



## **HEMISPHERE ENERGY ANNOUNCES START-UP OF POLYMER INJECTION IN ATLEE BUFFALO**

**TSX-V: HME    OTCQX: HMENF**

Vancouver, British Columbia, June 29, 2021 – Hemisphere Energy Corporation ("Hemisphere" or the "Company") is pleased to announce that it has commenced injection of polymer into its Atlee Buffalo Upper Mannville G pool. The Company would like to thank all its contractors, service providers, and field staff for their exceptional efforts in completing this project on time and on budget during these unprecedented times.

Hemisphere owns and operates two oil pools in the Atlee Buffalo area, and has worked toward polymer conversion at the first of these two pools over the past 9 months. Management believes that the quality of the Upper Mannville G pool reservoir is excellent, with permeability of up to 4 Darcies, porosity of up to 30%, and oil gravity of approximately 13-14 API. The pool was discovered in the 1980's and was initially developed using vertical wells, with cumulative oil production reaching only 1.2 MMbbl by 2013. At the time, the pool was considered to be at the end of its productive life and incapable of economic production. Subsequently, all mineral rights to both this and a second Atlee Buffalo oil pool were acquired by Hemisphere between 2013-2015 for total consideration of approximately \$4 million.

Since obtaining 100% of the rights to the G pool, Hemisphere has already doubled the cumulative oil production from it by using horizontal wells and waterflood techniques. Going forward under polymer flood, McDaniel & Associates Consultants Ltd. has recognized over 10 MMboe (100% heavy crude oil) of additional reserves to be produced from this pool within the Proved plus Probable category, to be recovered at Finding and Development Costs of under \$2.00/boe (as booked in Hemisphere's year-end reserve report effective Dec 31, 2020).

Reservoir modelling indicates the potential for extremely positive performance in this pool under polymer flood, with initial production response expected within the first 6 months of injection. Hemisphere's 2021 capital program in the G pool remains unchanged from previously announced guidance, which includes plans to convert one producing well to an injector and drill an additional three wells into the pool in the third quarter. All additional cash flow from higher than budgeted oil prices will be utilized to further strengthen the balance sheet by lowering debt and achieving under 1x net debt to adjusted funds flow by year-end.

With best-in-class value of reserves per barrel, top decile first quarter adjusted funds flow of over \$27/boe, modest corporate operating and transportation costs of under \$11/boe, and industry leading Liability Management Rating (LMR) of almost 10, Hemisphere is well positioned to take advantage of strong oil prices and opportunities to return value to shareholders.

### **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 oil recovery (EOR) methods. Polymer flooding is commonly used across the world to improve oil recovery from reservoirs. While similar to waterflooding, it uses a more viscous solution than water as the injectant in order to improve sweep

efficiency and oil displacement in the reservoir. Water is mixed with polymer powder at a specialized polymer skid before being pumped through existing injectors into the oil pool. The process is designed to prevent high mobility water from creating undesirable pathways through the reservoir and causing premature water breakthrough at producing wells, thereby leaving valuable oil stranded. The intent of all polymer projects is to increase oil production, decrease water production, and increase overall oil recovery.

Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME" and on the OTCQX Best Market 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 belief that the quality of the Upper Mannville G pool reservoir is excellent; Hemisphere's reservoir modelling indicating the potential for extremely positive performance in this pool under polymer flood; Hemisphere's expectation that initial production response to polymer flood will occur within the first 6 months of injection; the Company's plans in the G pool to convert one producing well to an injector and drill an additional three wells; the expectation that all additional cash flow from higher than budgeted oil prices will be utilized to further strengthen the balance sheet by lowering debt and achieving under 1x net debt to adjusted funds flow by year-end; and Hemisphere's belief that it is well positioned to take advantage of strong oil prices and opportunities to return value to shareholders. Additionally, information and statements relating to reserves are deemed to be forward-looking statements, as they involve implied assessment, based on certain estimates and assumptions, that the reserves described exist in quantities predicted or estimated, and that they can be profitably produced in the future.*

*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's reservoir modelling as described herein is complete and accurate in all material respects; that Hemisphere will have access to all facilities and equipment, including polymer skids, to conduct the operations described herein in the timelines described herein; decline rates on current wells and future wells, including those subject to polymer flooding; that Hemisphere's anticipated production rates will be substantially the same as those described herein; 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 including those set forth below; continued availability of debt and equity financing and cash flow to fund Hemisphere's current and future plans and expenditures (including those described herein); 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: Hemisphere being able to execute its planned expenditures in the manner substantially described herein, the ability to realize the benefits and other results anticipated by Hemisphere in its polymer flood application, risks inherent with reservoir modelling and differences from actual results from modelled results; the risk that the wells subject to polymer injections will respond in a manner that is different than those forecasts and modelled by Hemisphere; 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).

With respect to Hemisphere's assumptions herein with respect to Hemisphere's year-end net debt to adjusted funds flow ratio, Hemisphere has assumed: average daily production of 1900 boe/d, US\$60/bbl WTI, WCS Differential of \$US12/bbl, Fx of 1.265, and Average quality adjustment of Cdn\$4.50/bbl, Royalties and GORRs of 17%, Opex and Transportation of \$10.70/boe, Hedging losses of \$0.60/boe, G&A costs of \$3.50/boe, Loan Interest costs of \$3.20/boe, Capex of \$6 million, and Free Funds Flow of \$13 million. 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.

#### **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.

Unless otherwise specified, all reserve and resource estimates disclosed in this presentation are derived from the Company's independent reserve evaluations (the "Reserve Evaluation"). The reserve and resource estimates contained herein are estimates only and there is no guarantee that the estimated reserves or resources will be recovered. Actual oil, gas, and natural gas liquids reserves may be greater than or less than the estimates that are provided herein. In relation to the disclosure of estimates for individual properties, such estimates may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. The Company's belief that it will establish additional reserves over time with conversion of resources into reserves and probable undeveloped reserves into proved reserves are forward-looking statements and are based on certain assumptions and is subject to certain risks, as discussed under the heading "Forward-Looking Information and Statements".

#### **Non-IFRS Measures**

References are made in this presentation to "Adjusted Funds Flow" and "Net Debt" in connection with expressing the ratio of net debt to adjusted fund, which terms are commonly used terms in the oil and natural gas industry, but do not have any standardized meaning as prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other entities. Management believes that the presentation of these Non-IFRS measures provide useful information to shareholders as the measures provide increased transparency and the ability to better analyze performance. "Adjusted Funds Flow" is a measure that represents cash generated by operating activities, before changes in noncash working capital and adjusted for decommissioning expenditures, and may not be comparable to measures used by other companies. "Net debt" is used herein is calculated as the total of the Company's current assets less current liabilities, excluding the fair value of financial instruments, and including the gross term loan. The Company considers "Adjusted Funds Flow" to be a key measure that indicate the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt, and "Net debt" is 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, however such metrics should not be unduly relied upon. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this report should not be relied upon for investment or other purposes. See "Non-IFRS Measures" contained within the Company's MD&A for the interim periods ended March 31, 2021 for applicable definitions, calculations, rationale for use and reconciliations to the most directly comparable measure under IFRS. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

#### **Definitions and Abbreviations**

bbl	barrel	boe/d	barrel of oil equivalent per day
Mbbl	thousands of barrels	MMboe	millions of barrels of oil equivalent
MMbbl	millions of barrels	WCS	Western Canadian Select
boe	barrel of oil equivalent	WTI	West Texas Intermediate

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