bbl)	-	-	-	-
Total				
Average Daily Production				
Light and Medium Crude Oil (bbl/d)	27,318	30,184	29,147	28,651
Natural Gas (MMcf/d)	103.32	114.07	110.52	107.00
Natural Gas Liquids (bbl/d)	2,140	2,892	2,354	2,822
Average Net Prices Received				
Light and Medium Crude Oil ($/bbl)	114.07	113.00	105.21	81.16
Natural Gas ($/Mcf)	7.99	6.19	5.74	5.90
Natural Gas Liquids ($/bbl)	79.12	78.21	70.20	50.51
Royalties				
Light and Medium Crude Oil ($/bbl)	6.05	7.73	8.18	6.45
Natural Gas ($/Mcf)	0.60	0.44	0.50	0.50
Natural Gas Liquids ($/bbl)	15.70	14.27	13.07	9.08
Transportation Costs				
Light and Medium Crude Oil ($/bbl)	2.55	2.94	2.79	2.10
Natural Gas ($/Mcf)	0.30	0.34	0.30	0.28
Natural Gas Liquids ($/bbl)	3.00	2.43	3.37	2.53
Production Costs				
Light and Medium Crude Oil ($/bbl)	17.14	14.86	15.21	14.76
Natural Gas ($/Mcf)	1.38	1.59	1.48	1.50
Natural Gas Liquids ($/bbl)	6.99	7.06	9.09	8.98
Netback Received				
Light and Medium Crude Oil ($/bbl)	88.33	87.47	79.03	57.85
Natural Gas ($/Mcf)	5.71	3.82	3.46	3.62
Natural Gas Liquids ($/bbl)	53.43	54.45	44.67	29.92

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 tables summarize Vermilion's outstanding risk management positions as at December 31, 2014:

	Volume	Strike Price(s)
Crude Oil		
WTI - Collar		
January 2015 - March 2015	500 bbl/d	76.25 - 92.15 US $
January 2015 - June 2015 (1)	250 bbl/d	75.00 - 82.75 US $
Dated Brent - Collar		
January 2015 - March 2015	500 bbl/d	78.75 - 89.63 US $
Dated Brent - Swap		
January 2015 (2)	500 bbl/d	101.55 US $
January 2015 - March 2015 (3)	250 bbl/d	91.95 US $
February 2015 (4)	500 bbl/d	103.80 US $
March 2015 (5)	250 bbl/d	110.40 US $
MSW - Fixed Price Differential (Physical)		
November 2014 - March 2015	1,042 bbl/d	WTI less 6.85 US $
January 2015 - March 2015	2,098 bbl/d	WTI less 7.39 US $
LSB - Fixed Price Differential (Physical)		
October 2014 - March 2015	830 bbl/d	WTI less 10.00 US $
January 2015 - March 2015	524 bbl/d	WTI less 8.60 US $

Notes

(1) The contracted volumes increase to 750 boe/d for any monthly settlement periods above the contracted ceiling price.

(2) On March 31, 2015, the counterparty has the option to extend the swap for the period of April to June 2015 for 1,000 boe/d at the contracted price.

(3) On March 31, 2015, the counterparty has the option to extend the swap for the period of April to June 2015 for 500 boe/d at the contracted price.

(4) On June 30, 2015, the counterparty has the option to extend the swap for the period of July to September 2015 for 1,000 boe/d at the contracted price.

(5) On September 30, 2015, the counterparty has the option to extend the swap for the period of October to December 2015 for 500 boe/d at the contracted price.

North American Natural Gas	Volume	Strike Price(s)
AECO - Collar		
April 2014 - March 2015	2,500 GJ/d	3.60 - 4.08 CAD $
November 2014 - March 2015	2,500 GJ/d	3.60 - 4.27 CAD $
April 2015 - October 2015	2,500 GJ/d	2.75 - 3.52 CAD $
April 2015 - December 2015	2,500 GJ/d	2.75 - 3.52 CAD $
AECO Basis - Fixed Price Differential		
January 2015 - December 2015	5,000 mmbtu/d	Nymex HH less 0.68 US $
Nymex HH - Collar		
November 2014 - March 2015	10,000 mmbtu/d	3.50 - 5.00 US $
January 2015 - March 2015	10,000 mmbtu/d	3.70 - 5.10 US $
April 2015 - October 2015	10,000 mmbtu/d	3.36 - 4.01 US $
April 2015 - December 2015	2,500 mmbtu/d	3.50 - 4.11 US $
Nymex HH - Swap		
January 2015	2,500 mmbtu/d	4.53 US $
January 2015 - March 2015	5,000 mmbtu/d	4.38 US $

European Natural Gas	Volume	Strike Price(s)
TTF - Collar		
January 2015 - December 2015	2,592 GJ/d	6.11 - 6.83 EUR €
TTF - Swap		
January 2015 - March 2015	4,392 GJ/d	6.47 EUR €
January 2015 - December 2015	11,664 GJ/d	6.45 EUR €
January 2015 - March 2016	5,184 GJ/d	6.40 EUR €
January 2015 - June 2016	2,592 GJ/d	6.07 EUR €
February 2015	2,592 GJ/d	6.46 EUR €
February 2015 - March 2016	5,184 GJ/d	6.24 EUR €
April 2015 - December 2015	2,592 GJ/d	6.30 EUR €
April 2015 - March 2016	5,832 GJ/d	6.18 EUR €

	Volume	Strike Price(s)
Electricity		
AESO - Swap (Physical)		
January 2013 - December 2015	72.0 MWh/d	53.17 CAD $

US Dollar	Volume	Strike Price(s)
USD - Collar		
January 2015 - March 2015	7,000,000 US $/month	1.140 - 1.184 CAD $
January 2015 - March 2015 (1)	15,500,000 US $/month	1.140 - 1.157 CAD $

Note

(1) Vermilion has upside participation on this hedge up to the limit price of 1.222 CAD; above which, settlement will occur at the conditional call level of 1.157 CAD.

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 eleven 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, 2015, the directors and officers of Vermilion, as a group, beneficially owned, or controlled or directed, directly or indirectly, 3,978,737 common shares representing approximately 3.7% 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
Sarah E. Raiss Calgary, Alberta Canada	(3)	Director	2014	Since 2014, Director, Loblaw Companies Limited, a public food distributor company Since 2012, Board Chair, Alberta Electric Systems Operator, a not-for-profit entity responsible for the planning and operation of the Alberta Interconnected Electric System Since 2012, Director, Canadian Oil Sands Limited, a public oil company Since 2011, Director, Commercial Metals Company, a public global, metals recycling, manufacturing, fabricating and trading company 2009 to 2014, Director, Shoppers Drug Mart Corporation, a public pharmacy products and services company
Kevin J. Reinhart Calgary, Alberta Canada	(6)	Director	2015	2013 to 2014, President & CEO, Nexen Energy, a CNOOC Limited Company, a public oil and gas company 2012 to 2013, Interim President & CEO, Director, Nexen Inc., a public oil and gas company 2009 to 2012, Executive Vice President & CFO, Nexen Inc., a public oil and gas company 2005 to 2011, Director, Canexus Ltd., a public chemical manufacturing and handling company
Catherine L. Williams Calgary, Alberta Canada	(6)	Director	2015	Since 2010, Chair of Compensation Committee, Enbridge Inc., a public energy transportation company Since 2007, Director of Enbridge Inc., a public energy transportation company Since 2007, Chair of Human Resources Committee, Enbridge Inc., a public energy transportation company Since 2007, Owner and Managing Director, Options Canada Ltd., a private investment company 2009 to 2014, Director, Alberta Investment Management Corporation, an institutional investment fund manager 2009 to 2012, Director, Tim Hortons Inc., a publicly-traded restaurant chain in North America

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
(6) Appointed to the Board of Directors effective February 27, 2015

Officers:

Name and Municipality of Residence	Office Held	Principal Occupation During the Past Five Years
Lorenzo Donadeo Calgary, Alberta Canada	Chief Executive Officer	Since March 2014, Chief Executive Officer of Vermilion 2003 – March 2014, President and Chief Executive Officer of Vermilion
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
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.
Michael Kaluza Calgary, Alberta Canada	Vice President Canada Business Unit	Since May 2014, Vice President, Canada Business Unit of Vermilion 2013 to 2014, Director Canadian Business Unit of Vermilion 2012 to 2013, Vice President, Corporate Development and Planning, Baytex Energy Corporation, a public oil and gas company 2011 to 2012, Vice President, Planning, Baytex Energy Corporation, a public oil and gas company 2006 to 2011, Chief Operating Officer, Delphi Energy Corp., a public oil and gas company
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 2015, senior partner with Norton Rose Fulbright Canada LLP, a law firm 2012 to 2014, partner with and Deputy Chair of Norton Rose Fulbright Canada LLP, a law firm 1999 to 2011, partner with Macleod Dixon LLP, a law firm

Common Shares

The Company is authorized to issue an unlimited number of 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 December	$2.57
2015 - January to February	$0.43
Total cash dividends since January 22, 2003	$26.85

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.

Premium Dividend™ and Dividend Reinvestment Plan

To preserve our financial flexibility and conservatively exercise our access to capital, we have amended our existing Dividend Reinvestment Plan to include a Premium Dividend™ Component. Under the new Premium Dividend™ and Dividend Reinvestment Plan (the "Plan"), Eligible Shareholders who elect to participate in the Dividend Reinvestment Component can continue to reinvest their dividends in common shares at an effective 3% discount to the Average Market Price (with no broker commissions or trading costs), similar to our previous Dividend Reinvestment Plan (Vermilion's Amended and Restated Dividend Reinvestment Plan dated effective September 1, 2010 as amended effective February 27, 2014 (the "Previous DRIP").

With the addition of a new Premium Dividend™ Component, Eligible Shareholders will also have the option to reinvest their dividends in new common shares which will be exchanged for a premium cash payment equal to 101.5% of the reinvested dividends. Under the Premium Dividend™ Component, shares will be issued at a 3.5% discount to the Average Market Price. The shares will be presold at prevailing market prices by the Plan Broker (Canaccord Genuity Corporation), who will then provide participating Shareholders with a premium cash payment equal to 101.5% of their dividends, while the Plan Broker retains the balance of the discount as its fee.

Eligible Shareholders are not required to participate in the Plan. Eligible Shareholders who have not elected to participate in the Plan will continue to receive their regular cash dividends in the usual manner.

The total cost of equity issuance to Vermilion under the Dividend Reinvestment Component and the Premium Dividend™ Component of the Plan will be 3% and 3.5%, respectively. The Premium Dividend™ Component, when combined with the Dividend Reinvestment Component, is expected to increase our access to the lowest cost sources of equity capital available. While the Premium Dividend™ is expected to result in a modest amount of equity issuance (estimated to be less than 1% of shares outstanding in 2015), we believe it represents the most prudent approach to preserving near-term balance sheet strength. We expect the Premium Dividend™ to reduce cash dividends by approximately $55 million during the remainder of 2015. We view implementation of a Premium Dividend™ as a short term measure to maintain our financial strength. Both components of our program can be suspended or prorated at the company's discretion, offering considerable flexibility. We will actively monitor our ongoing needs and manage our continued use of each component as circumstances dictate.

To effect the change, Vermilion's Board of Directors has approved amendments to the Previous DRIP to include a Premium Dividend™ Component. The new Plan will allow Eligible Shareholders to elect to participate in the Plan, commencing with the March distribution, payable to Shareholders on April 15, 2015 (the "March Dividend"). The March Dividend will have a Dividend Record Date of March 31, 2015, however all Dividend Record Dates for subsequent 2015 dividend payments will be adjusted, from those previously published, to facilitate the operation of the Premium Dividend™ Component of the Plan. The amended Dividend Record Dates are now published and available on Vermilion's website at www.vermilionenergy.com (under the heading "Investor Relations" subheading "Dividends") and will be included in the applicable news release announcing the approval and declaration of any future dividend payments by Vermilion's Board of Directors.

Each component of the Plan, which is explained in greater detail in the complete Plan document available on Vermilion's corporate website at www.vermilionenergy.com (under the heading "Investor Relations" subheading "DRIP"), is subject to eligibility restrictions, applicable withholding taxes, prorating as provided for in the Plan, and other limitations on the availability of common shares to be issued or purchased in certain events. Only Canadian-resident Shareholders may participate in the Premium Dividend™ Component of the Plan. The Dividend Reinvestment Component of the Plan is available to Canadian residents and non-U.S. resident foreign Shareholders who meet certain eligibility criteria as set forth in the complete Plan. U.S. resident Shareholders are not currently permitted to participate in either component of the Plan. This is due to the requirement, under U.S. securities regulations, to maintain a continuous shelf registration for issuance of new equity to U.S. Shareholders. At this time, Vermilion has not put in place the required shelf registration due to the high cost of establishing and maintaining such a shelf registration. We will continue to monitor the relative cost-benefit of such a registration as we go forward.

In order to participate in either the Premium Dividend™ Component or the Dividend Reinvestment Component, an Eligible Shareholder must enroll, or be deemed to have enrolled (in the case of the Dividend Reinvestment Component), in the Plan at least five business days prior to the relevant Dividend Record Date directly (in the case of registered Shareholders) or indirectly through the broker, investment dealer, financial institution or other nominee who holds common shares on the Eligible Shareholder's behalf.

A registered Eligible Shareholder who was enrolled in the Previous DRIP will automatically be deemed to be a participant in the Dividend Reinvestment Component of the Plan, without any further action on their part. A beneficial owner of common shares (i.e., a holder of common shares that are not registered in the beneficial owner's name but are instead held through a broker, investment dealer, financial institution or other nominee) who was validly enrolled, through the nominee holder, in the Previous DRIP should contact such nominee holder to confirm continued participation in the Dividend Reinvestment Component of the Plan.

For more information on the Plan, defined meanings for capitalized terms above, eligibility restrictions and enrollment information among other details of the Plan, please refer to the complete copy of the Plan as well as a related series of Questions and Answers available on Vermilion's website at www.vermilionenergy.com (under the heading "Investor Relations" subheading "DRIP").

Eligible Shareholders may, after electing to participate in the 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 Plan at any time upon not less than 30 days prior written notice (sent by mail to Plan participants at the most recent address), provided that any amendment to the 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.

™ denotes trademark of Canaccord Genuity Capital Corporation.

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
Joseph F. Killi (Chair)	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.
W. Kenneth Davidson	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.
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, 2014 and 2013, Deloitte LLP, the auditors of the Company, received the following fees from the Company:

Item	2014	2013
Audit fees (1)	$1,582,647	$1,565,927
Audit-related fees (2)	$162,000	$150,830
Tax fees (3)	$69,300	$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, 2014 and 2013.

(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 in various jurisdictions.

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 and the NYSE under the symbol VET. The following table sets forth the closing price range and trading volume of the common shares on the TSX for the periods indicated:

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
March	$69.91	$61.91	$69.05	4,882,216
April	$73.21	$68.14	$72.93	4,266,600
May	$74.67	$67.46	$73.22	6,317,332
June	$78.24	$72.63	$74.25	5,326,677
July	$74.30	$66.97	$71.96	6,427,965
August	$71.85	$67.15	$70.73	5,614,950
September	$71.00	$63.56	$68.18	8,467,478
October	$68.67	$57.58	$63.96	12,171,142
November	$68.14	$53.01	$53.28	8,135,065
December	$58.93	$44.05	$57.00	13,729,883
2015	**High**	**Low**	**Close**	**Volume**
January	$59.02	$45.66	$55.97	8,638,252
February	$62.80	$53.00	$56.22	8,734,800

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 trend from DBRS Limited ("DBRS") and BB-/stable outlook 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")" with a stable trend. 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, 2014, 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 6, 2015.

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, 2014. 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 prolonged 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, Germany, the Netherlands, Australia, Ireland, and the United States. 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, state 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

Australia, Canada, France, Ireland, Germany 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, Germany and the Netherlands, as Annex B parties to the Kyoto Protocol, and Ireland, France, Germany 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.

Vermilion's exploration and production facilities and other operations and activities in North America, Europe and Australia 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, provincial or state 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 North America, Europe and Australia.

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 crude oil, natural gas and natural gas liquids reserves. Accordingly, absent capital expenditures or acquisitions of additional crude oil and natural gas properties, Vermilion's current production levels and reserves will decline.

Vermilion's future crude 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 crude oil and natural 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 and NYSE, 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 crude 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 companies 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 crude 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 CGUs 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 crude 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 crude oil and natural 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 crude 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, 2014.

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, 2014. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, 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, 2014, 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 6, 2015	Australia	-	492,921	-	492,921
GLJ Petroleum Consultants	February 6, 2015	Canada	-	1,803,784	-	1,803,784
GLJ Petroleum Consultants	February 6, 2015	France	-	1,819,532	-	1,819,532
GLJ Petroleum Consultants	February 6, 2015	Germany	-	145,011	-	145,011
GLJ Petroleum Consultants	February 6, 2015	Ireland	-	717,806	-	717,806
GLJ Petroleum Consultants	February 6, 2015	Netherlands	-	264,984	-	264,984
GLJ Petroleum Consultants	February 6, 2015	USA	-	29,437	-	29,437
Total			-	5,273,475	-	5,273,475

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 6, 2015

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

GLJ Petroleum Consultants

SCHEDULE "A"
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, 2014. 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, 2014, 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, 2014, 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 6, 2015	Australia	-	144,286	-	**144,286**
GLJ Petroleum Consultants	February 6, 2015	Canada	-	2,111,760	-	**2,111,760**
GLJ Petroleum Consultants	February 6, 2015	France	-	758,266	-	**758,266**
GLJ Petroleum Consultants	February 6, 2015	Ireland	-	29,455	-	**29,455**
GLJ Petroleum Consultants	February 6, 2015	Netherlands	-	58,839	-	**58,839**
GLJ Petroleum Consultants	February 6, 2015	USA	-	95,296	-	**95,296**
Total			-	3,197,902	-	3,197,902

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 6, 2015	Australia	-	48,203	-	**48,203**
GLJ Petroleum Consultants	February 6, 2015	Canada	-	2,911,534	-	**2,911,534**
GLJ Petroleum Consultants	February 6, 2015	France	-	194,691	-	**194,691**
GLJ Petroleum Consultants	February 6, 2015	Netherlands	-	975,168	-	**975,168**
Total			-	4,129,596	-	4,129,596

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 6, 2015

"*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, 2014, 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, 2014.

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.

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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.
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

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EXHIBIT 99.2

VERMILION ENERGY



Vermilion Energy Inc.

