



## **HEMISPHERE ENERGY PROVIDES OPERATIONS UPDATE AND CORPORATE GUIDANCE**

**TSX-V: HME    OTCQB: HMENF**

Vancouver, British Columbia, March 31, 2021 – Hemisphere Energy Corporation (TSX-V: HME, OTCQB: HMENF) ("Hemisphere" or the "Company") is pleased to announce an update on its operations and provide corporate guidance for 2021 and 2022.

### **Operations Update and Development Plans**

During the first quarter of 2021 Hemisphere has seen an overall increase in production from its fourth quarter injector conversions. Month-to-date production has averaged 1,850 boe/d (99% heavy oil, based on field estimates between March 1-28, 2021).

Hemisphere is excited to announce that its G pool polymer flood is anticipated to commence by the end of the second quarter with site preparation underway and additional equipment delivery and installation ongoing over the next few months. The Hemisphere team has also started polymer flood evaluation work on the Atlee Buffalo F pool to assess its economic viability for conversion in 2022.

Polymer flood is an Enhanced Oil Recovery technique that is used by companies worldwide to increase overall recovery factors from oil pools. Reservoir modelling indicates the potential for an incremental 10% recovery from the G pool on polymer flood as compared to recovery from water flood, as well as a considerable increase in oil rates from the pool. As such, Hemisphere intends to upsize its treating facilities at the G pool battery later this summer. Should oil prices stay at current levels, Hemisphere is also planning a three well development drilling program in the fall from a previously built and tied-in pad.

### **Corporate Guidance**

While 2020 was full of trials and tribulations, Hemisphere was able to act nimbly through the year by cutting capital, reducing costs, and paying down almost a quarter of its previously outstanding year-end debt. This has helped position the Company to take advantage of the improved pricing environment in 2021.

Management believes that over the next two years it can significantly lower or eliminate debt while growing production and funds flow, which should allow the Company to accelerate internal projects, make strategic acquisitions, and increase return of capital to shareholders through share buybacks and/or dividends.

In 2021, Hemisphere plans to execute a capital program of approximately \$6 million on polymer flood implementation, facilities upgrades, and a small drilling program. In 2022, Hemisphere has allowed for a capital drilling program of \$7 million. With the execution of its \$13 million 2-year capital program and a successful G pool polymer flood conversion, the Company anticipates being debt-free by the end of 2022 in the following pricing and production scenario.

Corporate Guidance <sup>(1)</sup>		WTI US\$60/bbl	
		2021	2022
Average Annual Production	boe/d	1,900	2,550
Exit Production	boe/d	2,200	3,000
Adjusted Funds Flow from Operations (FFO) <sup>(2)</sup>	\$ million	19	30
FFO per Basic Share <sup>(2,3)</sup>	\$/share	0.22	0.34
Capital Expenditures	\$ million	6	7
Free Funds Flow <sup>(2)</sup>	\$ million	13	23
Exit (Net Debt) Cash <sup>(2)</sup>	\$ million	(13)	9
Exit Net Debt to FFO		0.7x	n/a

Notes:

- (1) See "Guidance Assumptions".  
(2) See "Non-IFRS Measures".  
(3) Assuming 88.2 million basic shares issued and outstanding.

## Risk Management

The Company continually monitors WTI oil and WCS differential hedge pricing options to protect cash flows, and currently has the following hedging contracts in place.

Product	Type	Volume	Price	Index	Term
Crude oil	3-Way	625 bbl/d	US\$40.00(put)/US\$48.00(put)/US\$60(call)	WTI-NYMEX	Apr 1, 2021 – Jun 30, 2021
Crude oil	Phys. Swap	400 bbl/d	US\$46.00	WCS	Apr 1, 2021 – Jun 30, 2021
Crude oil	Swap	200 bbl/d	US\$11.15	WCS Diff	May 1, 2021 – Jun 30, 2021
Crude oil	Phys. Swap	200 bbl/d	US\$44.05	WCS	July 1, 2021 – Sep 30, 2021
Crude oil	Phys. Swap	200 bbl/d	US\$11.45	WCS Diff	July 1, 2021 – Sep 30, 2021
Crude oil	Swap	100 bbl/d	US\$56.75	WTI-NYMEX	July 1, 2021 – Sep 30, 2021
Crude oil	Swap	500 bbl/d	US\$60.07	WTI-NYMEX	July 1, 2021 – Sep 30, 2021
Crude oil	Swap	200 bbl/d	US\$11.50	WCS Diff	July 1, 2021 – Sep 30, 2021
Crude oil	Swap	800 bbl/d	US\$58.45	WTI-NYMEX	Oct 1, 2021 – Dec 31, 2021
Crude oil	Swap	100 bbl/d	US\$12.50	WCS Diff	Oct 1, 2021 – Dec 31, 2021
Crude oil	Swap	800 bbl/d	US\$57.03	WTI-NYMEX	Jan 1, 2022 – Mar 31, 2022
Crude oil	Put Spread	725 bbl/d	US\$30.00(put sell)/US\$40.00(put buy) w/ Net Deferred Cost US\$1.65/bbl	WTI-NYMEX	Apr 1, 2022 – Aug 31, 2022

