

Hemisphere Energy Reports 2021 Third Quarter Financial and Operating Results and Provides Update on Operations

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Vancouver, November 18, 2021 - [Hemisphere Energy Corp.](#) (TSXV: HME) (OTCQX: HMENF) ("Hemisphere" or the "Company") is pleased to provide an operations update and its financial and operating results for the third quarter ended September 30, 2021.

Third Quarter 2021 Financial and Operating Highlights

During the third quarter, Hemisphere invested just over \$3.3 million in its Atlee Buffalo field operations. The majority of capital expenditures included a successful three well drilling program in the Atlee G Pool. The Company also acquired a Free Water Knockout (FWKO) vessel in anticipation of production growth at the G pool facility during the fourth quarter.

Hemisphere's new G pool wells are the first drilled by the Company since 2019 due to severe market volatility during 2020 and early 2021. After being brought online in late October, total oil production from the new wells has averaged approximately 300 bbl/d during the first two weeks of November. With the addition of these new wells and the continued success of Hemisphere's enhanced oil recovery projects, corporate production has increased to approximately 2,100 boe/d (99% heavy crude oil and 1% conventional natural gas), based on field estimates between November 1-15th.

Hemisphere's third quarter also marked two very important milestones for the Company, in both its field operations and financial structure.

At the start of the third quarter, the Company announced the implementation of its first polymer flood project in the Atlee G Pool in southeast Alberta. Reservoir simulation and analogue analysis indicate both increased production rates and higher recovery factors are predicted for the oil pool.

Subsequent to that, the Company announced the replacement of its previous five-year term loan with a new \$35 million extendible two-year committed term facility with ATB Financial in July. The new facility provides Hemisphere with increased financial flexibility, a significant reduction in interest costs, and lower foreign exchange risk.

Further highlights of the third quarter include:

- Generated record revenue of \$10.4 million, a 77% improvement over the third quarter of 2020.
- Maintained production at 1,671 boe/d (99% heavy crude oil and 1% conventional natural gas), relatively flat compared to the third quarter of last year, despite the conversion of several oil producer wells to water injectors and minimal capital spending over the past year.
- Achieved an operating field netback before hedges of \$39.25/boe for a total of \$6.0 million, a 56% increase over the third quarter of 2020.
- Increased adjusted funds flow (AFF) from operations by 19% to \$4.0 million, when compared to the third quarter of 2020.
- Lowered net debt to \$18.2 million, a 33% reduction from the third quarter of 2020.
- Reduced net debt to AFF ratio to 1.1.

Selected financial and operational highlights should be read in conjunction with Hemisphere's audited annual financial statements and related Management's Discussion and Analysis for the year ended December 31, 2020. These reports, including the Company's Annual Information Form for the year ended December 31,

2020, are available on SEDAR at www.sedar.com and on Hemisphere's website at www.hemisphereenergy.ca. All amounts are expressed in Canadian dollars unless otherwise noted.