2014 Management's Discussion & Analysis

DEFINED PRODUCTION GROWTH
RELIABLE & GROWING DIVIDENDS

ABBREVIATIONS

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

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

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

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 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, 2015, 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, 2014 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, 2014 and 2013, 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, 2014 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 North America, 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: Relates to our assets in Alberta and Saskatchewan.
- France business unit: Relates to our operations in France in the Paris and Aquitaine Basins.
- Netherlands business unit: Relates to our operations in the Netherlands.
- Germany business unit: Relates to our 25% contractual participation interest in a four-partner consortium in Germany.
- Ireland business unit: Relates to our 18.5% non-operated interest in the Corrib offshore natural gas field.
- Australia business unit: Relates to our operations in the Wandoo offshore crude oil field.
- United States business unit: Relates to our operations in Wyoming in the Powder River Basin.
- 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.

NEW COUNTRY ENTRIES

In February 2014, we acquired a 25% contractual participation interest in a four-partner consortium in Germany from GDF Suez S.A. The acquisition enables 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 11% annually. The acquired assets 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 represented 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 increases 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.

On November 10, 2014, we announced an acquisition of assets in the Powder River Basin of northeastern Wyoming for $11.1 million. The assets cover approximately 68,000 acres of land (98% undeveloped) with current working interest production of approximately 200 bbls/d (100% crude oil). The land base includes 53,000 net acres at an average operated working interest of 70% in a promising tight oil project in the Turner Sand at a depth of approximately 1,500 metres. The acquisition represented a low-cost entry into the prolific Powder River Basin and Vermilion's entry into the sizable United States exploration and production market. Looking ahead we see continued opportunity for expansion, with an active asset market in North America where technology continues to unlock new opportunities for development. We have established an office in Denver, Colorado as the operating headquarters for our new United States business unit and have hired to staff this subsidiary.

2014 REVIEW AND 2015 GUIDANCE

We first issued 2014 capital expenditure guidance of $555 million on November 7, 2013. We subsequently increased our 2014 capital expenditure guidance to $590 million on March 18, 2014, to reflect an additional $35 million of 2014 development capital expected to be incurred in association with our acquisition of Elkhorn Resources Inc.

Concurrent with the release of our first quarter 2014 financial and operating results on May 2, 2014, we further updated our 2014 capital expenditure guidance to $635 million, reflecting the expected full-year rise in the cost to Vermilion, in Canadian dollar terms, of both actual and anticipated international capital expenditures as a result of the devaluation of the Canadian dollar against both the U.S. dollar and the Euro, and the addition of approximately $15 million of anticipated spending associated with drilling activities. We also increased our original production guidance from 47,500-48,500 boe/d to 48,000-49,000 boe/d.

Based on the continued strength of our operations during the second quarter of 2014, we further increased our full-year 2014 production and capital expenditure guidance to 48,500-49,500 boe/d and $650 million, respectively. The increase in capital expenditures was attributed to increased Mannville development drilling and higher than anticipated costs associated with the Duvernay development program.

Concurrent with the release of our third quarter 2014 financial and operating results on November 10, 2014, we further revised our 2014 full year production guidance from the previous range of 48,500-49,500 boe/d to a range of 49,000-49,500 boe/d and announced the expectation of achieving production near the upper end of the range for 2014.

We provided updated 2014 capital expenditure guidance concurrent with the release of our initial 2015 production and capital expenditure guidance on December 8, 2014. The increase in 2014 capital expenditures resulted from a shift in capital priorities, previously unplanned spending and foreign exchange movements.

The following table summarizes our 2014 actual results compared to guidance and our 2015 guidance:

	Date	Capital Expenditures ($MM)	Production (boe/d)
2014 - Guidance			
2014 Guidance	November 7, 2013	555	45,000 to 46,000
2014 - Guidance Updates			
2014 Guidance - Update	March 18, 2014	590	47,500 to 48,500
2014 Guidance - Update	May 2, 2014	635	48,000 to 49,000
2014 Guidance - Update	July 31, 2014	650	48,500 to 49,500
2014 Guidance - Update	November 10, 2014	650	49,000 to 49,500
2014 Guidance - Update	December 8, 2014	675	49,000 to 49,500
2014 - Actual Production			
2014 Actual	February 27, 2015	688	49,573
2015 - Guidance			
2015 Guidance	December 8, 2014	525	55,000 to 57,000
2015 Guidance	February 27, 2015	415	55,000 to 57,000

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, 2014, 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	$2.58	$7.26	$11.82
Capital appreciation per Vermilion share	-$5.35	$11.63	$24.58
Total return per Vermilion share	-4.4%	41.6%	112.3%
Annualized total return per Vermilion share	-4.4%	12.3%	16.2%
Annualized total return on the S&P TSX High Income Energy Index	-13.6%	-3.3%	1.3%

(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 of this MD&A.

CONSOLIDATED RESULTS OVERVIEW

	Three Months Ended			% change		Year Ended		% change
	Dec 31, 2014	Sep 30, 2014	Dec 31, 2013	Q4/14 vs. Q3/14	Q4/14 vs. Q4/13	Dec 31, 2014	Dec 31, 2013	2014 vs. 2013
Production								
Crude oil (bbls/d)	**28,846**	29,147	26,039	(1%)	11%	**28,879**	25,741	12%
NGLs (bbls/d)	**2,822**	2,354	1,761	20%	60%	**2,553**	1,730	48%
Natural gas (mmcf/d)	**107.42**	110.52	78.96	(3%)	36%	**108.85**	81.21	34%
Total (boe/d)	**49,571**	49,920	40,960	(1%)	21%	**49,573**	41,005	21%
Build (draw) in inventory (mbbl)	**(238)**	104	(10)			**(164)**	(229)	
Financial metrics								
Fund flows from operations ($M)	**185,528**	197,898	163,660	(6%)	13%	**804,865**	667,526	21%
Per share ($/basic share)	**1.73**	1.85	1.61	(6%)	7%	**7.63**	6.61	15%
Net earnings ($M)	**58,642**	53,903	101,510	9%	(42%)	**269,326**	327,641	(18%)
Per share ($/basic share)	**0.55**	0.50	1.00	10%	(45%)	**2.55**	3.24	(21%)
Cash flows from operating activities ($M)	**229,146**	235,010	177,003	(2%)	29%	**791,986**	705,025	12%
Net debt ($M)	**1,265,650**	1,243,438	749,685	2%	69%	**1,265,650**	749,685	69%
Cash dividends ($/share)	**0.645**	0.645	0.600	-	8%	**2.580**	2.400	8%
Activity								
Capital expenditures ($M)	**166,243**	190,033	148,478	(13%)	12%	**687,724**	542,726	27%
Acquisitions ($M)	**1,652**	40,847	29,103	(96%)	(94%)	**601,865**	36,689	1,540%
Gross wells drilled	**26.00**	26.00	21.00			**89.00**	76.00	
Net wells drilled	**16.58**	20.31	16.65			**62.43**	64.21	

Operational review

- Recorded consolidated average production of 49,571 boe/d during Q4 2014, which was consistent with Q3 2014.
- Increased consolidated average production for the three months and year ended December 31, 2014 by 21% versus the comparable periods in 2013, primarily due to growth in Canada, the Netherlands, and incremental production from our acquisitions in Germany, southeast Saskatchewan and the United States. In Canada, production growth of 38% and 34% for the three months and year ended December 31, 2014, respectively, versus the comparable periods in 2013, resulted from our continued development of the Cardium and Mannville plays in Alberta coupled with incremental production from southeast Saskatchewan following our acquisition in April 2014 of Elkhorn Resources Inc. In the Netherlands, production growth of 8% for the year ended December 31, 2014 versus the comparable period in 2013 resulted from incremental production from our acquisition in the Netherlands in Q4 2013, increased volumes following completion of the Middenmeer Treatment Centre retrofit in the latter part of 2013, and ongoing recompletion and production optimization activities. These production increases were partially offset by decreased production in France due primarily to the temporary shut-in of natural gas production from the Vic Bilh field for the entirety of 2014.
- Activity during the quarter included capital expenditures totalling $166.2 million, incurred primarily in Canada, France, and Ireland. In Canada, capital expenditures totalling $85.4 million were 12% lower than the $97.4 million incurred in Q3 2014 and related to the drilling of 15.16 net wells compared to 16.86 net wells in Q3 2014. In France, capital expenditures of $37.2 million related to workovers, seismic activity, various facility projects, and the drilling of one (0.5 net) well in the Tamaris field. In Ireland, $20.9 million of capital expenditures were incurred related to offshore workover and pipeline operations, as well as outfitting the 4.9 km tunnel.
- Acquisition expenditures for the quarter totalling $1.7 million related to crown land sales, primarily in southeast Saskatchewan.

Financial review

Net earnings

- Net earnings for Q4 2014 were $58.6 million ($0.55/basic share) as compared to $53.9 million ($0.50/basic share) for Q3 2014. Quarter-over-quarter net earnings were relatively consistent as lower petroleum and natural gas sales ("sales") and operating income were offset by gains on derivative instruments (including $17.2 million of unrealized gains due to lower forecasted pricing for 2015 and the impact on the valuation of our crude oil and natural gas derivative positions).
- Net earnings for the three months and year ended December 31, 2014 were 42% and 18% lower versus the respective comparable periods in 2013 due to a decrease in realized prices and foreign exchange losses, partially offset by the aforementioned gains on derivative instruments. For the three months ended December 31, 2014, revenue decreased by 6% driven by lower commodity prices. Revenue increased by 11% for the year ended December 31, 2014 as the decrease in realized prices was offset by incremental production and a decrease in crude inventory as compared to the same periods in 2013. Unrealized foreign exchange losses of $4.0 million and $17.6 million for the three months and year ended December 31, 2014 were the result of the Euro weakening versus the Canadian dollar and the resulting impact on our Euro denominated financial assets. In addition, both periods were affected by the absence of the $47.4 million impairment recovery recognized in 2013.

Cash flows from operating activities

- Cash flows from operations decreased 2% as compared to Q3 2014 as lower sales were offset by higher realized gains on derivative instruments and timing differences pertaining to working capital.
- Cash flow from operations increased by 29% and 12% for the three months and year ended December 31, 2014 compared to the same periods in 2013. For the three months ended December 31, 2014, the increase primarily related to timing differences pertaining to working capital, partially offset by lower revenues due to lower commodity prices. For the year ended December 31, 2014, the increase primarily related to increased revenues driven by incremental production related to our Germany and Saskatchewan acquisitions, partially offset by timing differences pertaining to working capital.

Fund flows from operations

- Generated fund flows from operations of $185.5 million during Q4 2014, a decrease of $12.4 million (6%) versus Q3 2014. This quarter-over-quarter decrease was the result of lower sales partially offset by increased realized derivative gains and decreases in corporate income taxes and general and administration expenses. Lower sales were driven by weaker commodity pricing coupled with a decrease in Netherlands production, as production in that country is managed to optimize facility use and regulate declines.
- Fund flows from operations increased by 13% and 21% for the three months and year ended December 31, 2014, respectively, versus the comparable periods in 2013. These increases were primarily the result of increased sales volumes in Canada coupled with incremental production following our Q1 2014 acquisition in Germany, our Q2 2014 acquisition in southeast Saskatchewan, and a draw in Australia inventory in both periods.

Net debt

- As a result of funding our 2014 acquisitions in Germany, Canada, and the United States, net debt increased to $1.27 billion or 1.6 times fund flows from operations for the year ended December 31, 2014.

Dividends

- Declared dividends of $0.215 per common share per month during 2014, totalling $0.645 per common share for the quarter and $2.58 per common share for the year ended December 31, 2014. Dividends were higher in the 2014 periods versus the comparable periods in 2013 due to our increase in dividends per share starting with the January 31, 2014 dividend paid on February 18, 2014.

COMMODITY PRICES

	Three Months Ended			% change		Year Ended		% change
	Dec 31, 2014	Sep 30, 2014	Dec 31, 2013	Q4/14 vs. Q3/14	Q4/14 vs. Q4/13	Dec 31, 2014	Dec 31, 2013	2014 vs. 2013
Average reference prices								
WTI (US $/bbl)	**73.15**	97.17	97.46	(25%)	(25%)	**93.00**	97.97	(5%)
Edmonton Sweet index (US $/bbl)	**66.79**	89.24	82.53	(25%)	(19%)	**85.83**	90.40	(5%)
Dated Brent (US $/bbl)	**76.27**	101.85	109.27	(25%)	(30%)	**98.99**	108.66	(9%)
AECO ($/GJ)	**3.41**	3.81	3.35	(10%)	2%	**4.27**	3.01	42%
TTF ($/GJ)	**8.69**	7.26	10.65	20%	(18%)	**8.50**	10.29	(17%)
TTF (€/GJ)	**6.12**	5.04	7.45	21%	(18%)	**5.79**	7.51	(23%)
Average foreign currency exchange rates								
CDN $/US $	**1.14**	1.09	1.05	5%	9%	**1.10**	1.03	7%
CDN $/Euro	**1.42**	1.44	1.43	(1%)	(1%)	**1.47**	1.37	7%
Average realized prices ($/boe)								
Canada	**51.27**	64.85	61.10	(21%)	(16%)	**64.06**	61.14	5%
France	**79.25**	107.99	112.84	(27%)	(30%)	**105.43**	106.26	(1%)
Netherlands	**52.07**	45.73	67.88	14%	(23%)	**52.65**	64.08	(18%)
Germany	**49.19**	36.43	-	35%	100%	**46.03**	-	100%
Australia	**90.37**	119.07	124.63	(24%)	(27%)	**113.80**	119.38	(5%)
United States	**74.08**	-	-	100%	100%	**74.08**	-	100%
Consolidated	**63.79**	76.80	86.04	(17%)	(26%)	**77.75**	83.83	(7%)
Production mix (% of production)								
% priced with reference to WTI	**28%**	28%	25%			**28%**	25%	
% priced with reference to AECO	**20%**	18%	17%			**18%**	16%	
% priced with reference to TTF	**16%**	18%	15%			**18%**	16%	
% priced with reference to Dated Brent	**36%**	36%	43%			**36%**	43%	

Reference prices

- The growing global surplus of crude oil put considerable downside pressure on global crude oil prices in the fourth quarter of 2014, with Dated Brent falling 25% quarter-over-quarter and 9% year-over-year.
- North American crude oil prices were not immune to the global oversupply situation as both WTI and Edmonton Sweet index declined by 25% quarter-over-quarter and 5% year-over-year.
- Natural gas prices at AECO suffered a 10% quarter-over-quarter decline as weather-driven demand was not sufficient to tighten the fundamental balance; however, on a year-over-year basis, AECO increased by 42%.
- European natural gas prices recovered from a weaker summer. Aided by both seasonality and concerns over winter supplies from Russia, TTF saw a 20% quarter-over-quarter gain, but with ample gas-in-storage and little weather demand during the early stages of the winter season, the TTF price was down 17% year-over-year.
- A weak crude oil market and general strengthening of the US dollar saw the Canadian dollar weaken throughout the quarter, but against the Euro, the Canadian dollar was relatively unchanged.

Realized prices

- Consolidated realized price decreased by 17% for Q4 2014 as compared to Q3 2014 and 26% as compared to Q4 2013. These decreases were primarily the result of weaker crude oil prices, partially offset by stronger TTF pricing and a weaker Canadian dollar versus the US dollar during Q4 2014 versus the comparable quarters.
- Consolidated realized price for the year ended December 31, 2014 decreased by 7% as compared to the prior year. This decrease was driven by weaker crude oil and TTF pricing, partially offset by stronger AECO pricing and a weaker Canadian dollar.

FUND FLOWS FROM OPERATIONS

	Three Months Ended						Year Ended			
	Dec 31, 2014		Sep 30, 2014		Dec 31, 2013		Dec 31, 2014		Dec 31, 2013	
	$M	$/boe	$M	$/boe	$M	$/boe	$M	$/boe	$M	$/boe
Petroleum and natural gas sales	**306,073**	**63.79**	344,688	76.80	325,108	86.04	**1,419,628**	**77.75**	1,273,835	83.83
Royalties	**(25,963)**	**(5.41)**	(29,000)	(6.46)	(17,616)	(4.66)	**(108,000)**	**(5.92)**	(67,936)	(4.47)
Petroleum and natural gas revenues	**280,110**	**58.38**	315,688	70.34	307,492	81.38	**1,311,628**	**71.83**	1,205,899	79.36
Transportation expense	**(9,489)**	**(1.98)**	(10,979)	(2.45)	(9,081)	(2.40)	**(42,361)**	**(2.32)**	(28,924)	(1.90)
Operating expense	**(59,881)**	**(12.48)**	(56,227)	(12.53)	(48,140)	(12.74)	**(232,307)**	**(12.72)**	(195,043)	(12.84)
General and administration	**(13,236)**	**(2.76)**	(16,262)	(3.62)	(13,954)	(3.69)	**(61,727)**	**(3.38)**	(49,910)	(3.28)
PRRT	**(13,568)**	**(2.83)**	(13,834)	(3.08)	(17,173)	(4.55)	**(60,340)**	**(3.30)**	(56,565)	(3.72)
Corporate income taxes	**(8,304)**	**(1.73)**	(17,454)	(3.89)	(43,065)	(11.40)	**(96,996)**	**(5.31)**	(161,794)	(10.65)
Interest expense	**(12,943)**	**(2.70)**	(12,918)	(2.88)	(10,049)	(2.66)	**(49,655)**	**(2.72)**	(38,183)	(2.51)
Realized gain (loss) on derivative instruments	**22,816**	**4.76**	8,837	1.97	(1,300)	(0.34)	**36,712**	**2.01**	(7,082)	(0.47)
Realized foreign exchange (loss) gain	**(179)**	**(0.03)**	812	0.17	(1,294)	(0.34)	**(821)**	**(0.04)**	(1,866)	(0.12)
Realized other income	**202**	**0.04**	235	0.05	224	0.06	**732**	**0.04**	994	0.07
Fund flows from operations	**185,528**	**38.67**	197,898	44.08	163,660	43.32	**804,865**	**44.09**	667,526	43.94

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

($M)	**Q4/14 vs. Q3/14**	**Q4/14 vs. Q4/13**	**2014 vs. 2013**
Fund flows from operations – Comparative period	**197,898**	**163,660**	**667,526**
Sales volume variance:			
Canada	3,545	35,366	136,832
France	5,839	6,706	(9,302)
Netherlands	(4,524)	(6,216)	11,132
Germany	1,297	13,359	41,962
Australia	29,803	20,345	(1,564)
United States	1,330	1,330	1,330
Pricing variance on sold volumes:			
WTI	(26,146)	(20,454)	(4,007)
AECO	(3,758)	215	22,959
Dated Brent	(52,457)	(61,872)	(26,662)
TTF	6,456	(7,814)	(26,887)
Changes in:			
Royalties	3,037	(8,347)	(40,064)
Transportation	1,490	(408)	(13,437)
Operating expense	(3,654)	(11,741)	(37,264)
General and administration	3,026	718	(11,817)
PRRT	266	3,605	(3,775)
Corporate income taxes	9,150	34,761	64,798
Interest	(25)	(2,894)	(11,472)
Realized derivatives	13,979	24,116	43,794
Realized foreign exchange	(991)	1,115	1,045
Realized other income	(33)	(22)	(262)
Fund flows from operations – Current Period	**185,528**	**185,528**	**804,865**

Fund flows from operations of $185.5 million during Q4 2014 represented a decrease of $12.4 million (6%) versus Q3 2014. This quarter-over-quarter decrease was the result of a $38.6 million decrease in sales, partially offset by a $14.0 million increase in hedging proceeds (following weaker commodity prices during the quarter) and a $9.2 million decrease in corporate income taxes. The decrease in sales included $75.9 million of pricing variance primarily due to a decrease in crude oil prices, partially offset by $37.3 million of sales volume variance primarily due to higher volumes in Australia (due to inventory draws in the period). The decrease in corporate income taxes was due to lower taxable income resulting from decreased sales.

