

Hemisphere Energy Provides Corporate Update, Declares Quarterly Dividend, and Announces 2025 Guidance

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Vancouver, January 29, 2025 - [Hemisphere Energy Corp.](#) (TSXV: HME) (OTCQX: HMFNF) ("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 2025.

Corporate Update

In 2024, Hemisphere achieved annual production growth of 10%, executed a \$22 million capital expenditure program, and increased its positive year-end working capital position. The Company also returned over \$0.22/share (\$21.2 million) to shareholders in the form of dividends (\$15.7 million) and share buybacks (\$5.5 million), which represents an annualized 11.9% yield to shareholders based on Hemisphere's market capitalization at December 31, 2024.

Hemisphere's 2024 capital expenditure program grew production, added required infrastructure, and commenced testing a new resource play with an enhanced oil recovery ("EOR") polymer pilot project. These investments were funded entirely by cash flow from the Company's long-life reserve base and ultra-low production decline rates in the Atlee Buffalo oil assets, and have set up Hemisphere for continued growth in 2025.

Based on field estimates, production over the past two months (December 1, 2024 - January 27, 2025) has averaged approximately 3,800 boe/d (99% heavy oil) as new Atlee Buffalo wells were brought online through the fourth quarter of last year. With the addition of a new treater late in the quarter and upcoming injector conversions, these and other wells are expected to continue to be optimized during the first quarter of 2025 in Hemisphere's flagship EOR polymer flood projects.

Balance sheet strength in 2024 allowed Hemisphere to invest in its pilot EOR project in the Marsden area of western Saskatchewan. The Company drilled 5 wells (3 production wells and 2 injection wells) and built facilities required to produce oil and inject polymer back into a known accumulation of oil that had been previously produced with vertical wells and abandoned, with the plans of rebuilding reservoir pressure and increasing the recovery factor of the oil-in-place from the pool. First injection commenced late in the third quarter of 2024 and Hemisphere is anticipating to see potential EOR response in mid-to-late 2025.

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 26, 2025 to shareholders of record as of the close of business on February 12, 2025. The dividend is designated as an eligible dividend for income tax purposes.

2025 Corporate Guidance

Hemisphere's Board of Directors has approved a 2025 capital expenditure program of approximately \$17 million, which is planned to be entirely funded by Hemisphere's estimated 2025 adjusted funds flow¹ ("AFF") of \$51 million and is anticipated to provide 15% annual production growth. The majority of capital will be allocated to drilling, optimization, and facility work, with approximately 10% allotted to exploration and land acquisition. Most of the planned capital expenditures are scheduled for the third quarter of 2025, providing

Hemisphere with the flexibility to adjust plans subject to the commodity price environment.

After capital expenditures and asset retirement obligations ("ARO"), 2025 free funds flow¹ ("FFF") is estimated to be \$34 million, of which approximately 30% is budgeted to be paid in quarterly base 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 normal course issuer bid ("NCIB") program and/or special dividends. In 2024, two special dividends totaling \$0.06/share (\$5.7 million) were paid to shareholders in addition to Hemisphere's base quarterly dividends of \$0.10/share (\$10 million), and share buybacks amounted to \$0.06/share (\$5.5 million), bringing total shareholder returns to \$0.22/share (\$21.2 million).

Management believes that the 2025 development plan provides stable production growth and consistent shareholder returns, with significant flexibility built in to allow for necessary adjustments based on changing political and commodity environments.

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

- Average annual production of 3,900 boe/d (99% heavy oil), a 15% increase as compared to 2024
- Average WTI price of US\$75/bbl, with sensitivities shown at US\$65/bbl and US\$85/bbl
- WCS differential of US\$14.00/bbl and quality adjustment of \$7.00/bbl
- CAD/US FX of 1.43
- Operating and transportation costs of \$15.25/boe
- Royalties and GORRs on gross revenue of 21% at US\$75/bbl WTI, 19% at US\$65/bbl WTI, and 23% at US\$85/bbl WTI
- Net G&A of \$3.66/boe
- Tax Costs of \$8.10/boe at US\$75/bbl WTI, \$5.64/boe at US\$65/bbl WTI, and \$10.37/boe at US\$85/bbl WTI

2025 Corporate Guidance ⁽²⁾	US\$65 WTI	US\$75 WTI	US\$85 WTI
Adjusted Funds Flow (AFF)	\$ million 40	51	61
AFF per Basic Share ^(1,3)	\$/share 0.41	0.52	0.63
Capital Expenditures & ARO	\$ million 17	17	17
Free Funds Flow (FFF)	\$ million 24	34	44
FFF per Basic Share ^(1,3)	\$/share 0.25	0.35	0.46
Base Dividend per Basic Share ⁽³⁾	\$/share 0.10	0.10	0.10

Notes:

(1) AFF, Capital Expenditures, and FFF (including per share amounts) 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 "2025 Corporate Guidance".

(3) Using a 2025 weighted average of 97.4 million 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 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 regarding the record date and payment date for Hemisphere's quarterly dividend; expectations for the continued optimization of certain wells during the first quarter of 2025 in Hemisphere's flagship EOR polymer flood projects; expectations on timing for potential EOR responses for activities in the Marsden area of western Saskatchewan; that Hemisphere's 2025 capital budget is planned to be entirely funded by Hemisphere's estimated 2025 AFF and is anticipated to provide 15% annual production growth, including that the majority of capital will be allocated to drilling, optimization, and facility work, with approximately 10% allotted to exploration and land acquisition, as well as expectations for the timing of such expenditures; Hemisphere's anticipation that approximately 30% of estimated \$34 million in free funds flow will be paid in quarterly dividends with the balance of cash being used for discretionary purposes; the expected manner in which the Company's 2025 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 "2025 Corporate Guidance" and the Company's dividend policy and the other matters and guidance set forth under "2025 Corporate Guidance"; and management's belief that the 2025 development plan provides stable production growth and consistent shareholder returns, with significant flexibility built in to allow for necessary adjustments based on changing political and commodity environments.

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 "2025 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; continued trade-agreements remain in place and no trade related disputes will develop, including tariffs on Canadian energy production to the United States will be applicable, 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 defer 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 2025 Free Funds Flow, Capital Expenditures and Adjusted Funds Flow (including where applicable per share amounts). 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 "2025 Corporate Guidance" above and "Forward Looking Statements" above and that the Company is cash taxable in 2025. 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 2025 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, 2023 and the interim period ended September 30, 2024, which are available under the Company's SEDAR+ profile at 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 \$178.2 million based on 97,389,735 shares outstanding and the Company's closing price of \$1.83 per share on December 31, 2024.

All amounts are expressed in Canadian dollars unless otherwise noted.

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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