

# Hemisphere Energy Provides Corporate Update, Declares Quarterly Dividend, and Announces 2024 Guidance

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Vancouver, January 25, 2024 - [Hemisphere Energy Corp.](#) (TSXV: HME) (OTCQX: HMFN) ("Hemisphere" or the "Company") is pleased to provide a corporate update, announce the declaration of a quarterly dividend payment to shareholders, and deliver guidance for 2024.

## Corporate Update

Hemisphere realized another successful year in 2023, balancing production growth with balance sheet strength and shareholder return. During the year, \$17.5 million was returned to shareholders in the form of dividends (\$13.1 million) and share buybacks (\$4.4 million), representing an approximate 14% yield to shareholders based on the market capitalization of Hemisphere at year-end.

The Company achieved record average production in the fourth quarter of 3,375 boe/d (99% heavy oil), which represents a 16% increase over the same period in 2022. This growth in production year-over-year is the combined result of Hemisphere's successful third quarter drilling program with the Company's effective enhanced oil recovery ("EOR") polymer flood projects. Hemisphere's annual average production for 2023 was approximately 3,100 boe/d (99% heavy oil), representing 10% growth as compared to 2022.

Balance sheet strength continued to be a priority in 2023, with Hemisphere exiting the year in a cash position. Hemisphere funded all of its shareholder returns and entire \$16 million capital expenditure<sup>1</sup> program on 2023 cash flow. In addition to drilling 8 successful Atlee Buffalo wells and upgrading some of its facilities, the Company acquired over 2,500 hectares of new land in Saskatchewan and Alberta. Hemisphere has plans to drill a new prospect on some of these Saskatchewan lands in the first half of 2024, and believes it to be prospective for EOR polymer flooding.

Given the significant free cash flow generated by Hemisphere's ultra-low production decline and long-life reserve asset base, the Company was able to complement its \$0.025 per share quarterly base dividend with a \$0.03 per share special dividend paid in the fourth quarter of 2023. This brought total shareholder returns last year to \$0.13 per share in dividends. Hemisphere also invested \$4.4 million into its normal course issuer bid ("NCIB") share buyback program to purchase and cancel 3.5 million shares in 2023.

## Quarterly Dividend

Hemisphere is pleased to announce that its Board of Directors has approved a quarterly cash dividend of \$0.025 per common share in accordance with the Company's dividend policy. The dividend will be paid on February 23, 2024 to shareholders of record as of the close of business on February 9, 2024. The dividend is designated as an eligible dividend for income tax purposes.

## 2024 Corporate Guidance

Hemisphere's Board of Directors has approved a 2024 capital expenditure program of \$21 million, which is planned to be entirely funded by Hemisphere's estimated 2024 adjusted funds flow<sup>1</sup> ("AFF") of \$40 million and is anticipated to provide 10% annual production growth. The majority of capital will be allocated to drilling and facility work, with approximately 10% allotted to exploration and land acquisition. Over half of the planned capital expenditures are scheduled for the third quarter, providing Hemisphere with the flexibility to adjust plans subject to the commodity price environment.

The start of 2024 brought with it some extreme cold weather which has substantially affected corporate production during the month of January. The failure of an electrical panel at Hemisphere's G pool facility resulted in the loss of power to its operations. Subsequent sustained -40°C weather led to freezing of most of the G pool wells and facility, which experienced 5 days of complete downtime and an additional few days of lower production as equipment was repaired and wells were brought back online. All impacts of this production disruption have been accounted for in the guidance set out below, and the team has now restored operations back to normal levels.

After capital expenditures and asset retirement obligations ("ARO"), 2024 free funds flow<sup>1</sup> ("FFF") is estimated to be \$19 million, of which approximately 50% is planned to be paid in quarterly dividends as shown in the table below. The balance of cash will be used for discretionary purposes, which may include potential acceleration of other development or exploration projects, acquisitions, and additional return of capital to shareholders through Hemisphere's NCIB program and/or special dividends.

Management believes that the 2024 development plan provides stable production growth and consistent shareholder returns, while still allowing for modest investment in a new EOR play with exciting growth potential for the Company.

Highlights and assumptions of Hemisphere's guidance at US\$75/bbl WTI are as follows:

- Average annual production of 3,400 boe/d (99% heavy oil), a 10% increase as compared to 2023
- Average WTI price of US\$75/bbl, with sensitivities shown at US\$65/bbl and US\$85/bbl
- WCS differential of US\$15.50/bbl and quality adjustment of \$7.50/bbl
- CAD/US FX of 1.35
- Operating and transportation costs of \$14.85/boe
- Royalties and GORRs on gross revenue of 20% at US\$75/bbl WTI, 18% at US\$65/bbl WTI, and 22% at US\$85/bbl WTI
- Net G&A of \$3.65/boe
- Tax Costs of \$7.29/boe at US\$75/bbl WTI, \$4.91/boe at US\$65/bbl WTI, and \$9.53/boe at US\$85/bbl WTI

2024 Corporate Guidance <sup>(2)</sup>	US\$65 WTI	US\$75 WTI	US\$85 WTI
Adjusted Funds Flow (AFF) \$ million	31	40	49
AFF per Basic Share <sup>(1,3)</sup> \$/share	0.32	0.41	0.49
Capital Expenditures & ARO \$ million	21	21	21
Free Funds Flow (FFF) \$ million	10	19	28
FFF per Basic Share <sup>(1,3)</sup> \$ million	0.10	0.19	0.28
Dividend per Basic Share <sup>(3)</sup> \$ million	0.10	0.10	0.10

Notes:

(1) AFF, Capital Expenditures, and FFF are non-IFRS financial measures that are forward looking and do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. AFF per basic share and FFF per basic share are non-IFRS financial ratios that are forward looking and do not have any standardized meaning under IFRS and therefore may not be comparable to similar ratios presented by other entities and include non-IFRS financial measure components of AFF and FFF. See "Non-IFRS Measures".