On a year-over-year basis, fund flows from operations increased 13% and 21% for the three months and year ended December 31, 2014, respectively, versus the comparable periods in 2013. These increases were primarily the result of favorable sales volume variances in Canada coupled with incremental production following our Q1 2014 acquisition in Germany. The impact of increased AECO pricing, hedging proceeds and lower income taxes also contributed favorably to fund flows from operations. These favorable increases were partially offset by weaker crude oil and TTF pricing.

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 the 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 West Pembina near Drayton Valley, Alberta and Northgate in southeast Saskatchewan
- 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 condensate-rich gas (3,200 – 3,400m 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, 2014	Sep 30, 2014	Dec 31, 2013	Q4/14 vs. Q3/14	Q4/14 vs. Q4/13	Dec 31, 2014	Dec 31, 2013	2014 vs. 2013
Production								
Crude oil (bbls/d)	**11,384**	11,469	8,719	(1%)	31%	**11,248**	8,387	34%
NGLs (bbls/d)	**2,741**	2,291	1,699	20%	61%	**2,476**	1,666	49%
Natural gas (mmcf/d)	**58.36**	57.07	41.43	2%	41%	**55.67**	42.39	31%
Total (boe/d)	**23,851**	23,272	17,322	2%	38%	**23,001**	17,117	34%
Production mix (% of total)								
Crude oil	**48%**	49%	50%			**49%**	49%	
NGLs	**11%**	10%	10%			**11%**	10%	
Natural gas	**41%**	41%	40%			**40%**	41%	
Activity								
Capital expenditures ($M)	**85,442**	97,393	77,245	(12%)	11%	**334,742**	241,197	39%
Acquisitions ($M)	**1,671**	27,883	1,603			**415,648**	9,189	
Gross wells drilled	**23.00**	22.00	21.00			**74.00**	69.00	
Net wells drilled	**15.16**	16.86	16.65			**50.27**	57.21	

Production

- The year-over-year increase in full year average production volumes was primarily attributable to strong organic production growth in each of our Cardium light crude oil resource play and Mannville condensate-rich gas play as well as incremental production volumes from our southeast Saskatchewan assets acquired in April 2014.
- Cardium production averaged more than 10,000 boe/d in Q4 2014 and more than 10,800 boe/d in 2014. The 20% increase in average annual production volumes was driven by better-than-forecasted production from long-reach wells and improved completion design.
- Mannville production averaged more than 4,300 boe/d in Q4 2014, a 17% increase quarter-over-quarter. Full year 2014 production averaged in excess of 3,900 boe/d.
- Production from our southeast Saskatchewan assets averaged approximately 3,000 boe/d in Q4 2014, an increase of 15% over Q3 2014. Full year 2014 production averaged approximately 1,900 boe/d taking into account a closing date for the acquisition of April 29, 2014.

Activity review

· Vermilion drilled a total of 18 (13.6 net) operated wells during Q4 2014 and 53 (44.8 net) operated wells during 2014.

Cardium

- We drilled 13 (9.9 net) operated wells and brought 10 (7.0 net) operated wells on production during Q4 2014. During 2014, we drilled 30 (25.9 net) operated wells and brought 30 (27.0 net) operated wells on production, of which 17 were long-reach wells with horizontal lengths greater than one mile.
- Since 2009, we have drilled or participated in 278 (198.8 net) wells.
- Operating netbacks averaged approximately $62.50/boe in 2014.
- In 2015, we plan to drill or participate in approximately eight (3.0 net) wells and complete, equip and tie-in an additional 8.2 net wells which were drilled in 2014.

Mannville

- During Q4 2014, we drilled four (3.0 net) operated wells and brought three (2.5 net) operated wells on production. In 2014, we drilled 10 (7.7 net) operated wells and brought eight (6.2 net) operated wells on production.
- In 2015, we expect to drill or participate in approximately 28 (16.0 net) wells and complete, equip and tie-in an additional 1.0 net well which was drilled in 2014.

Duvernay

- During the second half of 2014 we drilled two (1.3 net) horizontal wells. One (0.3 net) well was completed and brought on production during Q3 2014. The second well was completed and brought on production during Q4 2014.

Saskatchewan

- We drilled one (0.7 net) operated Midale well and brought three (2.6 net) operated wells on production during Q4 2014.
- In 2014, we drilled or participated in 12 (10.4 net) Midale wells.
- In 2015, we plan to drill or participate in five (4.1 net) wells in Saskatchewan.

Financial review

Canada business unit ($M except as indicated)	Three Months Ended Dec 31, 2014	Sep 30, 2014	Dec 31, 2013	% change Q4/14 vs. Q3/14	Q4/14 vs. Q4/13	Year Ended Dec 31, 2014	Dec 31, 2013	% change 2014 vs. 2013
Sales	**112,494**	138,853	97,367	(19%)	16%	**537,788**	382,005	41%
Royalties	**(15,626)**	(19,034)	(11,039)	(18%)	42%	**(65,563)**	(40,891)	60%
Transportation expense	**(3,455)**	(4,048)	(4,102)	(15%)	(16%)	**(14,625)**	(12,254)	19%
Operating expense	**(19,315)**	(19,074)	(13,218)	1%	46%	**(76,178)**	(55,804)	37%
General and administration	**(2,840)**	(4,523)	(2,478)	(37%)	15%	**(16,791)**	(12,979)	29%
Fund flows from operations	**71,258**	92,174	66,530	(23%)	7%	**364,631**	260,077	40%
Netbacks ($/boe)								
Sales	**51.27**	64.85	61.10	(21%)	(16%)	**64.06**	61.14	5%
Royalties	**(7.12)**	(8.89)	(6.93)	(20%)	3%	**(7.81)**	(6.55)	19%
Transportation expense	**(1.57)**	(1.89)	(2.57)	(17%)	(39%)	**(1.74)**	(1.96)	(11%)
Operating expense	**(8.80)**	(8.91)	(8.29)	(1%)	6%	**(9.07)**	(8.93)	2%
General and administration	**(1.29)**	(2.11)	(1.60)	(39%)	(19%)	**(2.00)**	(2.24)	(11%)
Fund flows from operations netback	**32.49**	43.05	41.71	(25%)	(22%)	**43.44**	41.46	5%
Reference prices								
WTI (US $/bbl)	**73.15**	97.17	97.46	(25%)	(25%)	**93.00**	97.97	(5%)
Edmonton Sweet index (US $/bbl)	**66.79**	89.24	82.53	(25%)	(19%)	**85.83**	90.40	(5%)
Edmonton Sweet index ($/bbl)	**75.85**	97.21	86.64	(22%)	(12%)	**94.82**	93.12	2%
AECO ($/GJ)	**3.41**	3.81	3.35	(10%)	2%	**4.27**	3.01	42%

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 United States. The realized price of our natural gas in Canada is based on the AECO spot price in Canada.
- Sales per boe decreased by 21% quarter-over-quarter as a result of a 25% decrease in Edmonton Sweet index pricing and a 10% decrease in AECO pricing. This decrease coupled with relatively consistent production volumes resulted in a 19% decrease in sales.
- On a year-over-year basis, sales per boe decreased by 16% for the three months ended December 31, 2014 and increased by 5% for the year ended December 31, 2014 versus the same periods in 2013. Sales increased for the current year periods despite the decline in the Edmonton Sweet index price that occurred in the latter half of 2014 due to higher production, including incremental production from our Saskatchewan acquisition and production growth in the Cardium and Mannville resource plays, and higher AECO pricing.

Royalties

- Royalty expense as a percentage of sales increased to 13.9% and 12.2% for the three months and year ended December 31, 2014 (versus 11.3% and 10.7% for the comparable periods in 2013). The increase is associated with wells coming off of incentive royalty rates after reaching specified production thresholds, increased natural gas prices, and slightly higher average royalty rates associated with Vermilion's Saskatchewan production.
- On a quarter-over-quarter basis, royalties as a percentage of sales for Q4 2014 was unchanged versus Q3 2014.

Transportation

- Transportation expense relates to the delivery of crude oil and natural gas production to major pipelines where legal title transfers.
- Transportation expense for Q4 2014 was lower than Q3 2014 and Q4 2013 as a result of lower crude oil production subject to transportation costs.
- Transportation expense increased for 2014 as compared to 2013 due to incremental trucking costs from Vermilion's Saskatchewan properties, which were acquired in Q2 2014.

Operating expense

- On a per boe basis, operating expenses were relatively unchanged quarter-over-quarter and year-over-year. In dollar terms, the year-over-year increase is a result of increased facilities maintenance expenditures and gas processing costs coupled with incremental operating expenses associated with Vermilion's Saskatchewan properties.

General and administration

- Year-over-year, the increase in general and administration expense is associated with incremental expense associated with the Saskatchewan acquisition and higher staffing levels. The quarter-over-quarter decrease relates to the timing of expenditures.

FRANCE BUSINESS UNIT

Overview

- Entered France in 1997 and completed three subsequent acquisitions, including two in 2012.
- Largest oil producer in France.
- 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, 2014**	**Sep 30, 2014**	**Dec 31, 2013**	**Q4/14 vs. Q3/14**	**Q4/14 vs. Q4/13**	**Dec 31, 2014**	**Dec 31, 2013**	**2014 vs. 2013**
Production								
Crude oil (bbls/d)	**11,133**	11,111	11,131	-	-	**11,011**	10,873	1%
Natural gas (mmcf/d)	**-**	-	-	-	-	**-**	3.40	(100%)
Total (boe/d)	**11,133**	11,111	11,131	-	-	**11,011**	11,440	(4%)
Inventory (mbbls)								
Opening crude oil inventory	**214**	179	226			**269**	354	
Adjustments	**-**	-	-			**-**	5	
Crude oil production	**1,024**	1,022	1,024			**4,019**	3,969	
Crude oil sales	**(1,041)**	(987)	(981)			**(4,091)**	(4,059)	
Closing crude oil inventory	**197**	214	269			**197**	269	
Production mix (% of total)								
Crude oil	**100%**	100%	100%			**100%**	95%	
Natural gas	**-**	-	-			**-**	5%	
Activity								
Capital expenditures ($M)	**37,189**	35,082	31,899	6%	17%	**147,852**	100,378	47%
Gross wells drilled	**1.00**	3.00	-			**8.00**	5.00	
Net wells drilled	**0.50**	3.00	-			**7.50**	5.00	

Production

- Q4 production was essentially flat quarter-over-quarter and year-over-year. Full year 2014 average production was 4% lower versus full year average production in 2013 due to the shut-in of produced gas volumes at Vic Bilh.
- In late September 2013, the third party Lacq processing facility that processed our Vic Bilh gas production was permanently closed. As a result, our Vic Bilh gas production has been temporarily shut-in while preparations to transfer to an alternative facility are completed. We currently expect a portion of the Vic Bilh production (approximately 850 mcf/d) will be back on-stream in mid-2015. As a result of the shut-in, current production volumes remain 100% weighted to Brent-based crude.

Activity review

- Vermilion drilled one (0.5 net) well in the Tamaris field in the Aquitaine Basin in Q4 2014.
- During Q4 2014, the 160 km^2 Champotran 3D seismic project was completed ahead of schedule and under budget. The final processing of the data is expected to be completed in Q1 2015.
- During 2014, we drilled eight (7.5 net) wells in France, including the completion of a five-well drilling program in the Champotran field. Additional activities in 2014 included a number of workovers, as well as seismic and facility integrity projects.
- In 2015, we are planning a four-well drilling program in the Champotran field, an 18-well workover program and the resumption of sales of approximately 850 mcf/d of solution gas at Vic Bilh.

Financial review

France business unit ($M except as indicated)	Three Months Ended Dec 31, 2014	Sep 30, 2014	Dec 31, 2013	% change Q4/14 vs. Q3/14	Q4/14 vs. Q4/13	Year Ended Dec 31, 2014	Dec 31, 2013	% change 2014 vs. 2013
Sales	**82,499**	106,576	110,757	(23%)	(26%)	**431,252**	453,315	(5%)
Royalties	**(6,319)**	(6,978)	(6,577)	(9%)	(4%)	**(28,444)**	(27,045)	5%
Transportation expense	**(4,096)**	(4,741)	(4,622)	(14%)	(11%)	**(18,975)**	(12,505)	52%
Operating expense	**(13,544)**	(15,215)	(15,524)	(11%)	(13%)	**(61,729)**	(66,997)	(8%)
General and administration	**(3,765)**	(6,411)	(5,080)	(41%)	(26%)	**(20,929)**	(19,657)	6%
Current income taxes	**(6,132)**	(10,744)	(28,024)	(43%)	(78%)	**(66,901)**	(94,524)	(29%)
Fund flows from operations	**48,643**	62,487	50,930	(22%)	(4%)	**234,274**	232,587	1%
Netbacks ($/boe)								
Sales	**79.25**	107.99	112.84	(27%)	(30%)	**105.43**	106.26	(1%)
Royalties	**(6.07)**	(7.07)	(6.70)	(14%)	(9%)	**(6.95)**	(6.34)	10%
Transportation expense	**(3.94)**	(4.80)	(4.71)	(18%)	(16%)	**(4.64)**	(2.93)	58%
Operating expense	**(13.01)**	(15.42)	(15.82)	(16%)	(18%)	**(15.09)**	(15.70)	(4%)
General and administration	**(3.62)**	(6.50)	(5.18)	(44%)	(30%)	**(5.12)**	(4.61)	11%
Current income taxes	**(5.89)**	(10.89)	(28.55)	(46%)	(79%)	**(16.36)**	(22.16)	(26%)
Fund flows from operations netback	**46.72**	63.31	51.88	(26%)	(10%)	**57.27**	54.52	5%
Reference prices								
Dated Brent (US $/bbl)	**76.27**	101.85	109.27	(25%)	(30%)	**98.99**	108.66	(9%)
Dated Brent ($/bbl)	**86.62**	110.95	114.71	(22%)	(24%)	**109.36**	111.93	(2%)

Sales

- Crude oil production in France is priced with reference to Dated Brent.
- Sales per boe decreased by 27% quarter-over-quarter, consistent with the 25% decrease in the Dated Brent reference price. This decrease, partially offset by a decrease in inventory, resulted in a 23% decrease in sales.
- On a year-over-year basis, sales per boe decreased by 30% and 1% for the three months and year ended December 31, 2014, respectively, as compared to the same periods in 2013. This decrease was primarily driven by 30% and 9% decreases in the Dated Brent reference price for the three months and year ended December 31, 2014, respectively. For the three months ended December 31, 2014, this was partially offset by a 6% increase in sales volumes, resulting in a 26% decrease in sales. On a yearly basis, the decrease in crude pricing coupled with consistent sales volumes resulted in a 5% decrease in sales.

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).
- As a percentage of sales, royalties remained relatively consistent at 6.6% in 2014 (2013 – 6.0%). As a percentage of sales, royalties increased from 6.5% in Q3 2014 to 7.7% in Q4 2014 due to the impact of fixed RCDM royalties coupled with lower realized pricing.

Transportation

- Historically, transportation expense in France related to shipments of crude oil by tanker from the Aquitaine Basin to third party refineries. As a result of the closure of the Lacq processing facility in Q3 2013, Vermilion began incurring additional transportation charges to ship Vic Bilh crude oil production to market. Accordingly, transportation expense for the year ended December 31, 2014 is higher than the prior year.

Operating expense

- Operating expense was lower in Q4 2014 as compared to both Q3 2014 and Q4 2013 on both a spend and on a per boe basis due to reduced facilities maintenance and repairs costs in the current quarter. For the year ended December 31, 2014, operating expense per boe remained consistent with the prior year.

General and administration

- General and administration expense for 2014 was 6% higher than in 2013 as a result of increased staffing costs and the weaker Canadian dollar relative to the Euro. On a quarterly basis, general and administration expense fluctuates as a result of timing of expenditures and allocations from Vermilion's Corporate segment.

Current income taxes

- Current income taxes in France are applied to taxable income after eligible deductions at a statutory rate of 34.4% for 2014. In addition, a 10.7% temporary surtax is applicable for tax year 2014 and 2015 if annual revenue exceeds €250 million. The France business unit is not subject to the 10.7% surtax for 2014.
- Current income taxes for the three months and year ended December 31, 2014 were lower than the comparable periods in 2013 due to accelerated depletion on certain assets as a result of the impact of the declining Dated Brent reference price.

NETHERLANDS BUSINESS UNIT

Overview

- Entered the Netherlands in 2004.
- Second largest onshore gas producer.
- Interests include 16 licenses in the northeast region, five licenses in the central region, and two offshore licenses.
- Licenses include more than 800,000 net acres of undeveloped land.
- High impact natural gas drilling and development.
- 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, 2014**	**Sep 30, 2014**	**Dec 31, 2013**	**Q4/14 vs. Q3/14**	**Q4/14 vs. Q4/13**	**Dec 31, 2014**	**Dec 31, 2013**	**2014 vs. 2013**
Production								
NGLs (bbls/d)	**81**	63	62	29%	31%	**77**	64	20%
Natural gas (mmcf/d)	**31.35**	38.07	37.53	(18%)	(16%)	**38.20**	35.42	8%
Total (boe/d)	**5,306**	6,407	6,318	(17%)	(16%)	**6,443**	5,967	8%
Activity								
Capital expenditures ($M)	**10,022**	10,087	15,698	(1%)	(36%)	**61,740**	28,543	116%
Acquisitions ($M)	**-**	-	27,500			**-**	27,500	
Gross wells drilled	**2.00**	1.00	-			**7.00**	-	
Net wells drilled	**0.92**	0.45	-			**4.66**	-	

Production

- Achieved record annual production of 6,443 boe/d.
- Production was 17% lower quarter-over-quarter while full year 2014 average production grew 8% versus 2013. Production volumes in 2014 benefited from the addition of production from the DeHoeve-01 well during Q2 2014 and increased throughput capacity following a retrofit at our Middenmeer Treatment Centre completed in late 2013.
- Production in the Netherlands is actively managed to optimize facility use and regulate declines.

