

Hemisphere Energy Announces 2024 Second Quarter Results, Declares Quarterly Dividend, and Provides Operations Update

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Vancouver, August 20, 2024 - [Hemisphere Energy Corp.](#) (TSXV: HME) (OTCQX: HMENF) ("Hemisphere" or the "Company") is pleased to provide its financial and operating results for the three and six months ended June 30, 2024, declare a quarterly dividend payment to shareholders, and provide an operations update.

Q2 2024 Highlights

- Achieved record quarterly production of 3,628 boe/d (99% heavy oil), a 26% increase over the same quarter last year.
- Attained quarterly revenue of \$28.9 million, a 52% increase from the second quarter of 2023.
- Delivered operating netback¹ of \$17.7 million or \$53.58/boe for the quarter.
- Realized quarterly adjusted funds flow from operations ("AFF")¹ of \$13.6 million or \$41.13/boe.
- Invested \$3.0 million of capital expenditures in the Company's Marsden and Atlee Buffalo properties.
- Achieved quarterly free funds flow¹ of \$10.6 million or \$0.11/share.
- Exited the second quarter with a positive working capital¹ position of \$11.6 million.
- Distributed \$2.5 million or \$0.025/share in dividends to shareholders during the quarter.
- Announced a special dividend of \$0.03/share to shareholders that was paid subsequent to the quarter on July 26, 2024.
- Purchased and cancelled 1,054,200 shares under the Company's Normal Course Issuer Bid ("NCIB").
- Renewed the Company's \$35 million two-year extendible credit facility.

(1) Operating netback, adjusted funds flow from operations (AFF), free funds flow, capital expenditures, and working capital are non-IFRS measures, or when expressed on a per share or boe basis, non-IFRS ratio, that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Non-IFRS financial measures and ratios are not standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Refer to the section "Non-IFRS and Other Specified Financial Measures".

Selected financial and operational highlights should be read in conjunction with Hemisphere's unaudited consolidated interim financial statements and related notes, and the Management's Discussion and Analysis for the three and six months ended June 30, 2024 which are available on SEDAR+ at www.sedarplus.ca and on Hemisphere's website at www.hemisphereenergy.ca. All amounts are expressed in Canadian dollars unless otherwise noted.

Financial and Operating Summary

(\$000s except per unit and share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
FINANCIAL				
Petroleum and natural gas revenue	\$ 28,938	\$ 19,013	\$ 49,899	\$ 37,707
Operating field netback ⁽¹⁾	17,851	11,124	30,809	22,466
Operating netback ⁽¹⁾	17,687	10,944	30,812	22,058
Cash flow provided by operating activities	14,795	9,371	17,479	18,405
Adjusted funds flow from operations ("AFF") ⁽¹⁾	13,578	8,123	23,664	16,403
Per share, basic and diluted ⁽¹⁾ (\$/share)	0.14	0.08	0.24	0.16
Free funds flow ⁽¹⁾	10,599	3,591	15,037	10,406
Net income	10,387	5,790	17,165	11,748
Per share, basic (\$/share)	0.11	0.06	0.17	0.12
Per share, diluted (\$/share)	0.10	0.06	0.17	0.11

Dividends	2,467	2,523	4,938	5,068
Per share, basic (\$/share)	0.025	0.025	0.050	0.050
NCIB share repurchases	1,730	1,107	2,897	1,371
Capital expenditures ⁽¹⁾	2,979	4,532	8,627	5,997
Working capital ⁽¹⁾	11,582	2,599	11,582	2,599
OPERATING				
Average daily production				
Heavy oil (bbl/d)	3,609	2,859	3,360	3,000
Natural gas (Mcf/d)	111	141	123	155
Combined (boe/d)	3,628	2,883	3,380	3,026
Oil weighting	99%	99%	99%	99%
Average sales prices				
Heavy oil (\$/bbl)	\$ 88.07	\$ 72.96	\$ 81.54	\$ 69.30
Natural gas (\$/Mcf)	1.13	2.36	1.75	2.75
Combined (\$/boe)	\$ 87.65	\$ 72.48	\$ 81.11	\$ 68.85
Operating netback (\$/boe)				
Petroleum and natural gas revenue	\$ 87.65	\$ 72.48	\$ 81.11	\$ 68.85
Royalties	(18.95)	(15.42)	(16.58)	(13.36)
Operating costs	(9.63)	(11.72)	(10.33)	(11.39)
Transportation costs	(5.00)	(2.93)	(4.12)	(3.08)
Operating field netback ⁽¹⁾	54.07	42.41	50.08	41.02
Realized commodity hedging loss	(0.49)	(0.69)	0.00	(0.75)
Operating netback ⁽¹⁾	\$ 53.58	\$ 41.72	\$ 50.08	\$ 40.27
General and administrative expense	(3.50)	(3.32)	(3.53)	(3.09)
Interest expense and foreign exchange gain (loss)	(0.53)	(0.68)	(0.49)	(0.67)
Tax expense provision	(8.42)	(6.75)	(7.59)	(6.56)
Adjusted funds flow from operations ⁽¹⁾ (\$/boe)	\$ 41.13	\$ 30.97	\$ 38.47	\$ 29.95

