



HEMISPHERE ENERGY ANNOUNCES 2021 FOURTH QUARTER AND YEAR-END FINANCIAL AND OPERATING RESULTS

TSX-V: HME OTCQX: HMENF

Vancouver, British Columbia, April 21, 2022 – Hemisphere Energy Corporation ("Hemisphere" or the "Company") is pleased to provide its financial and operating results for the fourth quarter and year ended December 31, 2021.

2021 Highlights

- Increased annual production to record levels of 1,820 boe/d, and exited 2021 with a December production average of 2,400 boe/d.
- Attained record annual revenue of \$43.1 million, a 131% increase over 2020.
- Realized record annual adjusted funds flow from operations (AFF) of \$18.5 million, a 99% increase over 2020.
- Executed a successful \$12 million capital expenditure program with seven new wells, facility expansion, and polymer skid installation.
- Achieved operating and transportation costs of \$12.43/boe.
- Increased Proved Developed Producing (PDP) NPV10 BT reserve value to \$197 million and volumes to 7.3 MMboe (99.8% heavy crude oil).
- Increased Proved (1P) NPV10 BT reserve value to \$276 million and volumes to 12.0 MMboe (99.8% heavy crude oil).
- Increased Proved plus Probable (2P) NPV10 BT reserve value to \$351 million and volumes to 14.9 MMboe (99.8% heavy oil).
- Repaid 5-year term loan with a new reserve based credit facility with a Canadian bank.
- Commenced polymer injection at the Upper Manville G pool in Atlee Buffalo.

Message to Shareholders

Over the past year Hemisphere has achieved several corporate milestones, both operationally and financially. With higher oil pricing through 2021, we realized record accomplishments in multiple categories including revenue of over \$43 million, adjusted funds flow from operations of \$18.5 million, and annual production of 1,820 boe/d.

Our ability to maneuver quickly allowed us to capture a window of drilling rig availability before costs increased appreciably into 2022. In November, we accelerated part of our 2022 program and drilled four additional wells, bringing total wells drilled in 2021 to seven. Despite these four wells not being on production until January, Hemisphere exited the year with December average production at new record levels of 2,400 boe/d.

In March 2022, Hemisphere's average production climbed to new highs of 2,900 boe/d. Our production increases are in large part attributable to success with our enhanced oil recovery projects in the Atlee Buffalo pools. In July of 2021 Hemisphere implemented an exciting new project with the conversion of our Upper

Mannville G pool from waterflood to polymer flood. This project is anticipated to increase both oil production rates and overall oil recovery from the pool. Response has already begun with water cuts decreasing and oil rates increasing at many of our wells. Today we are producing over 80% more from the pool than we were before polymer injection, including the impact of drilling three new wells into the pool in late summer of 2021. Meanwhile, we are already busy moving forward our second polymer conversion project in Atlee Buffalo.

Over the past few years, Hemisphere has worked hard to unlock substantial reserve value from our assets and grow production meaningfully, while still reducing debt considerably. Last summer we repaid our 5-year term loan with a US lender over a year ahead of schedule and returned to a reserve based credit facility with our Canadian bank, which has increased our financial flexibility and lowered our interest costs.

Combined with continued strong oil pricing from supportive supply and demand fundamentals, Hemisphere's robust balance sheet, long life assets, low decline wells, and high value reserve base have put Hemisphere in a position to continue to sustainably grow production, accelerate projects, participate in strategic acquisitions, and increase return of capital to shareholders. We anticipate our capital programs to be funded within cash flow, our current debt to be minimal within a few months, and our free cash flow generation to be significant over the coming years.

Financial and Operating Summary

Selected financial and operational highlights should be read in conjunction with Hemisphere's audited annual financial statements and related Management's Discussion and Analysis for the year ended December 31, 2021. These reports, including the Company's Annual Information Form for the year ended December 31, 2021, are available on SEDAR at www.sedar.com and on Hemisphere's website at www.hemisphereenergy.ca. All amounts are expressed in Canadian dollars unless otherwise noted.