Activity review

- Vermilion drilled the Langezwaag-02 well (42% working interest), in the Gorredijk concession, during Q4 2014. The primary targets were the Vlieland (Cretaceous sandstone) and the Zechstein 2 (Permian carbonate) formations. A ten hour clean-up test conducted on the Zechstein 2 formation delivered a stabilized flow rate of 14 mmcf/d of gas on a 48/64 inch choke with a flowing wellhead pressure of 1,378 psi[(1)]. This well was drilled from an existing lease site (Langezwaag-01) and is expected to be tied into existing facilities and on production in Q1 2015.
- The final well of our seven-well 2014 drilling program, Sonnega-2, was drilled in the Steenwijk concession in Q4 2014. A seven hour clean-up test conducted on the Vlieland formation delivered a stabilized flow rate of 15.8 mmcf/d on a 52/64 inch choke with a flowing wellhead pressure of 1,059 psi[(1)]. This well was drilled from an existing lease site and is expected to be tied into existing facilities and on production in Q2 2015.
- In 2015, we are planning a three-well development drilling program and expect to equip and tie-in four previous discovery wells.

(1) Test results are not necessarily indicative of long-term performance or of ultimate recovery.

Financial review

Netherlands business unit ($M except as indicated)	Three Months Ended			% change		Year Ended		% change
	Dec 31, 2014	Sep 30, 2014	Dec 31, 2013	Q4/14 vs. Q3/14	Q4/14 vs. Q4/13	Dec 31, 2014	Dec 31, 2013	2014 vs. 2013
Sales	**25,420**	26,960	39,451	(6%)	(36%)	**123,815**	139,570	(11%)
Royalties	**(1,171)**	(942)	-	24%	100%	**(5,014)**	-	100%
Operating expense	**(6,200)**	(5,409)	(6,179)	15%	-	**(24,041)**	(20,617)	17%
General and administration	**(2,489)**	(204)	(1,553)	1,120%	60%	**(3,617)**	(2,724)	33%
Current income taxes	**2,124**	(1,189)	(8,267)	(279%)	(126%)	**(4,154)**	(34,132)	(88%)
Fund flows from operations	**17,684**	19,216	23,452	(8%)	(25%)	**86,989**	82,097	6%
Netbacks ($/boe)								
Sales	**52.07**	45.73	67.88	14%	(23%)	**52.65**	64.08	(18%)
Royalties	**(2.40)**	(1.60)	-	50%	100%	**(2.13)**	-	100%
Operating expense	**(12.70)**	(9.18)	(10.63)	38%	19%	**(10.22)**	(9.47)	8%
General and administration	**(5.10)**	(0.35)	(2.67)	1,357%	91%	**(1.54)**	(1.25)	23%
Current income taxes	**4.35**	(2.02)	(14.22)	(315%)	(131%)	**(1.77)**	(15.67)	(89%)
Fund flows from operations netback	**36.22**	32.58	40.36	11%	(10%)	**36.99**	37.69	(2%)
Reference prices								
TTF ($/GJ)	**8.69**	7.26	10.65	20%	(18%)	**8.50**	10.29	(17%)
TTF (€/GJ)	**6.12**	5.04	7.45	21%	(18%)	**5.79**	7.51	(23%)

Sales

- 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.
- The 6% decrease in sales quarter-over-quarter is primarily related to a 17% decrease in production, partially offset by a 14% increase in sales per boe consistent with the 20% increase in the Canadian dollar equivalent of the TTF reference price.
- On a year-over-year basis, sales per boe declined by 23% and 18% for the three months and year ended December 31, 2014, respectively. This was consistent with the decrease in the TTF reference price over the same periods in 2013. On a quarterly basis, lower pricing coupled with a 16% decrease in production volumes resulted in a 36% decrease in sales. On a yearly basis, weaker pricing was partially offset by an 8% increase in production volumes, resulting in an 11% decrease in sales.

Royalties

- Historically, we have not paid royalties in the Netherlands, however, certain wells associated with an acquisition completed by Vermilion's Netherlands business unit in October 2013 have reached payout and are now subject to an overriding royalty.

Transportation expense

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

Operating expense

- Operating expense per boe increased in Q4 2014 from Q3 2014 as additional project work was performed in Q4 2014.
- Operating expense per boe for 2014 increased as compared to the prior year due to the strengthening of the Euro versus the Canadian dollar, as well as higher salary costs associated with increased staffing levels supporting the continued organic growth in the Netherlands business unit.

General and administration

- On a year-over-year basis, general and administration expenses increased as a result of additional staffing and administration costs associated with Vermilion's continued organic growth in the Netherlands. In addition, on a quarter-over-quarter basis, Q4 2014 general and administration expenses were higher than the comparable quarters due to the timing of allocations from Vermilion's Corporate segment.

Current income taxes

- Current income taxes in the Netherlands apply to taxable income after eligible deductions at a statutory tax rate of approximately 46%.
- Current income taxes decreased for the year ended December 31, 2014 as compared to the same period in 2013 as a result of decreased revenues from lower TTF reference prices, and an increase in tax deductions for depletion on two unsuccessful wells during the current year.
- The effective rate is lower compared to the statutory rate due to accelerated tax deductions from certain capital expenditures and other eligible in-country tax adjustments resulting from the corporate acquisition completed in Q4 2013.

GERMANY BUSINESS UNIT

Overview

- Vermilion entered Germany in February 2014 with the purchase of a 25% participation interest in a four-partner consortium.
- The assets include four gas producing fields across 11 production licenses and an exploration license in surrounding fields.
- Production licenses comprise 207,000 gross acres, of which 85% is in the exploration license.

Operational review

	Three Months Ended		% change	Year Ended
Germany business unit	**Dec 31, 2014**	**Sep 30, 2014**	**Q4/14 vs. Q3/14**	**Dec 31, 2014**
Production				
Natural gas (mmcf/d)	**17.71**	15.38	15%	**14.99**
Total (boe/d)	**2,952**	2,563	15%	**2,498**
Activity				
Capital expenditures ($M)	**563**	1,358	(59%)	**2,747**
Acquisitions ($M)	**-**	-		**172,871**

Production

- Achieved Q4 2014 production of 2,952 boe/d, an increase of 15% as compared to 2,563 boe/d in the prior quarter, largely attributable to the Deblinghausen Z7a well being brought on production. Full year 2014 production averaged 2,498 boe/d taking into account an effective date for production of February 1, 2014.

Activity review

- During the first quarter of 2014, we participated in the drilling of the Deblinghausen Z7a development well (25% working interest).
- Continued the integration of the German business unit and commenced planning with our working interest partners for future drilling operations.
- Hired a Managing Director for the German business unit and opened an office outside of Berlin.
- In 2015, we are participating in the Burgmoor Z3a sidetrack well which spud in Q1 2015.

Financial review

Germany business unit ($M except as indicated)	Three Months Ended Dec 31, 2014	Sep 30, 2014	% change Q4/14 vs. Q3/14	Year Ended Dec 31, 2014
Sales	**13,359**	8,591	55%	**41,962**
Royalties	**(2,481)**	(2,046)	21%	**(8,613)**
Transportation expense	**(218)**	(675)	(68%)	**(2,367)**
Operating expense	**(2,862)**	(2,227)	29%	**(8,686)**
General and administration	**(2,200)**	(1,090)	102%	**(4,688)**
Current income taxes	**1,145**	(146)	(884%)	**(44)**
Fund flows from operations	**6,743**	2,407	180%	**17,564**
Netbacks ($/boe)				
Sales	**49.19**	36.43	35%	**46.03**
Royalties	**(9.13)**	(8.68)	5%	**(9.45)**
Transportation expense	**(0.80)**	(2.86)	(72%)	**(2.60)**
Operating expense	**(10.54)**	(9.44)	12%	**(9.53)**
General and administration	**(8.10)**	(4.62)	75%	**(5.14)**
Current income taxes	**4.21**	(0.62)	(779%)	**(0.05)**
Fund flows from operations netback	**24.83**	10.21	143%	**19.26**
Reference prices				
TTF ($/GJ)	**8.69**	7.26	20%	**8.50**
TTF (€/GJ)	**6.12**	5.04	21%	**5.79**

Sales

- The price of our natural gas in Germany is based on the TTF month-ahead index, as determined on the Title Transfer Facility Virtual Trading Point operated by Dutch TSO Gas Transport Services, plus various fees.
- Sales per boe increased by 35% from Q3 2014 due to an increase in the TTF reference price. This increase, coupled with higher production volumes, resulted in a 55% increase in sales quarter-over-quarter.

Royalties expense

- Our production in Germany is subject to royalties at a rate of approximately 20% of natural gas sales revenue.

Transportation expense

- Transportation expense relates to costs incurred to deliver natural gas from the processing facility to the customer.
- Transportation expense decreased for Q4 2014 as compared to Q3 2014 as a result of prior period adjustments recorded in the current quarter.

Operating expense

- Operating expenses for Germany are billed monthly by the joint venture operator and are similar on a per boe basis to our Netherlands business unit.

General and administration

- General and administration expense increased quarter-over-quarter as a result of increased allocations from Vermilion's Corporate segment.

Current income taxes

- Current income taxes in Germany apply to taxable income after eligible deductions at a statutory tax rate of approximately 23%.
- Current income taxes for Q4 2014 were lower compared to Q3 2014 due to the finalization of tax deductions related to the acquisition.

IRELAND BUSINESS UNIT

Overview

- 18.5% non-operating interest in the offshore Corrib gas field located approximately 83 km off the northwest coast of Ireland.
- Project comprises six offshore wells, offshore and onshore sales and transportation pipeline segments as well as a natural gas processing facility.
- Corrib is expected to produce approximately 58 mmcf/d (9,700 boe/d) net to Vermilion at peak production rates.

Operational and financial review

	Three Months Ended			% change		Year Ended		% change
Ireland business unit ($M)	**Dec 31, 2014**	**Sep 30, 2014**	**Dec 31, 2013**	**Q4/14 vs. Q3/14**	**Q4/14 vs. Q4/13**	**Dec 31, 2014**	**Dec 31, 2013**	**2014 vs. 2013**
Transportation expense	**(1,720)**	(1,515)	(357)	14%	382%	**(6,394)**	(4,165)	54%
General and administration	**(579)**	(334)	(482)	73%	20%	**(1,447)**	(1,442)	0%
Fund flows from operations	**(2,299)**	(1,849)	(839)	24%	174%	**(7,841)**	(5,607)	40%
Activity								
Capital expenditures	**20,932**	30,050	14,472	(30%)	45%	**94,439**	90,898	4%

Activity review

- Our Corrib project in Ireland has continued to progress on schedule following the completion of tunnel boring operations in May 2014. During the remainder of 2014, project operator Shell Exploration & Production Ireland Ltd. (SEPIL) successfully completed offshore workover and pipeline operations as well as outfitting of the 4.9 km tunnel including installation of flow and umbilical lines, hydro-testing and dewatering with the final weld completed in December. The grouting of the tunnel was completed subsequent to year end 2014. Natural gas from the sales grid was safely introduced into the processing facility in Q4 2014 as part of the commencement of operations at the plant. Remaining work includes the testing of all systems and processes required for the safe operation of the Bellanaboy gas processing terminal and the finalization of operating permits.
- Based on the current schedule for remaining commissioning activities, we anticipate first gas in approximately mid-2015 with peak production of approximately 58 mmcf/d (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.

AUSTRALIA BUSINESS UNIT

Overview

- Entered Australia in 2005.
- Hold a 100% operated working interest in the Wandoo field, located approximately 80 km offshore on the northwest shelf of Australia.
- Production is operated from two off-shore platforms, and originates from 21 producing well bores.
- Wells that utilize horizontal legs (ranging in length from 500 to 3,000 plus metres) are located 600 metres below the sea bed in approximately 55 metres of water depth.
- 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, 2014**	**Sep 30, 2014**	**Dec 31, 2013**	**Q4/14 vs. Q3/14**	**Q4/14 vs. Q4/13**	**Dec 31, 2014**	**Dec 31, 2013**	**2014 vs. 2013**
Production								
Crude oil (bbls/d)	**6,134**	6,567	6,189	(7%)	(1%)	**6,571**	6,481	1%
Inventory (mbbls)								
Opening crude oil inventory	**258**	189	183			**130**	268	
Crude oil production	**564**	604	569			**2,398**	2,366	
Crude oil sales	**(785)**	(535)	(622)			**(2,491)**	(2,504)	
Closing crude oil inventory	**37**	258	130			**37**	130	
Activity								
Capital expenditures ($M)	**11,616**	15,985	8,420	(27%)	38%	**44,283**	77,931	(43%)
Gross wells drilled	**-**	-	-			**-**	2.00	
Net wells drilled	**-**	-	-			**-**	2.00	

Production

- Quarterly production decreased 7% quarter-over-quarter. Full year 2014 production increased 1% versus full year 2013.
- Production volumes are managed within corporate targets while meeting customer demands and the requirements of long-term supply agreements. We continue to plan for production levels of between 6,000 and 8,000 bbls/d.

Activity review

- In Q4 2014, efforts were largely focused on facilities enhancement and engineering studies, including the expansion of accommodation quarters on the Wandoo B platform, as well as pre-drill activities for a two-well drilling program that was initially planned for Q1 2015 but which was subsequently deferred. With the deferral of the drilling program, 2015 planned activities include ongoing facilities maintenance, enhancement, and refurbishment, as well as preparation and permitting activities in advance of our next drilling program.

Financial review

Australia business unit ($M except as indicated)	Three Months Ended Dec 31, 2014	Sep 30, 2014	Dec 31, 2013	% change Q4/14 vs. Q3/14	Q4/14 vs. Q4/13	Year Ended Dec 31, 2014	Dec 31, 2013	% change 2014 vs. 2013
Sales	**70,971**	63,708	77,533	11%	(8%)	**283,481**	298,945	(5%)
Operating expense	**(17,719)**	(14,302)	(13,219)	24%	34%	**(61,432)**	(51,625)	19%
General and administration	**(1,628)**	(1,378)	(1,442)	18%	13%	**(5,873)**	(5,752)	2%
PRRT	**(13,568)**	(13,834)	(17,173)	(2%)	(21%)	**(60,340)**	(56,565)	7%
Corporate income taxes	**(4,799)**	(5,148)	(6,210)	(7%)	(23%)	**(24,477)**	(31,735)	(23%)
Fund flows from operations	**33,257**	29,046	39,489	14%	(16%)	**131,359**	153,268	(14%)
Netbacks ($/boe)								
Sales	**90.37**	119.07	124.63	(24%)	(27%)	**113.80**	119.38	(5%)
Operating expense	**(22.56)**	(26.73)	(21.25)	(16%)	6%	**(24.66)**	(20.62)	20%
General and administration	**(2.07)**	(2.58)	(2.32)	(20%)	(11%)	**(2.36)**	(2.30)	3%
PRRT	**(17.28)**	(25.86)	(27.60)	(33%)	(37%)	**(24.22)**	(22.59)	7%
Corporate income taxes	**(6.11)**	(9.62)	(9.98)	(36%)	(39%)	**(9.83)**	(12.67)	(22%)
Fund flows from operations netback	**42.35**	54.28	63.48	(22%)	(33%)	**52.73**	61.20	(14%)
Reference prices								
Dated Brent (US $/bbl)	**76.27**	101.85	109.27	(25%)	(30%)	**98.99**	108.66	(9%)
Dated Brent ($/bbl)	**86.62**	110.95	114.71	(22%)	(24%)	**109.36**	111.93	(2%)

Sales

- Our production in Australia currently receives a premium to Dated Brent.
- Sales per boe for Q4 2014 decreased by 24% versus Q3 2014 as a result of a decrease in the Dated Brent reference price. This decrease was offset by higher sales volumes, resulting in an 11% increase in sales.
- Sales per boe for the three months and year ended December 31, 2014 versus the same periods in 2013 reflect the decrease in the Dated Brent reference price by 30% and 9%, respectively, partially offset by the weakening of the Canadian dollar versus the US dollar. On a quarterly basis, this was partially offset by an increase in sales volumes, resulting in an 8% decrease in sales. On a yearly basis, the weaker pricing was coupled with consistent sales volumes, resulting in a 5% decrease in sales.

Royalties and transportation expense

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

Operating expense

- On a quarter-over-quarter basis, operating expense for Q4 2014 was higher than Q3 2014 as a result of a large draw in inventory during the current quarter (221,000 bbls) versus a build in the previous quarter (69,000 bbls). On a per barrel basis, operating expense decreased quarter-over-quarter as a result of lower diesel usage in the current quarter.
- On a year-over-year basis, the three months and year ended December 31, 2014 had higher operating expense on a dollar and barrel basis as a result of increased diesel usage.

General and administration

- General and administration expense for 2014 was relatively unchanged versus 2013. The timing of expenditures resulted in variances from quarter-to-quarter.

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 30% on taxable income after eligible deductions, which include PRRT.
- Combined corporate income taxes and PRRT movements for the three months and year ended December 31, 2014 versus the comparable periods in 2013 were largely consistent with the fluctuations in sales. On a year-over-year basis, PRRT for 2014 increased versus the 2013 periods as a result of the lower capital spending in 2014.

UNITED STATES BUSINESS UNIT

Overview

- Entered the United States in September 2014 with $11.1 million acquisition.
- Interests include approximately 68,000 acres of land (98% undeveloped) in the Powder River Basin of northeastern Wyoming.
- Promising tight oil development targeting the Turner Sand at a depth of approximately 1,500 metres.

Operational and financial review

	Three Months Ended
United States business unit ($M except as indicated)	**Dec 31, 2014**
Sales	**1,330**
Royalties	**(366)**
Operating expense	**(241)**
General and administration	**(959)**
Fund flows from operations	**(236)**
Netbacks ($/boe)	
Sales	**74.08**
Royalties	**(20.38)**
Operating Expense	**(13.44)**
General and administration	**(53.44)**
Fund flows from operations netback	**(13.18)**
Production	
Crude oil (bbls/d)	**195**
Total (boe/d)	**195**
Activity	
Capital expenditures	**460**
Reference prices	
WTI (US $/bbl)	**73.15**
WTI ($/bbl)	**83.08**

Activity review

- The most recently completed well on this land block (70% working interest) is currently producing approximately 150 bbls/d of oil in its seventh month of production, from an approximately 1,100 metre hydraulically-fractured horizontal lateral.
- We plan to drill one well in the East Finn prospect in 2015.

Sales

- The price of crude oil in the United States is directly linked to WTI, subject to market conditions in the United States.

Royalties expense

- Our production in the United States is subject to federal and private royalties, severance tax, and ad valorem tax at a combined rate of approximately 27.5% of sales.

Operating expense

- Operating expense represents costs incurred by the contract operators of our current wells in the United States.

General and administration

- General and administration expense for Q4 2014 relate to the initial costs incurred to establish an office in Denver, Colorado.