Note: (1) Non-IFRS and other financial measure. Refer to "Non-IFRS and Other Financial Measures" section below.

SHARE CAPITAL	As at August 19, 2024	As at June 30, 2024	As at December 31, 2023
Common shares outstanding	98,256,839	98,673,439	99,340,339
Stock options outstanding	6,306,600	6,306,600	7,563,000
Total fully diluted shares outstanding	104,563,439	104,980,039	106,903,339

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 September 13, 2024 to shareholders of record as of the close of business on August 30, 2024. The dividend is designated as an eligible dividend for income tax purposes.

Operations Update

Hemisphere's current corporate production is approximately 3,700 boe/d (99% heavy oil, based on field estimates between July 1 - August 12, 2024), with 97% of this production coming from the Company's enhanced oil recovery ("EOR") projects in Atlee Buffalo. Despite not having brought any new wells online in Atlee Buffalo since September 2023, Hemisphere's production from the area has grown by almost 10% since the fourth quarter of 2023 due to continued success of the Company's polymer floods. Average corporate production of 3,380 boe/d (99% heavy oil) over the first half of the year includes significant downtime due to weather during the first quarter of 2024 and is on target with the Company's corporate annual guidance of 3,400 boe/d.

Atlee Buffalo, Alberta

Hemisphere's 2024 summer drilling program was kicked off in early August, with one of eight planned horizontal wells having been drilled to date. These wells will be brought on production in stages as they are

tied-in between the end of August and October. Up to three of the new wells are planned to be converted to injectors within a year.

Marsden, Saskatchewan

The majority of capital spent year-to-date included drilling five wells and constructing a multi-well battery with a pilot polymer skid in the Company's new Saskatchewan property. Battery production and polymer injection start-up in Marsden is now anticipated by the end of August. The Company has budgeted minimal production from the area for the year and expects that several months of injection could be required before polymer flood response is seen. At present, only one of the three wells brought on production in May for EOR data gathering purposes is still producing on primary recovery. The other two producers are anticipated to be turned back online in the coming months once polymer injection is underway.

EnerCom Denver Conference

Ms. Ashley Ramsden-Wood, Chief Development Officer of Hemisphere, will be presenting at the EnerCom Denver Conference on Tuesday, August 20 at 1:55 pm Mountain Daylight Time (12:55 pm Pacific Daylight Time). Her presentation will be livestreamed on EnerCom's website at www.enercomdenver.com/webcast (Confluence A) and archived on Hemisphere's website at www.hemisphereenergy.ca.

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, low decline conventional heavy oil assets through 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 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 including that a quarterly dividend will be paid September 13, 2024 to shareholders of record as of the close of business on August 30, 2024; estimated annual average production volumes; timing to place recently completed wells on production and/or convert them into injectors; anticipated timing for Battery production and polymer injection start-up in Marsden; the Company's expectation that several months of injection could be required before polymer flood response is seen at Marsden; and expected timing for two producers at Marsden to be turned back online in the coming months once polymer injection is underway.

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 perspective of recently acquired properties and the timing and manner to explore and develop the same; 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 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; 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 and Other Financial Measures

This news release contains the terms adjusted funds flow from operations, free funds flow, capital expenditures, operating field netback, operating netback, and working capital/net debt, which are considered "non-IFRS financial measures" and any of these measures calculated on a per boe basis, which are considered "non-IFRS financial ratios". These terms do not have a standardized meaning prescribed by IFRS. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income (loss) or cashflow from operations determined in accordance with IFRS and these measures should not be considered more meaningful than IFRS measures in evaluating the Company's performance.

a) Adjusted funds flow from operations ("AFF") (Non-IFRS Financial Measure and Ratio if calculated on a per share or boe basis): The Company considers AFF to be a key measure that indicates the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt. AFF is a measure that represents cash flow generated by operating activities, before changes in non-cash working capital and adjusted for decommissioning expenditures and may not be comparable to measures used by other companies. The most directly comparable IFRS measure for AFF is cash provided by operating activities. AFF per share is calculated using the same weighted-average number of shares outstanding as in the case of the earnings per share calculation for the period.

