



Dear Fellow Hemisphere Shareholders,

I hope this letter finds everyone healthy and safe as we look forward to a very prosperous 2021.

While the past year brought the oil and gas industry numerous challenges, Hemisphere reacted quickly by cutting our capital spending program, reducing operating costs, focusing on maintaining production and cash flow, and paying down a significant portion of our debt.

Our team prioritized essential capital expenditures, and spent only \$1.7 million during the year. This capital was dedicated to expanding our waterflood injection pattern and preparing for polymer flood conversion in the Atlee Buffalo G pool. Reservoir simulation and analogue analysis both show great potential for a substantial increase in oil production and recovery from these conversions. In fact, Hemisphere's production through the latter half of April is already trending 25% higher than in the fourth quarter from the three waterflood injector conversions that were done at the end of 2020.

The operations team did an exceptional job lowering our field operating costs by 20% over the previous year to \$9.94/boe. This is an outstanding result for a heavy oil company, and helped us to keep all of our employees, contractors, and small business partners employed throughout such an extremely volatile market.

Maintaining production with minimal capital spending and no drilling activity was a key corporate goal. We managed to obtain 2% year over year growth in average annual production at just over 1,700 boe/d (99% heavy oil). Negligible overall production decline, and subsequent incline from waterflood conversions, is a testament to our stable, high quality oil reserves.

Despite a reduction in annual revenue by over 40% in 2020 due to the impact of COVID-19 on oil prices, we achieved adjusted funds flow from operations of \$9.3 million. This allowed us to lower our previously outstanding debt by almost 25%, thereby strengthening our leverage metrics as we move forward into growth mode.

Hemisphere is at an exciting point in its journey forward. In 2017, we took a term-loan to finance the development of our first-class oil resource. We were cash flow poor, but extremely asset rich. Things have changed, and we are now a simple, clean, and unique small-cap oil company with plenty of room for growth and cash flow to fund it. Over the coming two years, we intend to continue developing our Atlee Buffalo oil pools, pay down our debt, and return value to our shareholders through our share buyback program and potential future dividends. Thank you for your continued support, and we hope you'll hang on for the ride!!

Best Regards,

(Signed) "Don Simmons"

President & CEO

Please refer to the attached Management's Discussion and Analysis for Reader Advisories regarding, among other matters, forward-looking information, non-IFRS measures, analogous information, reserves advisories and original oil in place. This Message to Shareholders should be read in conjunction with the audited annual financial statements of Hemisphere Energy Corporation together with Management's Discussion and Analysis for the year ended December 31, 2020, which can be found on SEDAR at www.sedar.com and is subject to the same cautionary statements as set out therein.