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, 2014**	**Sep 30, 2014**	**Dec 31, 2013**	**Dec 31, 2014**	**Dec 31, 2013**
General and administration	**1,224**	(2,322)	(2,919)	**(7,423)**	(7,356)
Current income taxes	**(642)**	(227)	(564)	**(1,420)**	(1,403)
Interest expense	**(12,943)**	(12,918)	(10,049)	**(49,655)**	(38,183)
Realized gain (loss) on derivatives	**22,816**	8,837	(1,300)	**36,712**	(7,082)
Realized foreign exchange (loss) gain	**(179)**	812	(1,294)	**(821)**	(1,866)
Realized other income	**202**	235	224	**732**	994
Fund flows from operations	**10,478**	(5,583)	(15,902)	**(21,875)**	(54,896)

General and administration

- The decrease in general and administration costs in Q4 2014 as compared to Q3 2014 and Q4 2013 is largely due to a decrease in staff-related expenditures, general cost saving initiatives in response to declining crude prices, and increased salary allocations to the various segments.
- On a year-over-year basis, general and administration costs for the year ended December 31, 2014 as compared to 2013 remained relatively consistent. The change is primarily due to cost saving initiatives and increased salary allocations to the various segments, partially offset by certain outstanding Vermilion Incentive Plan ("VIP") awards to be settled partially in cash.

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. As compared to Q3 2014, Q4 2014 interest expense remained consistent. The increase in the three months and year ended December 31, 2014 versus the comparable periods in 2013 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) 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 gain in 2014 related primarily to amounts received on our TTF and Dated Brent derivatives, partially offset by payments made on our AECO derivatives.
- A listing of derivative positions as at December 31, 2014 is included in "Supplemental Table 2" in this MD&A.

FINANCIAL PERFORMANCE REVIEW

	Year Ended		
($M except per share)	**Dec 31, 2014**	**Dec 31, 2013**	**Dec 31, 2012**
Total assets	**4,386,091**	3,708,719	3,076,257
Long-term debt	**1,238,080**	990,024	642,022
Petroleum and natural gas sales	**1,419,628**	1,273,835	1,083,103
Net earnings	**269,326**	327,641	190,622
Net earnings per share			
Basic	**2.55**	3.24	1.94
Diluted	**2.51**	3.20	1.92
Cash dividends ($/share)	**2.58**	2.40	2.28

	Three Months Ended							
($M except per share)	**Dec 31, 2014**	**Sep 30, 2014**	**Jun 30, 2014**	**Mar 31, 2014**	**Dec 31, 2013**	**Sep 30, 2013**	**Jun 30, 2013**	**Mar 31, 2013**
Petroleum and natural gas sales	**306,073**	344,688	387,684	381,183	325,108	327,185	311,966	309,576
Net earnings	**58,642**	53,903	53,993	102,788	101,510	67,796	106,198	52,137
Net earnings per share								
Basic	**0.55**	0.50	0.51	1.00	1.00	0.67	1.05	0.53
Diluted	**0.54**	0.50	0.50	0.99	0.98	0.66	1.04	0.51

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

($M)	**Q4/14 vs. Q3/14**	**Q4/14 vs. Q4/13**	**2014 vs. 2013**
Net earnings – Comparative period	53,903	101,510	327,641
Changes in:			
Fund flows from operations	(12,370)	21,868	137,339
Equity based compensation	(3,673)	2,813	(6,957)
Unrealized gain or loss on derivative instruments	9,357	15,885	22,260
Unrealized foreign exchange gain or loss	7,881	(26,276)	(69,627)
Unrealized other expense	(148)	(323)	(41)
Accretion	(123)	340	652
Depletion and depreciation	(13,022)	(33,487)	(103,308)
Deferred tax	16,837	23,712	8,767
Impairment recovery	-	(47,400)	(47,400)
Net earnings – Current Period	**58,642**	**58,642**	**269,326**

The fluctuations in net earnings from quarter-to-quarter and from year-to-year are caused by changes in both cash and non-cash based income and charges. Cash based items 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 items 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 items may also include amounts resulting from acquisitions or charges resulting from impairment or impairment recoveries.

Equity based compensation

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.

For the year ended December 31, 2014, equity based compensation expense was higher than the same period in 2013 as a result of an upward revision of future performance condition assumptions during Q2 2014. Equity based compensation expense was higher for Q4 2014 as compared to Q3 2014 due to a higher number of VIP awards outstanding. Equity based compensation expense in Q4 2014 was lower than Q4 2013 as the 2013 period included an upward revision of future performance condition assumptions.

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 vice-versa.

In the year ended December 31, 2014, we recognized an unrealized gain on derivative instruments of $27.4 million, relating primarily to our TTF and crude oil swaps and collars. As at December 31, 2014, we have a net derivative asset position of $24.8 million.

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 US 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.

For the three months and year ended December 31, 2014, the Canadian dollar strengthened versus the Euro resulting in unrealized foreign exchange losses of $4.0 million and $17.6 million, respectively.

Accretion
Fluctuations in accretion expense are primarily the result of changes in discount rates applicable to the balance of asset retirement obligations and additions resulting from drilling and acquisitions.

Q4 2014 accretion expense was relatively consistent as compared to Q3 2014 and the comparable periods in 2013.

Depletion and depreciation
Fluctuations in depletion and depreciation expense are primarily the result of changes in produced crude oil and natural gas volumes.

Depletion and depreciation on a per boe basis of $24.42 in Q4 2014 was higher as compared to $23.21 in Q3 2014. Depletion and depreciation on a per boe basis increased for the three months and year ended December 31, 2014 to $24.42/boe and $23.31/boe, respectively, as compared to the same periods in 2013 of $22.15/boe and $21.22/boe, respectively. The increase on a per boe basis was largely due to Vermilion's increased capital and acquisition activity which resulted in higher per boe amounts when compared to legacy producing assets.

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 changes in available tax losses.

TAXES

Corporate income tax rates
Vermilion pays corporate income taxes in France, the Netherlands, Germany, 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	2014	2013
Canada	25.5%	25.0%
France	34.4%	38.0%
Netherlands	46.0%	46.0%
Germany	22.8%	-
Ireland	25.0%	25.0%
Australia	30.0%	30.0%
United States	35.0%	-

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 if applicable to Vermilion's France Operations would effectively increase the statutory rate applicable to our French operations to 38.1% for applicable years. The surtax has been extended to tax years ending up to December 31, 2016. The French operations were not subject to the surcharge in 2014 and are not expected to be subject to the surcharge for 2015 at current commodity prices.

In 2012, the France government enacted a new 3% tax on dividend distributions made by entities subject to corporate income tax in France. The tax applies to any dividends paid on or after April 17, 2012 and is not recovered by any tax treaties or deductible for French corporate income tax purposes. Vermilion did not pay any dividends from its French entities in 2014.

Tax pools

As at December 31, 2014, we had the following tax pools:

($M)	Oil & Gas Assets	Tax Losses [4]	Other	Total
Canada	1,128,614 (1)	326,300	6,299	1,461,213
France	403,201 (2)	-	-	403,201
Netherlands	59,032 (3)	-	-	59,032
Germany	134,550 (2)	17,348	17,004	168,902
Ireland	897,528 (4)	332,140	-	1,229,668
Australia	219,273 (1)	-	-	219,273
United States	12,072 (1)	395	-	12,467
Total	2,854,270	676,183	23,303	3,553,756

(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 an internally targeted ratio of approximately 1.0 to 1.3 in a normalized 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.

In the current low commodity price environment, Vermilion's net debt to fund flows ratio is accepted to be higher than the longer term target ratio. During this period, Vermilion will remain focused on maintaining a strong balance sheet and will manage the business accordingly.

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, 2014**	**Dec 31, 2013**	**Dec 31, 2014**	**Dec 31, 2013**
Revolving credit facility	**3.1%**	3.3%	**1,014,067**	766,898
Senior unsecured notes	**6.5%**	6.5%	**224,013**	223,126
Long-term debt	**3.8%**	4.2%	**1,238,080**	990,024

Revolving Credit Facility

On January 30, 2015, Vermilion exercised its option to increase its credit facility to $1.75 billion. The 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, 2014	**Dec 31, 2013**
Total facility amount	$1.75 billion	$1.20 billion
Amount drawn	$1.0 billion	$766.9 million
Letters of credit outstanding	$8.6 million	$8.1 million
Facility maturity date	31-May-17	31-May-16

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

		As At	
Financial covenant	**Limit**	**Dec 31, 2014**	**Dec 31, 2013**
Consolidated total debt to consolidated EBITDA	4.0	1.21	1.06
Consolidated total senior debt to consolidated EBITDA	3.0	0.99	0.82
Consolidated total senior debt to total capitalization	50%	31%	28%

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.
- Total capitalization: Includes all amounts on our balance sheet classified as "Long-term debt" and "Shareholders' equity".

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 and outstanding amount	$225.0 million
Interest rate	6.5% per annum
Issued date	February 10, 2011
Maturity date	February 10, 2016

Subsequent to February 10, 2015, Vermilion may redeem all or part of the senior unsecured notes at 100% of their principal amount plus any accrued and unpaid interest. 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, 2014**	**Dec 31, 2013**
Long-term debt	**1,238,080**	990,024
Current liabilities	**365,729**	347,444
Current assets	**(338,159)**	(587,783)
Net debt	**1,265,650**	749,685
Ratio of net debt to fund flows from operations	**1.6**	1.1

Long-term debt as at December 31, 2014 increased to $1.24 billion from $990.0 million as at December 31, 2013 as a result of draws on the revolving credit facility during the current year to fund our acquisitions in Germany and Saskatchewan coupled with the assumption of $47.5 million of long-term debt pursuant to the latter acquisition. This increase in long-term debt resulted in an increase to net debt from $749.7 million to $1.27 billion. As a result of this increase to long-term debt, the ratio of net debt to fund flows from operations increased from 1.1 as at December 31, 2013 to 1.6 as at December 31, 2014.

Shareholders' capital

Beginning with the January 2014 dividend paid on February 18, 2014, we increased our monthly dividend by 7.5%. This was our second consecutive annual increase.

During the year ended December 31, 2014, we maintained monthly dividends at $0.215 per share and declared dividends totalled $272.7 million.

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
January 2014 to Present	$0.215

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. It is not currently expected that Vermilion will be required to change its dividend in 2015.

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:

Shareholders' Capital	Number of Shares ('000s)	Amount ($M)
Balance as at December 31, 2013	102,123	1,618,443
Shares issued pursuant to corporate acquisition	2,827	204,960
Issuance of shares pursuant to the dividend reinvestment plan	1,279	79,430
Vesting of equity based awards	955	47,925
Share-settled dividends on vested equity based awards	108	7,542
Shares issued pursuant to the bonus plan	11	721
Balance as at December 31, 2014	107,303	1,959,021

As at December 31, 2014, there were approximately 1.8 million VIP awards outstanding. As at February 27, 2015, there were approximately 107.6 million common shares issued and outstanding.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2014, 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	14,625	1,240,691	-	-	1,255,316
Operating lease obligations	14,782	19,030	16,328	18,549	68,689
Ship or pay agreement relating to the Corrib project	6,807	9,128	7,461	40,152	63,548
Purchase obligations	25,257	8,911	27	-	34,195
Drilling and service agreements	24,884	21,153	-	-	46,037
Total contractual obligations and commitments	86,355	1,298,913	23,816	58,701	1,467,785

ASSET RETIREMENT OBLIGATIONS

As at December 31, 2014, asset retirement obligations were $350.8 million compared to $326.2 million as at December 31, 2013.

The increase in asset retirement obligations is largely attributable to accretion, additions from new wells drilled during the year, and abandonment obligations associated with the assets acquired in Germany, the United States, and Canada.

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, use 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 we cannot insure or against which we 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, Germany, Ireland and the United States. 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 or changes in circumstances. 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, 2014.

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 impacts of the adoption of the following pronouncements are currently being evaluated.

IFRS 9 "Financial Instruments"
On July 24, 2014, the IASB issued the final element of its comprehensive response to the financial crisis by issuing IFRS 9 "Financial Instruments". The improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Vermilion will adopt the standard for reporting periods beginning January 1, 2018.

IFRS 15 "Revenue from Contracts with Customers"
On May 28, 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", a new standard that specifies recognition requirements for revenue as well as requiring entities to provide the users of financial statements with more informative and relevant disclosures. The standard replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as a number of revenue-related interpretations. Vermilion will adopt the standard for reporting periods beginning January 1, 2017.

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 with 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 2014, 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 uphold our commitment to keep our people safe and to reduce impacts to land, water and air, as policies and procedures demonstrating leadership in these areas, were maintained and further developed in 2014. Examples of our accomplishments during the year included:

- Clear priorities around 5 key focus areas of HSE Culture, Communication and Knowledge Management, Technical Safety Management, Incident Prevention and Operational Stewardship & Sustainability;
- Reviewed and updated our HSE Policy to reflect our HSE maturity advances;
- Completed and published our first Corporate Sustainability Report;
- Submitted our first report to the Carbon Disclosure Project (CDP);
- Introduced a Fair Culture Policy to ensure transparency in our processes;
- Developed a robust risk mitigation program around our top fatal risk exposures;
- Advanced the completion of our Process Safety and Asset Integrity Management Systems;
- Updated various key Corporate HSE Standards such as the Event Management Practice;
- Reducing long-term environmental liabilities through decommissioning, abandoning and reclaiming well leases and facilities;
- Continuous auditing, management inspections and workforce observations to identify potential hazards and apply risk reduction measures;
- 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 10, 2015.

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, 2014, 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 assessment was based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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, 2014. The effectiveness of Vermilion's internal control over financial reporting as of December 31, 2014 has been audited by Deloitte LLP, as reflected in their report included in the 2014 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 ended December 31, 2014, 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 December 31, 2014			Year Ended December 31, 2014			Three Months Ended December 31, 2013	Year Ended December 31, 2013
	Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Total $/boe	Total $/boe
Canada								
Sales	71.13	3.74	**51.27**	88.98	4.53	**64.06**	61.10	61.14
Royalties	(11.00)	(0.25)	**(7.12)**	(11.78)	(0.32)	**(7.81)**	(6.93)	(6.55)
Transportation	(2.03)	(0.15)	**(1.57)**	(2.25)	(0.16)	**(1.74)**	(2.57)	(1.96)
Operating	(10.40)	(1.08)	**(8.80)**	(9.91)	(1.31)	**(9.07)**	(8.29)	(8.93)
Operating netback	47.70	2.26	**33.78**	65.04	2.74	**45.44**	43.31	43.70
General and administration			**(1.29)**			**(2.00)**	(1.60)	(2.24)
Fund flows from operations netback			**32.49**			**43.44**	41.71	41.46
France								
Sales	79.25	-	**79.25**	105.43	-	**105.43**	112.84	106.26
Royalties	(6.07)	-	**(6.07)**	(6.95)	-	**(6.95)**	(6.70)	(6.34)
Transportation	(3.94)	-	**(3.94)**	(4.64)	-	**(4.64)**	(4.71)	(2.93)
Operating	(13.01)	-	**(13.01)**	(15.09)	-	**(15.09)**	(15.82)	(15.70)
Operating netback	56.23	-	**56.23**	78.75	-	**78.75**	85.61	81.29
General and administration			**(3.62)**			**(5.12)**	(5.18)	(4.61)
Current income taxes			**(5.89)**			**(16.36)**	(28.55)	(22.16)
Fund flows from operations netback			**46.72**			**57.27**	51.88	54.52
Netherlands								
Sales	76.40	8.62	**52.07**	91.33	8.70	**52.65**	67.88	64.08
Royalties	-	(0.41)	**(2.40)**	-	(0.36)	**(2.13)**	-	-
Operating	-	(2.15)	**(12.70)**	-	(1.72)	**(10.22)**	(10.63)	(9.47)
Operating netback	76.40	6.06	**36.97**	91.33	6.62	**40.30**	57.25	54.61
General and administration			**(5.10)**			**(1.54)**	(2.67)	(1.25)
Current income taxes			**4.35**			**(1.77)**	(14.22)	(15.67)
Fund flows from operations netback			**36.22**			**36.99**	40.36	37.69
Germany								
Sales	-	8.20	**49.19**	-	7.67	**46.03**	-	-
Royalties	-	(1.52)	**(9.13)**	-	(1.57)	**(9.45)**	-	-
Transportation	-	(0.13)	**(0.80)**	-	(0.43)	**(2.60)**	-	-
Operating	-	(1.76)	**(10.54)**	-	(1.59)	**(9.53)**	-	-
Operating netback	-	4.79	**28.72**	-	4.08	**24.45**	-	-
General and administration			**(8.10)**			**(5.14)**	-	-
Current income taxes			**4.21**			**(0.05)**	-	-
Fund flows from operations netback			**24.83**			**19.26**	-	-
Australia								
Sales	90.37	-	**90.37**	113.80	-	**113.80**	124.63	119.38
Operating	(22.56)	-	**(22.56)**	(24.66)	-	**(24.66)**	(21.25)	(20.62)
PRRT [(1)]	(17.28)	-	**(17.28)**	(24.22)	-	**(24.22)**	(27.60)	(22.59)
Operating netback	50.53	-	**50.53**	64.92	-	**64.92**	75.78	76.17
General and administration			**(2.07)**			**(2.36)**	(2.32)	(2.30)
Corporate income taxes			**(6.11)**			**(9.83)**	(9.98)	(12.67)
Fund flows from operations netback			**42.35**			**52.73**	63.48	61.20
United States								
Sales	74.08	-	**74.08**	74.08	-	**74.08**	-	-
Royalties	(20.38)	-	**(20.38)**	(20.38)	-	**(20.38)**	-	-
Operating	(13.44)	-	**(13.44)**	(13.44)	-	**(13.44)**	-	-
Operating netback	40.26	-	**40.26**	40.26	-	**40.26**	-	-
General and administration			**(53.44)**			**(53.44)**	-	-
Fund flows from operations netback			**(13.18)**			**(13.18)**	-	-
Total Company								
Sales	78.64	5.90	**63.79**	100.06	6.42	**77.75**	86.04	83.83
Realized hedging gain (loss)	7.17	0.02	**4.76**	2.21	0.28	**2.01**	(0.34)	(0.47)
Royalties	(6.66)	(0.50)	**(5.41)**	(7.55)	(0.51)	**(5.92)**	(4.66)	(4.47)
Transportation	(2.14)	(0.28)	**(1.98)**	(2.60)	(0.30)	**(2.32)**	(2.40)	(1.90)
Operating	(14.29)	(1.50)	**(12.48)**	(14.87)	(1.49)	**(12.72)**	(12.74)	(12.84)
PRRT [(1)]	(4.31)	-	**(2.83)**	(5.19)	-	**(3.30)**	(4.55)	(3.72)
Operating netback	58.41	3.64	**45.85**	72.06	4.40	**55.50**	61.35	60.43
General and administration			**(2.76)**			**(3.38)**	(3.69)	(3.28)
Interest expense			**(2.70)**			**(2.72)**	(2.66)	(2.51)
Realized foreign exchange loss			**(0.03)**			**(0.04)**	(0.34)	(0.12)
Other income			**0.04**			**0.04**	0.06	0.07
Corporate income taxes [(1)]			**(1.73)**			**(5.31)**	(11.40)	(10.65)
Fund flows from operations netback			**38.67**			**44.09**	43.32	43.94

(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 tables outline Vermilion's outstanding risk management positions as at December 31, 2014:

	Note	Volume	Strike Price(s)
Crude Oil			
WTI - Collar			
January 2015 - March 2015		500 bbl/d	76.25 - 92.15 US $
January 2015 - June 2015	1	250 bbl/d	75.00 - 82.75 US $
Dated Brent - Collar			
January 2015 - March 2015		500 bbl/d	78.75 - 89.63 US $
Dated Brent - Swap			
January 2015	2	500 bbl/d	101.55 US $
January 2015 - March 2015	3	250 bbl/d	91.95 US $
February 2015	4	500 bbl/d	103.80 US $
March 2015	5	250 bbl/d	110.40 US $
MSW - Fixed Price Differential (Physical)			
November 2014 - March 2015		1,042 bbl/d	WTI less 6.85 US $
January 2015 - March 2015		2,098 bbl/d	WTI less 7.39 US $
LSB - Fixed Price Differential (Physical)			
October 2014 - March 2015		830 bbl/d	WTI less 10.00 US $
January 2015 - March 2015		524 bbl/d	WTI less 8.60 US $

(1) The contracted volumes increase to 750 boe/d for any monthly settlement periods above the contracted ceiling price.
(2) On March 31, 2015, the counterparty has the option to extend the swap for the period of April to June 2015 for 1,000 boe/d at the contracted price.
(3) On March 31, 2015, the counterparty has the option to extend the swap for the period of April to June 2015 for 500 boe/d at the contracted price.
(4) On June 30, 2015, the counterparty has the option to extend the swap for the period of July to September 2015 for 1,000 boe/d at the contracted price.
(5) On September 30, 2015, the counterparty has the option to extend the swap for the period of October to December 2015 for 500 boe/d at the contracted price.