A reconciliation of AFF to cash provided by operating activities is presented as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(\$000s, except per share amounts)	2024	2023	2024	2023
Cash provided by operating activities	\$ 14,795	\$ 9,371	\$ 17,479	\$ 18,405
Change in non-cash working capital	1,544	(1,462)	10,825	(2,294)
Adjust: Tax Provision ⁽¹⁾	(2,779)	-	(4,668)	-
Adjust: Decommissioning obligation expenditures	18	214	28	292
Adjusted funds flow from operations	\$ 13,578	\$ 8,123	\$ 23,664	\$ 16,403
Per share, basic and diluted	\$ 0.14	\$ 0.08	\$ 0.24	\$ 0.16

Note: (1) Provision for income taxes deferred under new corporate partnership structure effective as of January 2, 2024.

b) Free funds flow ("FFF") (Non-IFRS Financial Measure): Calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Management believes that free funds flow provides a useful measure to determine Hemisphere's ability to improve returns and to manage the long-term value of the business.

	Three Months Ended June 30		Six Months Ended June 30	
(\$000s, except per share amounts)	2024	2023	2024	2023
Adjusted funds flow from operations	\$ 13,578	\$ 8,123	\$ 23,664	\$ 16,403
Capital expenditures	(2,979)	(4,532)	(8,627)	(5,997)
Free funds flow	\$ 10,599	\$ 3,591	\$ 15,037	\$ 10,406
Per share, basic	\$ 0.11	\$ 0.04	\$ 0.15	\$ 0.10
Per share, diluted	\$ 0.11	\$ 0.03	\$ 0.15	\$ 0.10

c) Capital expenditures (Non-IFRS Financial Measure): Management uses the term "capital expenditures" as a measure of capital investment in exploration and production assets, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable IFRS measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures is set forth below:

	Three Months Ended June 30		Six Months Ended June 30	
(\$000s)	2024	2023	2024	2023
Cash used in investing activities	\$ 4,908	\$ 4,321	\$ 8,591	\$ 7,814
Change in non-cash working capital	(1,929)	211	36	(1,817)
Capital expenditures	\$ 2,979	\$ 4,532	\$ 8,627	\$ 5,997

d) Operating field netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis): A benchmark used in the oil and natural gas industry and a key indicator of profitability relative to current commodity prices. Operating field netback is calculated as oil and gas sales, less royalties, operating expenses, and transportation costs on an absolute and per barrel of oil equivalent basis. These terms should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income or loss as determined in accordance with IFRS as an indicator of the Company's performance.

e) Operating netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis): Calculated as the operating field netback plus the Company's realized gain (loss) on derivative financial instruments on an absolute and per barrel of oil equivalent basis.

f) Working capital/Net debt (Non-IFRS Financial Measure): Closely monitored by the Company to ensure that its capital structure is maintained by a strong balance sheet to fund the future growth of the Company. Working capital/Net debt is used in this document in the context of liquidity and is calculated as the total of the Company's current assets, less current liabilities, excluding derivative financial instruments, decommissioning obligations, lease liabilities, and tax provisions, and including any bank debt. There is no IFRS measure that is reasonably comparable to working capital/net debt.

The following table outlines the Company calculation of working capital/net debt:

(\$000s)	As at June 30, 2024	As at December 31, 2023
Current assets ⁽¹⁾	\$ 20,243	\$ 14,110

Current liabilities ⁽¹⁾	(3,993	)	(10,521	)
Adjust: Tax Provision ⁽²⁾	(4,668	)	-	
Working capital	\$ 11,582		\$ 3,589	

Notes:

(1) Excluding fair value of financial instruments, decommissioning obligations, and lease liabilities.

(2) Provision for income taxes deferred under new corporate partnership structure effective as of January 2, 2024.

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, 2023 and the interim period ended June 30, 2024, which are available under the Company's SEDAR+ profile at www.sedarplus.ca.

Oil and Gas Advisories

Any references in this news release to initial production rates (including as a result of recent polymer flood activities) 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	IFRS	International Financial Reporting Standards
boe/d	barrel of oil equivalent per day		
\$/boe	dollar per barrel of oil equivalent		
US\$	United States Dollar		

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