(2) See assumptions noted above within "2024 Corporate Guidance".

(3) Using a 2024 weighted average of 98,988,539 basic shares issued and outstanding.

(4) The amounts above do not include potential future purchases through the Company's NCIB program or other discretionary uses of available funds.

## About Hemisphere Energy Corporation

Hemisphere is a dividend-paying Canadian oil company focused on maximizing value-per-share growth with the sustainable development of its high netback, ultra-low decline conventional heavy oil assets through EOR polymer flood projects. 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](http://www.hemisphereenergy.ca) to view its 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 the Company's plans to drill its new Saskatchewan prospect in early 2024 and its belief that it is prospective for EOR polymer flooding; the record date and payment date for Hemisphere's quarterly dividend; that Hemisphere's 2024 capital budget is planned to be entirely funded by Hemisphere's estimated 2024 AFF and is anticipated to provide 10% annual production growth, including that the majority of capital will be allocated to drilling and facility work, with approximately 10% of it allotted to exploration and land acquisition as well as expectations for the timing of such expenditures; Hemisphere's anticipation that approximately 50% of estimated \$19 million in free funds flow will be paid in quarterly dividends with the balance of cash being used for discretionary purposes, which may include potential acceleration of other development or exploration projects, acquisitions, and additional return of capital to shareholders through Hemisphere's NCIB program and/or special dividends; the expected manner in which the Company's 2024 capital budget will be spent, including the timing of such expenditures and any discretionary amounts, which may include potential acceleration of other development or exploration projects, acquisitions, and return of capital to shareholders through Hemisphere's NCIB program and/or dividends, and the anticipated effects thereof, including as set forth under "2024 Corporate Guidance" and the Company's dividend policy and the other matters and guidance set forth under "2024 Corporate Guidance".

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 (including the assumptions noted in respect of "2024 Corporate Guidance"), 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; inflationary pressure and related costs; that the Company's dividend policy will remain the same and the Company will continue to be able to declare dividends; 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; regulatory risks, including penalties or other remedial actions, the ability of the Company to maintain legal title to its properties; 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 budgets; 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 most recent 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.

#### Forward-Looking Financial Information

This news release may contain future oriented financial information ("FOFI") within the meaning of applicable securities laws, including with respect to the Company's anticipated 2024 Free Funds Flow and Adjusted Funds Flow. The FOFI has been prepared by management to provide an outlook of the Company's activities and results. The FOFI has been prepared based on a number of assumptions including the assumptions discussed and disclosed above, including in relation to "2024 Corporate Guidance" above and "Forward-Looking Statements" above and that the Company is cash taxable in 2024. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits the Company will derive therefrom. The Company has included the FOFI in order to provide readers with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

#### Non-IFRS and Other Measures

This news release contains terms that are non-IFRS measures or ratios that are forward-looking 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 (ii) adjusted funds flow per basic share; (iii) capital expenditures; (iv) free funds flow; and (v) free funds flow per basic share. 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 is cash provided by operating activities, in the case of adjusted funds flow (and adjusted funds flow per share) is cash provided by operating activities and in the case of capital expenditures is cash flow used in investing activities. There is no IFRS measure that is reasonably comparable to free funds flow. 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 and free funds flow, the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt.

Hemisphere's determination of these measures may not be comparable to that reported by other companies. Adjusted funds flow is calculated as cash generated by operating activities, before changes in non-cash working capital and adjusted for any decommissioning expenditures; Adjusted funds flow per share is calculated using the outstanding basic shares of the company as footnoted in the 2024 Corporate Guidance table; Free Funds Flow is calculated as Adjusted Funds Flow less capital expenditures; and Free funds flow per share is calculated using the outstanding basic shares of the company as footnoted in the 2024 Corporate Guidance table. The Company has provided additional information on how these measures are

calculated, including a reconciliation of such measures to their comparable IFRS measure, in the Management's Discussion and Analysis for the year ended December 31, 2022 and the interim period ended September 30, 2023, which are available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

In respect of any forward-looking non-IFRS measures, there is no significant difference between the non-GAAP financial measure that are forward-looking information and the equivalent historical non-GAAP financial measures.

In this news release, Hemisphere uses the term market capitalization at year-end. Hemisphere's market capitalization was \$128 million at the close of December 29, 2023, the last trading day of the year.

#### 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	WTI	West Texas Intermediate
bbl/d	barrels per day	WCS	Western Canadian Select
\$/bbl	dollar per barrel	US\$	United States Dollar
boe	barrel of oil equivalent		
boe/d	barrel of oil equivalent per day	IFRS	International Financial Reporting Standards
\$/boe	dollar per barrel of oil equivalent	G&A	General and Administrative Costs

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