North American Natural Gas			
AECO - Collar			
April 2014 - March 2015		2,500 GJ/d	3.60 - 4.08 CAD $
November 2014 - March 2015		2,500 GJ/d	3.60 - 4.27 CAD $
April 2015 - October 2015		2,500 GJ/d	2.75 - 3.52 CAD $
April 2015 - December 2015		2,500 GJ/d	2.75 - 3.52 CAD $
AECO Basis - Fixed Price Differential			
January 2015 - December 2015		5,000 mmbtu/d	Nymex HH less 0.68 US $
Nymex HH - Collar			
November 2014 - March 2015		10,000 mmbtu/d	3.50 - 5.00 US $
January 2015 - March 2015		10,000 mmbtu/d	3.70 - 5.10 US $
April 2015 - October 2015		10,000 mmbtu/d	3.36 - 4.01 US $
April 2015 - December 2015		2,500 mmbtu/d	3.50 - 4.11 US $
Nymex HH - Swap			
January 2015		2,500 mmbtu/d	4.53 US $
January 2015 - March 2015		5,000 mmbtu/d	4.38 US $

European Natural Gas			
TTF - Collar			
January 2015 - December 2015		2,592 GJ/d	6.11 - 6.83 EUR €
TTF - Swap			
January 2015 - March 2015		4,392 GJ/d	6.47 EUR €
January 2015 - December 2015		11,664 GJ/d	6.45 EUR €
January 2015 - March 2016		5,184 GJ/d	6.40 EUR €
January 2015 - June 2016		2,592 GJ/d	6.07 EUR €
February 2015		2,592 GJ/d	6.46 EUR €
February 2015 - March 2016		5,184 GJ/d	6.24 EUR €
April 2015 - December 2015		2,592 GJ/d	6.30 EUR €
April 2015 - March 2016		5,832 GJ/d	6.18 EUR €

	Note	Volume	Strike Price(s)
Electricity			
AESO - Swap (Physical)			
January 2013 - December 2015		72.0 MWh/d	53.17 CAD $
US Dollar			
USD - Collar			
January 2015 - March 2015		7,000,000 US $/month	1.140 - 1.184 CAD $
January 2015 - March 2015	1	15,500,000 US $/month	1.140 - 1.157 CAD $

(1) Vermilion has upside participation on this hedge up to the limit price of 1.222 CAD; above which, settlement will occur at the conditional call level of 1.157 CAD.

Supplemental Table 3: Capital Expenditures

By classification ($M)	Three Months Ended Dec 31, 2014	Sep 30, 2014	Dec 31, 2013	Year Ended Dec 31, 2014	Dec 31, 2013
Drilling and development	**151,395**	180,479	147,929	**618,689**	537,564
Dispositions	**-**	-	-	**-**	(8,627)
Exploration and evaluation	**14,848**	9,554	549	**69,035**	13,789
Capital expenditures	**166,243**	190,033	148,478	**687,724**	542,726
Property acquisition	**1,652**	40,847	1,603	**220,726**	9,189
Corporate acquisition	**-**	-	27,500	**381,139**	27,500
Acquisitions	**1,652**	40,847	29,103	**601,865**	36,689

By category ($M)	Three Months Ended Dec 31, 2014	Sep 30, 2014	Dec 31, 2013	Year Ended Dec 31, 2014	Dec 31, 2013
Land	**1,457**	2,346	2,676	**9,506**	3,662
Seismic	**7,598**	6,135	1,942	**19,034**	16,608
Drilling and completion	**69,691**	93,386	68,993	**311,696**	279,003
Production equipment and facilities	**77,272**	68,964	63,420	**275,538**	201,846
Recompletions	**7,696**	10,853	3,309	**36,234**	27,600
Other	**2,529**	8,349	8,138	**35,716**	22,634
Dispositions	**-**	-	-	**-**	(8,627)
Capital expenditures	**166,243**	190,033	148,478	**687,724**	542,726
Acquisitions	**1,652**	40,847	29,103	**601,865**	36,689
Total capital expenditures and acquisitions	**167,895**	230,880	177,581	**1,289,589**	579,415

By country ($M)	Three Months Ended Dec 31, 2014	Sep 30, 2014	Dec 31, 2013	Year Ended Dec 31, 2014	Dec 31, 2013
Canada	**87,113**	125,276	78,848	**750,390**	250,386
France	**37,189**	35,082	31,899	**147,852**	100,378
Netherlands	**10,022**	10,087	43,198	**61,740**	56,043
Germany	**563**	1,358	-	**175,618**	-
Ireland	**20,932**	30,050	14,472	**94,439**	90,898
Australia	**11,616**	15,985	8,420	**44,283**	77,931
United States	**460**	11,175	-	**11,635**	-
Corporate	**-**	1,867	744	**3,632**	3,779
Total capital expenditures and acquisitions	**167,895**	230,880	177,581	**1,289,589**	579,415

Supplemental Table 4: Production

	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12	Q3/12	Q2/12	Q1/12
Canada												
Crude oil (bbls/d)	**11,384**	11,469	12,676	9,437	8,719	7,969	8,885	7,966	7,983	7,322	7,757	7,574
NGLs (bbls/d)	**2,741**	2,291	2,796	2,071	1,699	1,897	1,725	1,335	1,106	1,204	1,321	1,302
Natural gas (mmcf/d)	**58.36**	57.07	57.59	49.53	41.43	43.40	43.69	41.04	31.41	35.54	41.32	41.83
Total (boe/d)	**23,851**	23,272	25,070	19,763	17,322	17,099	17,892	16,140	14,323	14,449	15,965	15,848
% of consolidated	**49%**	47%	49%	42%	43%	41%	42%	41%	40%	40%	40%	40%
France												
Crude oil (bbls/d)	**11,133**	11,111	11,025	10,771	11,131	11,625	10,390	10,330	9,843	9,767	9,931	10,270
Natural gas (mmcf/d)	**-**	-	-	-	-	5.23	4.19	4.21	3.91	3.39	3.57	3.48
Total (boe/d)	**11,133**	11,111	11,025	10,771	11,131	12,496	11,088	11,032	10,495	10,333	10,526	10,850
% of consolidated	**22%**	22%	21%	23%	27%	30%	26%	29%	29%	28%	27%	28%
Netherlands												
NGLs (bbls/d)	**81**	63	96	69	62	48	50	96	70	41	84	72
Natural gas (mmcf/d)	**31.35**	38.07	40.35	43.15	37.53	28.78	38.52	36.91	33.03	34.59	33.74	35.08
Total (boe/d)	**5,306**	6,407	6,822	7,260	6,318	4,845	6,470	6,248	5,574	5,806	5,707	5,919
% of consolidated	**11%**	13%	13%	16%	15%	12%	15%	16%	15%	16%	15%	15%
Germany												
Natural gas (mmcf/d)	**17.71**	15.38	16.13	10.64	-	-	-	-	-	-	-	-
Total (boe/d)	**2,952**	2,563	2,689	1,773	-	-	-	-	-	-	-	-
% of consolidated	**6%**	5%	5%	4%	-	-	-	-	-	-	-	-
Australia												
Crude oil (bbls/d)	**6,134**	6,567	6,483	7,110	6,189	7,070	7,363	5,287	5,873	5,958	6,970	6,648
% of consolidated	**12%**	13%	12%	15%	15%	17%	17%	14%	16%	16%	18%	17%
United States												
Crude oil (bbls/d)	**195**	-	-	-	-	-	-	-	-	-	-	-
Total (boe/d)	**195**	-	-	-	-	-	-	-	-	-	-	-
Consolidated												
Crude oil & NGLs (bbls/d)	**31,668**	31,501	33,076	29,458	27,800	28,609	28,413	25,014	24,875	24,292	26,063	25,866
% of consolidated	**64%**	63%	63%	63%	68%	69%	66%	65%	69%	66%	67%	66%
Natural gas (mmcf/d)	**107.42**	110.52	114.08	103.32	78.96	77.41	86.40	82.16	68.34	73.52	78.63	80.39
% of consolidated	**36%**	37%	37%	37%	32%	31%	34%	35%	31%	34%	33%	34%
Total (boe/d)	**49,571**	49,920	52,089	46,677	40,960	41,510	42,813	38,707	36,265	36,546	39,168	39,265

	2014	2013	2012	2011	2010	2009
Canada						
Crude oil (bbls/d)	**11,248**	8,387	7,659	4,701	2,778	2,137
NGLs (bbls/d)	**2,476**	1,666	1,232	1,297	1,427	1,518
Natural gas (mmcf/d)	**55.67**	42.39	37.50	43.38	43.91	47.85
Total (boe/d)	**23,001**	17,117	15,142	13,227	11,524	11,629
% of consolidated	**47%**	41%	40%	38%	36%	37%
France						
Crude oil (bbls/d)	**11,011**	10,873	9,952	8,110	8,347	8,246
Natural gas (mmcf/d)	**-**	3.40	3.59	0.95	0.92	1.05
Total (boe/d)	**11,011**	11,440	10,550	8,269	8,501	8,421
% of consolidated	**22%**	28%	28%	23%	26%	27%
Netherlands						
NGLs (bbls/d)	**77**	64	67	58	35	23
Natural gas (mmcf/d)	**38.20**	35.42	34.11	32.88	28.31	21.06
Total (boe/d)	**6,443**	5,967	5,751	5,538	4,753	3,533
% of consolidated	**13%**	15%	15%	16%	15%	11%
Germany						
Natural gas (mmcf/d)	**14.99**	-	-	-	-	-
Total (boe/d)	**2,498**	-	-	-	-	-
% of consolidated	**5%**	-	-	-	-	-
Australia						
Crude oil (bbls/d)	**6,571**	6,481	6,360	8,168	7,354	7,812
% of consolidated	**13%**	16%	17%	23%	23%	25%
United States						
Crude oil (bbls/d)	**49**	-	-	-	-	-
Total (boe/d)	**49**	-	-	-	-	-
Consolidated						
Crude oil & NGLs (bbls/d)	**31,432**	27,471	25,270	22,334	19,941	19,735
% of consolidated	**63%**	67%	67%	63%	62%	63%
Natural gas (mmcf/d)	**108.85**	81.21	75.20	77.21	73.14	69.96
% of consolidated	**37%**	33%	33%	37%	38%	37%
Total (boe/d)	**49,573**	41,005	37,803	35,202	32,132	31,395

Supplemental Table 5: Segmented Financial Results

	Three Months Ended December 31, 2014								
($M)	**Canada**	**France**	**Netherlands**	**Germany**	**Ireland**	**Australia**	**United States**	**Corporate**	**Total**
Drilling and development	75,186	36,455	6,183	563	20,932	11,616	460	-	151,395
Exploration and evaluation	10,256	734	3,839	-	-	-	-	19	14,848
Oil and gas sales to external customers	112,494	82,499	25,420	13,359	-	70,971	1,330	-	306,073
Royalties	(15,626)	(6,319)	(1,171)	(2,481)	-	-	(366)	-	(25,963)
Revenue from external customers	96,868	76,180	24,249	10,878	-	70,971	964	-	280,110
Transportation expense	(3,455)	(4,096)	-	(218)	(1,720)	-	-	-	(9,489)
Operating expense	(19,315)	(13,544)	(6,200)	(2,862)	-	(17,719)	(241)	-	(59,881)
General and administration	(2,840)	(3,765)	(2,489)	(2,200)	(579)	(1,628)	(959)	1,224	(13,236)
PRRT	-	-	-	-	-	(13,568)	-	-	(13,568)
Corporate income taxes	-	(6,132)	2,124	1,145	-	(4,799)	-	(642)	(8,304)
Interest expense	-	-	-	-	-	-	-	(12,943)	(12,943)
Realized gain on derivative instruments	-	-	-	-	-	-		22,816	22,816
Realized foreign exchange loss	-	-	-	-	-	-		(179)	(179)
Realized other income	-	-	-	-	-	-		202	202
Fund flows from operations	71,258	48,643	17,684	6,743	(2,299)	33,257	(236)	10,478	185,528

	Year Ended December 31, 2014								
($M)	**Canada**	**France**	**Netherlands**	**Germany**	**Ireland**	**Australia**	**United States**	**Corporate**	**Total**
Total assets	1,865,942	874,163	220,100	170,237	822,756	240,614	14,731	177,548	4,386,091
Drilling and development	291,046	136,019	49,695	2,747	94,439	44,283	460	-	618,689
Exploration and evaluation	43,696	11,833	12,045	-	-	-	-	1,461	69,035
Oil and gas sales to external customers	537,788	431,252	123,815	41,962	-	283,481	1,330	-	1,419,628
Royalties	(65,563)	(28,444)	(5,014)	(8,613)	-	-	(366)	-	(108,000)
Revenue from external customers	472,225	402,808	118,801	33,349	-	283,481	964	-	1,311,628
Transportation expense	(14,625)	(18,975)	-	(2,367)	(6,394)	-	-	-	(42,361)
Operating expense	(76,178)	(61,729)	(24,041)	(8,686)	-	(61,432)	(241)	-	(232,307)
General and administration	(16,791)	(20,929)	(3,617)	(4,688)	(1,447)	(5,873)	(959)	(7,423)	(61,727)
PRRT	-	-	-	-	-	(60,340)	-	-	(60,340)
Corporate income taxes	-	(66,901)	(4,154)	(44)	-	(24,477)	-	(1,420)	(96,996)
Interest expense	-	-	-	-	-	-	-	(49,655)	(49,655)
Realized gain on derivative instruments	-	-	-	-	-	-		36,712	36,712
Realized foreign exchange loss	-	-	-	-	-	-		(821)	(821)
Realized other income	-	-	-	-	-	-		732	732
Fund flows from operations	364,631	234,274	86,989	17,564	(7,841)	131,359	(236)	(21,875)	804,865

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 may not 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, 2014, 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, 2014**	**Sep 30, 2014**	**Dec 31, 2013**	**Dec 31, 2014**	**Dec 31, 2013**
Cash flows from operating activities	**229,146**	235,010	177,003	**791,986**	705,025
Changes in non-cash operating working capital	**(49,865)**	(41,789)	(18,769)	**(3,077)**	(49,421)
Asset retirement obligations settled	**6,247**	4,677	5,426	**15,956**	11,922
Fund flows from operations	**185,528**	197,898	163,660	**804,865**	667,526
Expenses related to Corrib	**2,299**	1,849	839	**7,841**	5,607
Fund flows from operations (excluding Corrib)	**187,827**	199,747	164,499	**812,706**	673,133

	Three Months Ended			Year Ended	
($M)	**Dec 31, 2014**	**Sep 30, 2014**	**Dec 31, 2013**	**Dec 31, 2014**	**Dec 31, 2013**
Dividends declared	**69,119**	68,896	61,208	**272,732**	242,599
Issuance of shares pursuant to the dividend reinvestment plan	**(20,980)**	(20,416)	(18,775)	**(79,430)**	(72,291)
Net dividends	**48,139**	48,480	42,433	**193,302**	170,308
Drilling and development	**151,395**	180,479	147,929	**618,689**	537,564
Dispositions	**-**	-	-	**-**	(8,627)
Exploration and evaluation	**14,848**	9,554	549	**69,035**	13,789
Asset retirement obligations settled	**6,247**	4,677	5,426	**15,956**	11,922
Payout	**220,629**	243,190	196,337	**896,982**	724,956
Corrib drilling and development	**(20,932)**	(30,050)	(14,472)	**(94,439)**	(90,898)
Payout (excluding Corrib)	**199,697**	213,140	181,865	**802,543**	634,058

	As At		
('000s of shares)	**Dec 31, 2014**	**Sep 30, 2014**	**Dec 31, 2013**
Shares outstanding	**107,303**	106,921	102,123
Potential shares issuable pursuant to the VIP	**3,031**	2,828	2,746
Diluted shares outstanding	**110,334**	109,749	104,869

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

Sarah E. Raiss [3]
Calgary, Alberta

Kevin J. Reinhart
Calgary, Alberta

Catherine L. Williams
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 8, 2015

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 & Chief Operating Officer

John D. Donovan, FCA
Executive Vice President Business Development

Curtis W. Hicks, CA
Executive Vice President & Chief Financial Officer

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

Terry Hergott, CMA
Vice President Marketing

Michael Kaluza, P.Eng.
Vice President Canada Business Unit

Daniel Goulet, P.Eng.
Director Corporate HSE

Dion Hatcher, P.Eng.
Director Alberta Foothills – Canada Business Unit

Bryce Kremnica, P.Eng.
Director Field Operations – Canada Business Unit

Dean N. Morrison, CFA
Director Investor Relations

Mike Prinz
Director Information Technology & Information Systems

Jenson Tan, P.Eng.
Director New Ventures

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

UNITED STATES

Daniel G. Anderson
Managing Director – U.S. Business Unit

Timothy R. Morris
Director, U.S. Business Development – U.S. Business Unit

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

Albrecht Moehring
Managing Director - Germany Business Unit

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

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

The Toronto-Dominion Bank

Bank of Montreal

Canadian Imperial Bank of Commerce

Royal Bank of Canada

The Bank of Nova Scotia

National Bank of Canada

Alberta Treasury Branches

HSBC Bank Canada

La Caisse Centrale Desjardins du Québec

Wells Fargo Bank N.A., Canadian Branch

Bank of America N.A., Canada Branch

BNP Paribas, Canada Branch

Citibank N.A., Canadian Branch - Citibank Canada

JPMorgan Chase Bank, N.A., Toronto Branch

Union Bank, Canada Branch

Canadian Western Bank

Goldman Sachs Lending Partners LLC

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Norton Rose Fulbright Canada LLP
Calgary, Alberta

TRANSFER AGENT

Computershare Trust Company of Canada

STOCK EXCHANGE LISTINGS

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

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

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EXHIBIT 99.3

VERMILION ENERGY



Vermilion Energy Inc.