2021 FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2021	2020	2021	2020
FINANCIAL				
Petroleum and natural gas revenue	\$ 10,431,678	\$ 5,889,668	\$ 28,407,919	\$ 13,305,661
Operating field netback ⁽¹⁾	6,032,734	3,862,969	17,805,554	7,813,633
Operating netback ⁽²⁾	5,094,246	4,718,540	15,970,866	10,899,880
Cash flow provided by operating activities	5,472,918	3,087,951	13,417,137	7,262,068
Adjusted funds flow from operations (AFF) ⁽³⁾	4,047,805	3,406,613	12,319,791	6,914,887
Per share, basic ⁽³⁾	0.05	0.04	0.14	0.08
Per share, diluted ⁽³⁾	0.04	0.04	0.13	0.08
Net income	2,308,838	1,473,572	482,425	(269,553)
Per share, basic	0.03	0.02	0.01	(0.00)
Per share, diluted	0.02	0.01	0.01	(0.00)
Capital expenditures	3,320,486	392,199	6,276,094	1,067,373
Net debt ⁽⁴⁾	18,231,440	27,363,336	18,231,440	27,363,336
Net debt to annualized AFF ⁽³⁾⁽⁴⁾	1.1	2.0	1.1	3.0
Bank debt	16,233,591	-	16,233,591	-
Gross term loan ⁽⁵⁾	\$ -	\$ 29,967,750	\$ -	\$ 29,967,750
Average daily production				
Heavy oil (bbl/d)	1,652	1,675	1,683	1,754
Natural gas (Mcf/d)	110	70	124	87
Combined (boe/d)	1,671	1,686	1,704	1,768
Oil weighting	99%	99%	99%	99%
Average sales prices				
Heavy oil (\$/bbl)	\$ 68.39	\$ 38.14	\$ 61.60	\$ 27.59
Natural gas (\$/Mcf)	3.47	2.13	3.07	2.01
Combined (\$/boe)	\$ 67.87	\$ 37.96	\$ 61.08	\$ 27.47
Operating netback (\$/boe)				
Petroleum and natural gas revenue	\$ 67.87	\$ 37.96	\$ 61.08	\$ 27.47
Royalties	(13.66)	(3.75)	(10.26)	(2.28)
Operating costs	(12.66)	(6.79)	(10.11)	(6.53)
Transportation costs	(2.30)	(2.52)	(2.42)	(2.53)
Operating field netback ⁽¹⁾	39.25	24.90	38.28	16.13
Realized commodity hedging gain (loss)	(6.11)	5.51	(3.94)	6.37
Operating netback ⁽²⁾	\$ 33.14	\$ 30.41	\$ 34.34	\$ 22.50
Adjusted funds flow from operations ⁽³⁾ (\$/boe)	\$ 26.33	\$ 21.96	\$ 26.49	\$ 14.27

Notes:

1. Operating field netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs on an absolute and per barrel of oil equivalent basis.
2. Operating netback is a non-IFRS measure calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) on an absolute and per barrel of oil equivalent basis.
3. Adjusted funds flow from operations, is a non-IFRS measure that represents cash generated by operating activities, before changes in non-cash working capital and adjusted for any decommissioning expenditures and may not be comparable to measures used by other companies.
4. Net debt is a non-IFRS measure calculated as current assets minus current liabilities, excluding fair value of financial instruments, lease and warrant liabilities, plus bank debt or gross term loan.
5. Gross term loan is calculated as the total USD draws, less any payments, on the term loan translated to Canadian Dollars at the period end exchange rate.

Outlook

Strengthening the balance sheet through continually lowering debt over the past two years has been a top priority for Hemisphere, and refinancing this year with a reserve based loan from a Canadian bank was a major step forward in financial flexibility for the Company. As Hemisphere moves into 2022, it will continue to balance production and reserve growth with financial strength, with the goal of optimizing return to shareholders through continued share buybacks and/or dividends as debt levels fall.

"This is a very dynamic and exciting time for Hemisphere," stated Don Simmons, President and CEO. "Meaningful production growth is occurring in parallel with considerable improvements in commodity prices. With growing free funds flow and declining debt ratios, the Company is in a very strong position to focus on shareholder return in the coming years."

About Hemisphere Energy Corporation

Hemisphere is a Canadian oil company focused on sustainable growth of its high netback, low decline conventional heavy oil assets through water and polymer flood enhanced recovery methods. Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME" and on the OTCQX Venture Marketplace under the symbol "HMENF".

For further information, please visit the Company's website at www.hemisphereenergy.ca to view its updated corporate presentation or contact:

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Forward-looking Statements

Certain statements included in this news release constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as anticipate, continue, estimate, expect, forecast, may, will, project, could, plan, intend, should, believe, outlook, potential, target and similar words suggesting future events or future performance. In particular, but without limiting the generality of the foregoing, this news release includes forward-looking statements regarding anticipated production growth at the G pool facility during the fourth quarter, based on certain analysis, indications of both increased production rates and higher recovery factors from Hemisphere's Atlee G oil pool. Hemisphere's new Credit Facility is anticipated to result in a significant reduction in corporate interest costs, provide additional flexibility to the Company, and reduce foreign exchange risk. Hemisphere believes that in 2022, it will continue to balance production and reserve growth with financial strength, with the goal of optimizing return to shareholders through continued share buybacks and/or potential dividends as debt levels fall and that the Company may be in a position in the future to focus on shareholder return in the coming years.