## 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 OTCQB 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**

*This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: Management's anticipation that its G pool polymer flood will commence by the end of the second quarter with equipment delivery and installation ongoing over the next few months; that reservoir modelling indicates the potential for an incremental 10% recovery from the G pool on polymer flood as compared to recovery from water flood, as well as a considerable increase in oil rates from the pool; Hemisphere's intention to upsize its treating facilities at the G pool battery later this summer; Hemisphere's plans to drill three wells this year should pricing stay at current levels; management's expectation that the Company is positioned to take advantage of the improved pricing environment in 2021; management's belief that it can significantly lower or eliminate debt while growing production and funds flow, which should allow the Company to accelerate internal projects, make strategic acquisitions, and increase return of capital to shareholders through share buybacks and/or dividends; Hemisphere's plans to execute a capital program of approximately \$6 million in 2021 and \$7 million in 2022; Hemisphere's anticipation that it could be debt-free by the end of 2022; and Hemisphere's estimated 2021 and 2022 guidance numbers for average production, exit production, adjusted funds flow from operations, adjusted funds flow from operations per basic share, capital expenditures, free funds flow, exit (net debt) cash, and exit net debt to adjusted funds flow from operations.*

*In addition, forward-looking statements or information 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: that Hemisphere will continue to conduct its operations in a manner consistent with past operations; 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 impact of COVID-19 on the Company's operations and demand for oil and natural gas; 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 information and 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 information or statements including, without limitation: changes in commodity prices; changes to, or restrictions of, labour, supplies, and infrastructure as a result of COVID-19; 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; the ability of the Company to meet the guidance set forth herein; 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 information and 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 or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

## **Guidance Assumptions**

Assuming US\$60/bbl WTI for remainder of 2021 (Apr-Dec) and 2022 with WCS Differential of \$US12/bbl, Fx of 1.265, and Average quality adjustment of Cdn\$4.50/bbl; Opex and Transportation of \$10.7/boe and \$10.8/boe (2021 and 2022); Loan Interest costs of \$3.2/boe and \$0.9/boe (2021 and 2022); G&A costs of \$3.5/boe and \$2.5/boe (2021 and 2022); Royalties and GORRs of 17% and 16% (2021 and 2022), and hedging losses of \$0.6/boe and \$0.5/boe (2021 and 2022).

## **Oil and Gas Advisories**

"Boe" means barrel of oil equivalent on the basis of 6 mcf of natural gas to 1 bbl of oil. Boe's 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.

## **Forward Looking Financial Information**

This news release, including in respect of Company's guidance for 2021 and 2022, may contain future oriented financial information ("FOFI") within the meaning of applicable securities laws. 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 under "Guidance Assumptions" and "Forward Looking Statements" above. 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 Measures**

The news release contains terms 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) net debt; (ii) adjusted funds flow from operations (and adjusted funds flow from operations per basic share); and (iii) free funds flow. 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 adjusted funds flow from operations, is cash provided by operating activities. There is no IFRS measure that is reasonably comparable to free funds flow or 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 adjusted funds flow from operations 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; and (ii) in the case of net debt, the capital structure and financial position of the Company.

Hemisphere's determination of these measures may not be comparable to that reported by other companies. 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 the fair value of financial instruments and lease liabilities, and including the gross term loan. Adjusted funds flow from operations is a measure that represents cash 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. Adjusted funds flow from operations per share is calculated using the outstanding basic shares of the company as of the date of this press release and footnoted herein. Free Funds Flow is calculated as Adjusted Funds Flow less capital expenditures. The Company has provided additional information on how these measures are calculated, including in the case of adjusted funds flow from operation, a reconciliation to the most applicable IFRS measure, in the Management's Discussion and Analysis for the year ended December 31, 2019, which is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **Definitions and Abbreviations**

bbl	barrel	\$US	United States dollar
boe	barrel of oil equivalent	boe/d	barrel of oil equivalent per day
WCS	Western Canadian Select	WTI	West Texas Intermediate
WCS Diff	Western Canadian Select Differential		

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