2014 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 (2013)" 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, 2014. The effectiveness of Vermilion's internal control over financial reporting as of December 31, 2014 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, 2014.

("Lorenzo Donadeo")

Lorenzo Donadeo
Chief Executive Officer
February 27, 2015

("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, 2014, based on the criteria established in Internal Control — Integrated Framework (2013) 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 as issued by the International Accounting Standards Board. 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 as issued by the International Accounting Standards Board, 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, 2014, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated February 27, 2015 expressed an unqualified opinion on those financial statements.

("Deloitte LLP")

Chartered Accountants
February 27, 2015
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, 2014 and 2013, 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 a summary of significant accounting policies and other explanatory information.

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 audits 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 the Company as at December 31, 2014 and 2013, and its financial performance and its 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, 2014, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

("Deloitte LLP")

Chartered Accountants
February 27, 2015
Calgary, Canada

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF CANADIAN DOLLARS)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Current			
Cash and cash equivalents	17	**120,405**	389,559
Accounts receivable		**171,820**	167,618
Crude oil inventory		**9,510**	17,143
Derivative instruments	13	**23,391**	2,285
Prepaid expenses		**13,033**	11,178
		338,159	587,783
Derivative instruments	13	**1,403**	-
Deferred taxes	9	**154,816**	184,832
Exploration and evaluation assets	6	**380,621**	136,259
Capital assets	5	**3,511,092**	2,799,845
		4,386,091	3,708,719
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**298,196**	267,832
Dividends payable	10	**23,070**	20,425
Derivative instruments	13	**-**	3,572
Income taxes payable	9	**44,463**	55,615
		365,729	347,444
Long-term debt	8	**1,238,080**	990,024
Asset retirement obligations	7	**350,753**	326,162
Deferred taxes	9	**410,183**	328,714
		2,364,745	1,992,344
SHAREHOLDERS' EQUITY			
Shareholders' capital	10	**1,959,021**	1,618,443
Contributed surplus		**92,188**	75,427
Accumulated other comprehensive income		**5,722**	47,142
Deficit		**(35,585)**	(24,637)
		2,021,346	1,716,375
		4,386,091	3,708,719

APPROVED BY THE BOARD

("Joseph F. Killi") *("Lorenzo Donadeo")*

Joseph F. Killi, 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, 2014	December 31, 2013
REVENUE			
Petroleum and natural gas sales		**1,419,628**	1,273,835
Royalties		**(108,000)**	(67,936)
Petroleum and natural gas revenue		**1,311,628**	1,205,899
EXPENSES			
Operating	21	**232,307**	195,043
Transportation		**42,361**	28,924
Equity based compensation	11	**67,802**	60,845
(Gain) loss on derivative instruments	13	**(64,083)**	1,971
Interest expense		**49,655**	38,183
General and administration	21	**61,727**	49,910
Foreign exchange loss (gain)		**18,420**	(50,162)
Other expense		**760**	457
Accretion	7	**23,913**	24,565
Depletion and depreciation	5, 6	**425,694**	322,386
Impairment (recovery)	5	**-**	(47,400)
		858,556	624,722
EARNINGS BEFORE INCOME TAXES		**453,072**	581,177
INCOME TAXES	9		
Deferred		**26,410**	35,177
Current		**157,336**	218,359
		183,746	253,536
NET EARNINGS		**269,326**	327,641
OTHER COMPREHENSIVE (LOSS) INCOME			
Currency translation adjustments		**(41,420)**	79,551
COMPREHENSIVE INCOME		**227,906**	407,192
NET EARNINGS PER SHARE	12		
Basic		**2.55**	3.24
Diluted		**2.51**	3.20
WEIGHTED AVERAGE SHARES OUTSTANDING ('000s)	12		
Basic		**105,448**	100,969
Diluted		**107,187**	102,467

CONSOLIDATED STATEMENTS OF CASH FLOWS
(THOUSANDS OF CANADIAN DOLLARS)

	Note	Year Ended December 31, 2014	Year Ended December 31, 2013
OPERATING			
Net earnings		**269,326**	327,641
Adjustments:			
Accretion	7	**23,913**	24,565
Depletion and depreciation	5, 6	**425,694**	322,386
Impairment (recovery)	5	**-**	(47,400)
Unrealized gain on derivative instruments	13	**(27,371)**	(5,111)
Equity based compensation	11	**67,802**	60,845
Unrealized foreign exchange loss (gain)		**17,599**	(52,028)
Unrealized other expense		**1,492**	1,451
Deferred taxes	9	**26,410**	35,177
Asset retirement obligations settled	7	**(15,956)**	(11,922)
Changes in non-cash operating working capital	14	**3,077**	49,421
Cash flows from operating activities		**791,986**	705,025
INVESTING			
Drilling and development	5	**(618,689)**	(537,564)
Exploration and evaluation	6	**(69,035)**	(13,789)
Property acquisitions	4, 5, 6	**(220,726)**	(9,189)
Dispositions	5	**-**	8,627
Corporate acquisitions, net of cash acquired	4	**(176,179)**	(24,124)
Changes in non-cash investing working capital	14	**12,365**	(41,691)
Cash flows used in investing activities		**(1,072,264)**	(617,730)
FINANCING			
Increase in long-term debt	8	**196,387**	347,284
Cash dividends	10	**(190,657)**	(168,719)
Cash flows from financing activities		**5,730**	178,565
Foreign exchange gain on cash held in foreign currencies		**5,394**	21,574
Net change in cash and cash equivalents		**(269,154)**	287,434
Cash and cash equivalents, beginning of year		**389,559**	102,125
Cash and cash equivalents, end of year	17	**120,405**	389,559
Supplementary information for operating activities - cash payments			
Interest paid		**50,801**	37,562
Income taxes paid		**166,993**	192,865

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

	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)
Shares issued 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

	Note	Shareholders' Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balances as at January 1, 2014		1,618,443	75,427	47,142	(24,637)	1,716,375
Net earnings		-	-	-	269,326	269,326
Currency translation adjustments		-	-	(41,420)	-	(41,420)
Equity based compensation expense	11	-	67,081	-	-	67,081
Dividends declared	10	-	-	-	(272,732)	(272,732)
Shares issued pursuant to the dividend reinvestment plan	10	79,430	-	-	-	79,430
Shares issued pursuant to corporate acquisition	4, 10	204,960	-	-	-	204,960
Modification of equity based awards	11	-	(2,395)			(2,395)
Vesting of equity based awards	10, 11	47,925	(47,925)	-	-	-
Share-settled dividends on vested equity based awards	10, 11	7,542	-	-	(7,542)	-
Shares issued pursuant to the bonus plan	10	721	-	-	-	721
Balances as at December 31, 2014		1,959,021	92,188	5,722	(35,585)	2,021,346

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
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, 2014 AND 2013
(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, 2015.

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 ("CGUs") attributable to the jurisdiction in which the exploration area resides.

PNG depletion units are aggregated into CGUs for impairment testing. The determination of CGUs is based on management's 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 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the expected cost of adherence to 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 are 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. CHANGES TO ACCOUNTING PRONOUNCEMENTS

On January 1, 2014, 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.

IFRIC 21 "Levies"
On May 20, 2013, the IASB issued guidance under IFRIC 21, which provides clarification 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 was 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 was effective for annual periods beginning on or after January 1, 2014.

Accounting pronouncements not yet adopted

The impacts of the adoption of the following pronouncements are currently being evaluated.

IFRS 9 "Financial Instruments"
On July 24, 2014, the IASB issued the final element of its comprehensive response to the financial crisis by issuing IFRS 9 "Financial Instruments". The improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Vermilion will adopt the standard for reporting periods beginning January 1, 2018.

IFRS 15 "Revenue from Contracts with Customers"
On May 28, 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", a new standard that specifies recognition requirements for revenue as well as requiring entities to provide the users of financial statements with more informative and relevant disclosures. The standard replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as a number of revenue-related interpretations. Vermilion will adopt the standard for reporting periods beginning January 1, 2017.

4. BUSINESS COMBINATIONS

Property acquisition:

Germany

In February of 2014, Vermilion acquired, through a wholly-owned subsidiary, 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. 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 $172.9 million. Vermilion funded this acquisition with existing credit facilities.

The acquired assets comprise of four gas producing fields across eleven production licenses and include both exploration and production licenses that comprise a total of 207,000 gross acres, of which 85% is in the exploration license.

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	172,871
Total consideration	172,871

($M)	Allocation of Consideration
Petroleum and natural gas assets	158,840
Exploration and evaluation	16,065
Asset retirement obligations assumed	(2,030)
Deferred tax liabilities	(4)
Net assets acquired	172,871

The results of operations from the assets acquired have been included in Vermilion's consolidated financial statements beginning February of 2014 and have contributed net revenues of $33.3 million and a net loss of $0.3 million for the year ended December 31, 2014.

Had the acquisition occurred on January 1, 2014, management estimates that consolidated revenues would have increased by an additional $4.6 million and consolidated net earnings would have increased by $0.9 million for the year ended December 31, 2014.

Corporate acquisitions:

a) Elkhorn Resources Inc.

On April 29, 2014, Vermilion acquired Elkhorn Resources Inc., a private southeast Saskatchewan producer. The acquisition created a new core area for Vermilion in the Williston Basin.

The acquired assets include approximately 57,000 net acres of land (approximately 80% undeveloped), seven oil batteries, and preferential access to a minimum of 50% of capacity at a solution gas facility.

Total consideration was comprised of $180.4 million of cash, which was funded with existing credit facilities, and the issuance of 2.8 million Vermilion common shares valued at approximately $205.0 million (based on the closing price per Vermilion common share of $72.50 on the Toronto Stock Exchange on April 29, 2014).

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 shareholders of Elkhorn Resources Inc.	180,353
Shares issued pursuant to corporate acquisition	204,960
Total consideration	385,313

($M)	Allocation of Consideration
Petroleum and natural gas assets	390,523
Exploration and evaluation	138,264
Asset retirement obligations assumed	(5,974)
Deferred tax liabilities	(89,437)
Long-term debt assumed	(47,526)
Cash acquired	4,174
Acquired non-cash working capital deficiency	(4,711)
Net assets acquired	385,313

The results of operations from the assets acquired have been included in Vermilion's consolidated financial statements beginning April 29, 2014 and have contributed revenues of $50.6 million and operating income of $39.8 million for the year ended December 31, 2014.

4. BUSINESS COMBINATIONS (Continued)

Had the acquisition occurred on January 1, 2014, management estimates that consolidated revenues would have increased by an additional $8.8 million and consolidated operating income would have increased by $7.0 million for the year ended December 31, 2014. 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, 2014. It is impracticable to derive all amounts necessary to determine the impact on net earnings from the acquisition as the acquired company was immediately merged with Vermilion's operations.

b) 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 represented 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 impact on net earnings from the acquired working interests as operations were immediately merged with Vermilion's operations.

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, 2013	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
Additions	608,709	9,980	618,689
Property acquisitions	176,625	-	176,625
Corporate acquisitions	390,523	-	390,523
Changes in estimate for asset retirement obligations	19,107	-	19,107
Depletion and depreciation	(412,768)	(5,072)	(417,840)
Effect of movements in foreign exchange rates	(75,635)	(222)	(75,857)
Balance at December 31, 2014	3,491,195	19,897	3,511,092
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
Cost	5,114,188	54,723	5,168,911
Accumulated depletion and depreciation	(1,622,993)	(34,826)	(1,657,819)
Carrying amount at December 31, 2014	3,491,195	19,897	3,511,092

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, 2014, Vermilion capitalized $7.7 million (2013 - $8.5 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 or recovery of previous impairments. When indicators of impairment or recovery of previous impairments 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.

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 NGLs, due primarily to the successful application of horizontal drilling and multi-stage fracturing technology to the previously impaired cash generating unit.

5. CAPITAL ASSETS (Continued)

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
2014	42.09
2015	44.18
2016	45.39
2017	45.41
2018	45.43
2019	45.50
2020	45.86
2021	46.78
Average increase thereafter	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, 2013	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
Additions	69,035
Changes in estimate for asset retirement obligations	22
Property acquisitions	46,135
Corporate acquisitions	138,264
Depreciation	(5,038)
Effect of movements in foreign exchange rates	(4,056)
Balance at December 31, 2014	380,621
Cost	149,175
Accumulated depreciation	(12,916)
Carrying amount at December 31, 2013	136,259
Cost	399,348
Accumulated depreciation	(18,727)
Carrying amount at December 31, 2014	380,621

7. ASSET RETIREMENT OBLIGATIONS

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

($M)	Asset Retirement Obligations
Balance at January 1, 2013	371,063
Additional obligations recognized	15,655
Changes in estimates for asset retirement 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
Additional obligations recognized	22,565
Changes in estimates for asset retirement obligations	(3,434)
Obligations settled	(15,956)
Accretion	23,913
Changes in discount rates	9,404
Effect of movements in foreign exchange rates	(11,901)
Balance at December 31, 2014	350,753

Vermilion has estimated the net present value of its asset retirement obligations to be $350.8 million as at December 31, 2014 (2013 - $326.2 million) based on a total undiscounted future liability, after inflation adjustment, of $1.3 billion (2013 - $1.3 billion). These payments are expected to be made between 2014 and 2064. Vermilion calculated the present value of the obligations using discount rates between 5.7% and 7.9% (2013 - between 6.4% and 8.3%) 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 0.8% and 2.4% (2013 - between 1.1% 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 increase in the liability for the year ended December 31, 2014 primarily resulted from an overall decrease in the discount rates applied to the abandonment obligations, accretion, and additions from new wells drilled during the year and abandonment obligations associated with the assets acquired in Germany and Canada.

8. LONG-TERM DEBT

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

	As At	
($M)	Dec 31, 2014	Dec 31, 2013
Revolving credit facility	**1,014,067**	766,898
Senior unsecured notes	**224,013**	223,126
Long-term debt	**1,238,080**	990,024

Revolving Credit Facility

At December 31, 2014, Vermilion had in place a bank revolving credit facility totalling $1.5 billion, of which approximately $1.01 billion was drawn. In addition, Vermilion may, by adding lenders or seeking an increase to an existing lender's commitment, increase the total committed facility amount to no more than $1.75 billion. The facility, which matures on May 31, 2017, 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 due at the maturity date. This facility bears interest at a rate applicable to demand loans plus applicable margins. For the year ended December 31, 2014, the interest rate on the revolving credit facility was approximately 3.1% (2013 – 3.3%).

The amount available to Vermilion under this facility is reduced by certain outstanding letters of credit associated with Vermilion's operations totalling $8.6 million as at December 31, 2014 (December 31, 2013 - $8.1 million).

8. LONG-TERM DEBT (Continued)

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.
- 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.
- A ratio of consolidated total senior debt to total capitalization (defined as amounts classified as "Long-term debt" and "Shareholders' Equity" on the balance sheet) of less than 50%.

As at December 31, 2014, Vermilion was in compliance with all financial covenants.

On January 30, 2015, Vermilion exercised its option to increase its credit facility to $1.75 billion.

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.

Subsequent to February 10, 2015, Vermilion may redeem all or part of the senior unsecured notes at 100% of their principal amount plus any accrued and unpaid interest. 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, 2014 and 2013 is comprised of the following:

	Year Ended	
($M)	**Dec 31, 2014**	**Dec 31, 2013**
Deferred income tax liabilities:		
Derivative contracts	**(5,965)**	-
Capital assets	**(445,457)**	(332,740)
Asset retirement obligations	**(96,616)**	(87,888)
Basis difference of investments	**(39)**	(189)
Unrealized foreign exchange	**(14,468)**	(13,017)
Other	**(13,164)**	(12,383)
Deferred income tax assets:		
Derivative contracts	**-**	323
Capital assets	**72,821**	75,352
Non-capital losses	**178,222**	170,625
Asset retirement obligations	**65,760**	54,037
Unrealized foreign exchange	**720**	-
Other	**2,819**	1,998
Net deferred income tax liability	**(255,367)**	(143,882)
Comprised of:		
Deferred income tax assets	**154,816**	184,832
Deferred income tax liability	**(410,183)**	(328,714)
Net deferred income tax liability	**(255,367)**	(143,882)

9. INCOME TAXES (Continued)

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 25.5% (2013 - 25.0%), as follows:

	Year Ended	
($M)	**Dec 31, 2014**	**Dec 31, 2013**
Earnings before income taxes	**453,072**	581,177
Canadian corporate tax rate	**25.5%**	25.0%
Expected tax expense	**115,533**	145,294
Increase (decrease) in taxes resulting from:		
Petroleum resource rent tax rate (PRRT) differential [(1)]	**37,035**	50,585
Foreign tax rate differentials [(1), (2)]	**3,492**	1,875
Equity based compensation expense	**17,290**	15,211
Amended returns and changes to estimated tax pools and tax positions	**(7,512)**	38,197
Changes in statutory tax rates and the estimated reversal rates associated with temporary differences	**16,429**	5,299
Other non-deductible items	**1,479**	(2,925)
Provision for income taxes	**183,746**	253,536

(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 combined tax rate was 34.4% in France, 46.0% in the Netherlands, 22.8% in Germany and 25% in Ireland.

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, 2013	99,135	1,481,345
Shares issued 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
Shares issued pursuant to corporate acquisition	2,827	204,960
Shares issued pursuant to the dividend reinvestment plan	1,279	79,430
Vesting of equity based awards	955	47,925
Share-settled dividends on vested equity based awards	108	7,542
Shares issued pursuant to the bonus plan	11	721
Balance as at December 31, 2014	107,303	1,959,021

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, 2014 were $272.7 million (2013 - $242.6 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 3% 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, 2015, Vermilion declared dividends totalling $46.2 million or $0.215 per share for each of January and February of 2015.