Forward-looking statements are based on a number of material factors, expectations or assumptions of Hemisphere which have been used to develop such statements and information, but which may prove to be incorrect. Although Hemisphere 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 Hemisphere can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the current and go-forward oil price environment; that Hemisphere will continue to conduct its operations in a manner consistent with past operations; that results from drilling and development activities are consistent with past operations; the quality of the reservoirs in which Hemisphere operates and continued performance from existing wells; the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Hemisphere's reserve volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund Hemisphere's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Hemisphere operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Hemisphere to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Hemisphere has an

interest in to operate the field in a safe, efficient and effective manner; the ability of Hemisphere to obtain financing on acceptable terms; field production rates and decline rates; the accuracy of the Company's reservoir modelling; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Hemisphere to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Hemisphere operates; and the ability of Hemisphere to successfully market its oil and natural gas products.

The forward‐looking statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward‐looking statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Hemisphere's products, the early stage of development of some of the evaluated areas and zones; unanticipated operating results or production declines; results of Hemisphere's waterflood operations; the ability of Hemisphere to, pending future events, return capital to shareholders as a result of any required third party approvals; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Hemisphere or by third party operators of Hemisphere's properties, increased debt levels or debt service requirements; inaccurate estimation of Hemisphere's oil and gas reserve volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time‐to‐time in Hemisphere's public disclosure documents, (including, without limitation, those risks identified in this news release and in Hemisphere's Annual Information Form).

The forward‐looking statements contained in this news release speak only as of the date of this news release, and Hemisphere does not assume any obligation to publicly update or revise any of the included forward‐looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS Measures

This news release contains terms that are non-IFRS measures and commonly used in the oil and gas industry which are not defined by or calculated in accordance with International Financial Reporting Standards ("IFRS"), such as: (i) adjusted funds flow from operations; (ii) net debt; and (iii) operating netback. These terms should not be considered an alternative to, or more meaningful than the comparable IFRS measures (as determined in accordance with IFRS) which in the case of funds flow from operations is cash provided by operating activities and cash flow from operating activities and in the case of operating field netback and operating netback are net income or net loss. There is no IFRS measure that is reasonably comparable to net debt. These measures are commonly used in the oil and gas industry and by Hemisphere to provide shareholders and potential investors with additional information regarding: (i) in the case of adjusted funds flow from operations, the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt; (ii) in the case of operating netback, the indication of the Company's profitability relative to current commodity prices; and (iii) in the case of net debt, the capital structure of the Company.

Hemisphere's determination of these measures may not be comparable to that reported by other companies. Adjusted funds flow from operations is calculated as cash generated by operating activities, before changes in non-cash working capital; operating field netback is calculated as the Company's oil and gas sales, less royalties, operating expenses, and transportation costs;; operating netback adjusts operating field netback for any realized gains or losses on commodity hedges and net debt is calculated as current assets minus current liabilities including bank indebtedness and excluding fair value of financial instruments and any flow-through share premium. The Company has provided additional information on how these measures are calculated in the Management's Discussion and Analysis for the year ended December 31, 2020 and the interim period ended September 30, 2021, which are available under the Company's SEDAR profile at www.sedar.com.

Oil and Gas Advisories

Any references in this news release to recent production rates (including as a result of recent waterflood

activities) which may be considered to be initial rates and are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.

A barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Definitions and Abbreviations

bbl	Barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	Mcf/d	thousand cubic feet per day
\$/bbl	dollar per barrel	\$/Mcf	dollar per thousand cubic feet
boe	barrel of oil equivalent		
boe/d	barrel of oil equivalent per day	NPV10	BT Net Present Value discounted at 10%, before tax
\$/boe	dollar per barrel of oil equivalent	IFRS	International Financial Reporting Standards
WCS	Western Canadian Select	G&A	General and Administrative Costs
US\$	United States Dollar		

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