11. EQUITY BASED COMPENSATION

The following table summarizes the number of awards outstanding under the Vermilion Incentive Plan ("VIP"):

Number of Awards ('000s)	2014	2013
Opening balance	**1,665**	1,690
Granted	**707**	832
Vested	**(515)**	(749)
Modified	**(21)**	-
Forfeited	**(61)**	(108)
Closing balance	**1,775**	1,665

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, 2014, the awards granted had a weighted average fair value of $101.63 (2013 - $80.79).

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, 2014, Vermilion incorporated an estimated forfeiture rate of 5.8% (2013 - 6.6%). Equity based compensation expense of $67.1 million was recorded during the year ended December 31, 2014 (2013 - $60.2 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, 2014**	**Dec 31, 2013**
Net earnings [1]	**269,326**	327,641
Basic weighted average shares outstanding [2]	**105,448**	100,969
Dilutive impact of equity based awards	**1,739**	1,498
Diluted weighted average shares outstanding [3]	**107,187**	102,467
Basic earnings per share ([1] ÷ [2])	**2.55**	3.24
Diluted earnings per share ([1] ÷ [3])	**2.51**	3.20

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.

13. DERIVATIVE INSTRUMENTS (Continued)

The following tables summarize Vermilion's outstanding risk management positions as at December 31, 2014:

	Note	Volume	Strike Price(s)
Crude Oil			
WTI - Collar			
January 2015 - March 2015		500 bbl/d	76.25 - 92.15 US $
January 2015 - June 2015	1	250 bbl/d	75.00 - 82.75 US $
Dated Brent - Collar			
January 2015 - March 2015		500 bbl/d	78.75 - 89.63 US $
Dated Brent - Swap			
January 2015	2	500 bbl/d	101.55 US $
January 2015 - March 2015	3	250 bbl/d	91.95 US $
February 2015	4	500 bbl/d	103.80 US $
March 2015	5	250 bbl/d	110.40 US $
MSW - Fixed Price Differential (Physical)			
November 2014 - March 2015		1,042 bbl/d	WTI less 6.85 US $
January 2015 - March 2015		2,098 bbl/d	WTI less 7.39 US $
LSB - Fixed Price Differential (Physical)			
October 2014 - March 2015		830 bbl/d	WTI less 10.00 US $
January 2015 - March 2015		524 bbl/d	WTI less 8.60 US $

(1) The contracted volumes increase to 750 boe/d for any monthly settlement periods above the contracted ceiling price.
(2) On March 31, 2015, the counterparty has the option to extend the swap for the period of April to June 2015 for 1,000 boe/d at the contracted price.
(3) On March 31, 2015, the counterparty has the option to extend the swap for the period of April to June 2015 for 500 boe/d at the contracted price.
(4) On June 30, 2015, the counterparty has the option to extend the swap for the period of July to September 2015 for 1,000 boe/d at the contracted price.
(5) On September 30, 2015, the counterparty has the option to extend the swap for the period of October to December 2015 for 500 boe/d at the contracted price.

North American Natural Gas		
AECO - Collar		
April 2014 - March 2015	2,500 GJ/d	3.60 - 4.08 CAD $
November 2014 - March 2015	2,500 GJ/d	3.60 - 4.27 CAD $
April 2015 - October 2015	2,500 GJ/d	2.75 - 3.52 CAD $
April 2015 - December 2015	2,500 GJ/d	2.75 - 3.52 CAD $
AECO Basis - Fixed Price Differential		
January 2015 - December 2015	5,000 mmbtu/d	Nymex HH less 0.68 US $
Nymex HH - Collar		
November 2014 - March 2015	10,000 mmbtu/d	3.50 - 5.00 US $
January 2015 - March 2015	10,000 mmbtu/d	3.70 - 5.10 US $
April 2015 - October 2015	10,000 mmbtu/d	3.36 - 4.01 US $
April 2015 - December 2015	2,500 mmbtu/d	3.50 - 4.11 US $
Nymex HH - Swap		
January 2015	2,500 mmbtu/d	4.53 US $
January 2015 - March 2015	5,000 mmbtu/d	4.38 US $

European Natural Gas		
TTF - Collar		
January 2015 - December 2015	2,592 GJ/d	6.11 - 6.83 EUR €
TTF - Swap		
January 2015 - March 2015	4,392 GJ/d	6.47 EUR €
January 2015 - December 2015	11,664 GJ/d	6.45 EUR €
January 2015 - March 2016	5,184 GJ/d	6.40 EUR €
January 2015 - June 2016	2,592 GJ/d	6.07 EUR €
February 2015	2,592 GJ/d	6.46 EUR €
February 2015 - March 2016	5,184 GJ/d	6.24 EUR €
April 2015 - December 2015	2,592 GJ/d	6.30 EUR €
April 2015 - March 2016	5,832 GJ/d	6.18 EUR €

13. DERIVATIVE INSTRUMENTS (Continued)

	Note	Volume	Strike Price(s)
Electricity			
AESO - Swap (Physical)			
January 2013 - December 2015		72.0 MWh/d	53.17 CAD $
US Dollar			
USD - Collar			
January 2015 - March 2015		7,000,000 US $/month	1.140 - 1.184 CAD $
January 2015 - March 2015	1	15,500,000 US $/month	1.140 - 1.157 CAD $

(1) Vermilion has upside participation on this hedge up to the limit price of 1.222 CAD; above which, settlement will occur at the conditional call level of 1.157 CAD.

The following table reconciles the change in the fair value of Vermilion's derivative instruments:

	Year ended	
($M)	**Dec 31, 2014**	**Dec 31, 2013**
Fair value of contracts, beginning of year	**(1,287)**	(6,398)
Reversal of opening contracts settled during the year	**1,287**	6,398
Acquired Derivative Contracts	**(1,290)**	-
Realized gain (loss) on contracts settled during the year	**36,712**	(7,082)
Unrealized gain (loss) during the year on contracts outstanding at the end of the year	**26,084**	(1,287)
Net payment to counterparties on contract settlements during the year	**(36,712)**	7,082
Fair value of contracts, end of year	**24,794**	(1,287)
Comprised of:		
Current derivative asset	**23,391**	2,285
Current derivative liability	**-**	(3,572)
Non-current derivative asset	**1,403**	-
Fair value of contracts, end of year	**24,794**	(1,287)

The (gain) loss on derivative instruments for 2014 and 2013 are comprised of the following:

	Year Ended	
($M)	**Dec 31, 2014**	**Dec 31, 2013**
Realized (gain) loss on contracts settled during the year	**(36,712)**	7,082
Reversal of opening contracts settled during the year	**(1,287)**	(6,398)
Unrealized (gain) loss during the year on contracts outstanding at the end of the year	**(26,084)**	1,287
(Gain) loss on derivative instruments	**(64,083)**	1,971

14. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital is comprised of the following:

	Year Ended	
($M)	**Dec 31, 2014**	**Dec 31, 2013**
Changes in:		
Accounts receivable	**(4,202)**	12,446
Crude oil inventory	**7,633**	8,576
Prepaid expenses	**1,400**	(840)
Accounts payable and accrued liabilities and income taxes payable	**19,212**	(4,944)
Movements in foreign exchange rates	**(8,601)**	(7,508)
Changes in non-cash working capital	**15,442**	7,730
Changes in non-cash operating working capital	**3,077**	49,421
Changes in non-cash investing working capital	**12,365**	(41,691)
Changes in non-cash working capital	**15,442**	7,730

15. SEGMENTED INFORMATION

Vermilion has operations in three core areas North America, Europe, and Australia. 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 in Calgary, Alberta. Costs incurred in the Corporate segment relate to Vermilion's 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.

	Year Ended December 31, 2014								
($M)	**Canada**	**France**	**Netherlands**	**Germany**	**Ireland**	**Australia**	**United States**	**Corporate**	**Total**
Total assets	1,865,942	874,163	220,100	170,237	822,756	240,614	14,731	177,548	4,386,091
Drilling and development	291,046	136,019	49,695	2,747	94,439	44,283	460	-	618,689
Exploration and evaluation	43,696	11,833	12,045	-	-	-	-	1,461	69,035
Oil and gas sales to external customers	537,788	431,252	123,815	41,962	-	283,481	1,330	-	1,419,628
Royalties	(65,563)	(28,444)	(5,014)	(8,613)	-	-	(366)	-	(108,000)
Revenue from external customers	472,225	402,808	118,801	33,349	-	283,481	964	-	1,311,628
Transportation expense	(14,625)	(18,975)	-	(2,367)	(6,394)	-	-	-	(42,361)
Operating expense	(76,178)	(61,729)	(24,041)	(8,686)	-	(61,432)	(241)	-	(232,307)
General and administration	(16,791)	(20,929)	(3,617)	(4,688)	(1,447)	(5,873)	(959)	(7,423)	(61,727)
PRRT	-	-	-	-	-	(60,340)	-	-	(60,340)
Corporate income taxes	-	(66,901)	(4,154)	(44)	-	(24,477)	-	(1,420)	(96,996)
Interest expense	-	-	-	-	-	-	-	(49,655)	(49,655)
Realized gain on derivative instruments	-	-	-	-	-	-		36,712	36,712
Realized foreign exchange loss	-	-	-	-	-	-		(821)	(821)
Realized other income	-	-	-	-	-	-		732	732
Fund flows from operations	364,631	234,274	86,989	17,564	(7,841)	131,359	(236)	(21,875)	804,865

	Year Ended December 31, 2013								
($M)	**Canada**	**France**	**Netherlands**	**Germany**	**Ireland**	**Australia**	**United States**	**Corporate**	**Total**
Total assets	1,212,056	901,582	228,869	-	747,882	322,773	-	295,557	3,708,719
Drilling and development	232,858	96,479	28,543	-	90,898	77,931	-	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)	-	(1,442)	(5,752)	-	(7,356)	(49,910)
PRRT	-	-	-	-	-	(56,565)	-	-	(56,565)
Corporate income taxes	-	(94,524)	(34,132)	-	-	(31,735)	-	(1,403)	(161,794)
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	-	(5,607)	153,268	-	(54,896)	667,526

15. SEGMENTED INFORMATION (Continued)

Reconciliation of fund flows from operations to net earnings

	Year Ended	
($M)	**Dec 31, 2014**	**Dec 31, 2013**
Fund flows from operations	**804,865**	667,526
Equity based compensation	**(67,802)**	(60,845)
Unrealized gain on derivative instruments	**27,371**	5,111
Unrealized foreign exchange (loss) gain	**(17,599)**	52,028
Unrealized other expense	**(1,492)**	(1,451)
Accretion	**(23,913)**	(24,565)
Depletion and depreciation	**(425,694)**	(322,386)
Deferred taxes	**(26,410)**	(35,177)
Impairment (recovery)	**-**	47,400
Net earnings	**269,326**	327,641

Vermilion has two major customers with revenues in excess of 10% within the France and Netherlands segments. All sales in the France and Netherlands segments for the years ended December 31, 2014 and 2013 were to one customer in each respective segment.

16. COMMITMENTS

Vermilion had the following future commitments associated with its operating leases as at December 31, 2014:

($M)	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**	**Total**
Payments by period	21,589	28,158	23,789	58,701	132,237

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, 2014**	**Dec 31, 2013**
Money on deposit with financial institutions	**116,643**	379,936
Short-term investments	**3,762**	9,623
Cash and cash equivalents	**120,405**	389,559

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 an internally targeted ratio of net debt to fund flows from operations of 1.0 to 1.3 in a normalized 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)	**December 31, 2014**	**December 31, 2013**
Long-term debt	**1,238,080**	990,024
Current liabilities	**365,729**	347,444
Current assets	**(338,159)**	(587,783)
Net debt [1]	**1,265,650**	749,685
Cash flows from operating activities	**791,986**	705,025
Changes in non-cash operating working capital	**(3,077)**	(49,421)
Asset retirement obligations settled	**15,956**	11,922
Fund flows from operations [2]	**804,865**	667,526
Ratio of net debt to fund flows from operations ([1] ÷ [2])	**1.6**	1.1

Long-term debt as at December 31, 2014 increased to $1.2 billion from $990.0 million as at December 31, 2013 as a result of draws on the revolving credit facility during the current year to fund the acquisitions in Germany and Saskatchewan coupled with the assumption of $47.5 million of long-term debt pursuant to the Elkhorn acquisition. This increase in long-term debt resulted in an increase to net debt from $749.7 million to $1.3 billion.

As year-to-date fund flows does not include a full year of fund flows from the acquisitions in Germany and Saskatchewan, the ratio of net debt to fund flows increased to 1.6.

19. FINANCIAL INSTRUMENTS

Classification of Financial Instruments

The following table summarizes information relating to Vermilion's financial instruments as at December 31, 2014 and December 31, 2013:

				As at Dec 31, 2014		As at Dec 31, 2013		
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 loss (gain)	**120,405**	**120,405**	389,559	389,559	Level 1
Receivables	Accounts receivable	LAR	Gains and losses on foreign exchange are included in foreign exchange loss (gain) and impairments are recognized as general and administration expense	**171,820**	**171,820**	167,618	167,618	Not applicable
Derivative assets	Derivative instruments	HFT	(Gain) loss on derivative instruments	**24,794**	**24,794**	2,285	2,285	Level 2
Derivative liabilities	Derivative instruments	HFT	(Gain) loss on derivative instruments	**-**	**-**	(3,572)	(3,572)	Level 2
Payables	Accounts payable and accrued liabilities Dividends payable	OTH	Gains and losses on foreign exchange are included in foreign exchange loss (gain)	**(321,266)**	**(321,266)**	(288,257)	(288,257)	Not applicable
Long-term debt	Long-term debt	OTH	Interest expense	**(1,238,080)**	**(1,238,505)**	(990,024)	(998,648)	Level 2

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, 2014, Vermilion's maximum exposure to receivable credit risk was $196.6 million (December 31, 2013 - $169.9 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.

19. FINANCIAL INSTRUMENTS (Continued)

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.

The following table summarizes Vermilion's undiscounted non-derivative financial liabilities and their contractual maturities as at December 31, 2014 and December 31, 2013:

($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, 2014	162,127	138,823	20,314	1,239,067
December 31, 2013	154,176	118,764	15,317	991,898

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, 2014 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.

		Before tax effect on comprehensive income - increase (decrease)	
Risk ($M)	**Description of change in risk variable**	**Dec 31, 2014**	**Dec 31, 2013**
Currency risk - Euro to Canadian	**Increase** in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates	(4,030)	(14,276)
	Decrease in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates	4,030	14,276
Currency risk - US $ to Canadian	**Increase** in strength of the Canadian dollar against the US $ by 5% over the relevant closing rates	(5,739)	(4,420)
	Decrease in strength of the Canadian dollar against the US $ by 5% over the relevant closing rates	5,739	4,420
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	(1,072)	(12,291)
	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	1,048	11,376
	Increase in relevant TTF reference price within option pricing models used to determine the fair value of financial derivatives by € 0.5/GJ at the relevant valuation dates	(10,279)	(2,624)
	Decrease in relevant TTF reference price within option pricing models used to determine the fair value of financial derivatives by € 0.5/GJ at the relevant valuation dates	10,085	2,624
Interest rate risk	**Increase** in average Canadian prime interest rate by 100 basis points during the relevant periods	(9,032)	(4,945)
	Decrease in average Canadian prime interest rate by 100 basis points during the relevant periods	9,032	4,945

Reasonably possible changes in natural gas prices would not have had a material impact on comprehensive income for the years ended December 31, 2014 and 2013.

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, 2014 and December 31, 2013:

	Year Ended	
($M)	**Dec 31, 2014**	**Dec 31, 2013**
Short-term benefits	5,684	6,308
Share-based payments	16,414	19,302
	22,098	25,610
Number of individuals included in the above amounts	18	17

21. WAGES AND BENEFITS

Included in operating expenses and general and administrative expenses for the year ended December 31, 2014 were $56.2 million and $47.2 million of wages and benefits, respectively (2013 – $53.2 million and $45.9 million, respectively).

22. SUBSEQUENT EVENTS

Subsequent to December 31, 2014, Vermilion was awarded a recovery of costs resulting from an oil spill at the Ambès oil terminal in France that occurred in 2007. The French court awarded Vermilion approximately €25 million (before taxes), of which 50% is due now with the remainder due upon conclusion of the appeal process. Based on the recent court decision and the conclusions of an expert engaged by the French court, Vermilion's assessment is that the decision to award Vermilion its recovery of costs incurred will be upheld.

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

Sarah E. Raiss [3]
Calgary, Alberta

Kevin J. Reinhart
Calgary, Alberta

Catherine L. Williams
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 8, 2015
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 & Chief Operating Officer

John D. Donovan, FCA
Executive Vice President Business Development

Curtis W. Hicks, CA
Executive Vice President & Chief Financial Officer

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

Terry Hergott, CMA
Vice President Marketing

Michael Kaluza, P.Eng.
Vice President Canada Business Unit

Daniel Goulet, P.Eng.
Director Corporate HSE

Dion Hatcher, P.Eng.
Director Alberta Foothills – Canada Business Unit

Bryce Kremnica, P.Eng.
Director Field Operations – Canada Business Unit

Dean N. Morrison, CFA
Director Investor Relations

Mike Prinz
Director Information Technology & Information Systems

Jenson Tan, P.Eng.
Director New Ventures

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

UNITED STATES
Daniel G. Anderson
Managing Director – U.S. Business Unit

Timothy R. Morris
Director, U.S. Business Development – U.S. Business Unit

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

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

The Toronto-Dominion Bank

Bank of Montreal

Canadian Imperial Bank of Commerce

Royal Bank of Canada

The Bank of Nova Scotia

National Bank of Canada

Alberta Treasury Branches

HSBC Bank Canada

La Caisse Centrale Desjardins du Québec

Wells Fargo Bank N.A., Canadian Branch

Bank of America N.A., Canada Branch

BNP Paribas, Canada Branch

Citibank N.A., Canadian Branch - Citibank Canada

JPMorgan Chase Bank, N.A., Toronto Branch

Union Bank, Canada Branch

Canadian Western Bank

Goldman Sachs Lending Partners LLC

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Norton Rose Fulbright Canada LLP
Calgary, Alberta

TRANSFER AGENT

Computershare Trust Company of Canada

STOCK EXCHANGE LISTINGS

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

Albrecht Moehring
Managing Director - Germany Business Unit

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

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

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EXHIBIT 99.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our reports dated February 27, 2015 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, 2014.

/s/ Deloitte LLP

Chartered Accountants
Calgary, Canada
March 6, 2015

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, 2014, 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 6, 2015

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 6, 2015

("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:

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 6, 2015

("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, 2014, 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 6th day of March 2015.

("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, 2014, 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 6th day of March 2015.

("Curtis Hicks")
[Signature]

Curtis Hicks, Chief Financial Officer