	Three Months Ended December 31		Year Ended December 31	
	2021	2020	2021	2020
FINANCIAL				
Petroleum and natural gas revenue	\$ 14,731,395	\$ 5,354,596	\$ 43,139,314	\$ 18,660,257
Operating field netback ⁽¹⁾	9,244,645	2,931,464	27,050,197	10,745,098
Operating netback ⁽¹⁾	7,613,387	3,559,811	23,584,251	14,459,691
Cash flow provided by operating activities	4,954,474	2,127,640	18,371,611	9,389,702
Adjusted funds flow from operations (AFF) ⁽¹⁾	6,168,179	2,380,051	18,487,970	9,294,933
Per share, basic ⁽¹⁾	0.07	0.03	0.21	0.11
Per share, diluted ⁽¹⁾	0.06	0.03	0.18	0.11
Net income (loss)	5,435,297	(1,501,079)	5,917,722	(415,908)
Per share, basic	0.06	(0.02)	0.07	(0.00)
Per share, diluted	0.06	(0.02)	0.06	(0.00)
Capital expenditures ⁽¹⁾	5,714,916	618,049	11,991,012	1,685,422
Net debt ⁽¹⁾			17,915,150	24,429,191
Net debt to annualized AFF ⁽¹⁾			1.0	2.6
Bank debt			\$ 15,504,836	-
Gross Term loan ⁽²⁾			-	\$ 26,096,500

OPERATING

Average daily production

Heavy oil (bbl/d)	2,144	1,507	1,799	1,692
Natural gas (Mcf/d)	120	88	123	88
Combined (boe/d)	2,164	1,522	1,820	1,706
Oil weighting	99%	99%	99%	99%

Average sales prices

Heavy oil (\$/bbl)	\$ 74.43	38.47	65.46	30.03
Natural gas (\$/Mcf)	4.48	2.51	3.42	2.14
Combined (\$/boe)	\$ 73.99	38.24	64.95	29.88

Operating netback (\$/boe)

Petroleum and natural gas revenue	\$ 73.99	38.24	64.95	29.88
Royalties	(15.38)	(4.27)	(11.80)	(2.73)
Operating costs	(9.27)	(10.49)	(9.86)	(7.41)
Transportation costs	(2.91)	(2.55)	(2.57)	(2.53)
Operating field netback ⁽¹⁾	46.43	20.94	40.72	17.21
Realized commodity hedging gain (loss)	(8.19)	4.49	(5.22)	5.95
Operating netback ⁽¹⁾	\$ 38.24	25.43	35.51	23.16

Adjusted funds flow from operations⁽¹⁾ (\$/boe) \$ **30.98** 17.00 **27.84** 14.88

Notes:

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

(2) Gross term loan is calculated as the total USD draws on the term loan translated to Canadian Dollars at the period end exchange rate.

	As at December 31	
	2021	2020
RESERVES		
Proved (Mboe) ⁽¹⁾	11,951.8	11,679.7
Proved plus Probable (Mboe) ⁽¹⁾	15,711.6	14,921.2
SHARE INFORMATION		
Common shares outstanding	91,289,653	86,782,302
Stock options outstanding	7,424,000	8,429,000
Warrants outstanding	10,312,500	13,750,000
Fully diluted shares outstanding	109,026,153	108,961,302
Weighted-average shares outstanding – basic	88,551,287	88,161,583
Weighted-average shares outstanding – diluted	92,391,126	88,161,583

Notes:

(1) Reserves as attributed by the Company's independent reserves evaluator, McDaniel & Associates Consultants Ltd., in its report dated March 8, 2022 and effective as of December 31, 2021, prepared in accordance with the COGE Handbook and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

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 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 Hemisphere's expectations that converting the Upper Mannville G pool from waterflood to polymer flood may increase both oil production rates and overall oil recovery from the pool, the Company is in a position to continue to sustainably grow production, accelerate projects, participate in strategic acquisitions, and increase returns of capital to shareholders and the Company's view that it anticipates our capital programs to be funded within cash flow, that its debt will be minimal within a few months, and its free cash flow generation to be significant over the coming years. In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

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 length of time that oil and gas operations will be impaired by the outbreak of Covid-19; 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 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 MD&A contains the terms adjusted funds flow from operations, operating field netback and operating netback, capital expenditures and 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 to be 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 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 December 31		Year Ended December 31	
	2021	2020	2021	2020
Cash provided by operating activities	\$ 4,954,472	\$ 2,127,640	\$ 18,371,611	\$ 9,389,702
Change in non-cash working capital	1,199,767	247,111	64,918	(213,339)
Adjust: Decommissioning obligation expenditures	13,940	5,300	51,441	118,570
Adjusted funds flow from operations	\$ 6,168,179	\$ 2,380,051	\$ 18,487,970	\$ 9,294,933
Per share, basic and diluted	\$ 0.07	\$ 0.03	\$ 0.21	\$ 0.11

- b) **Capital Expenditures (Non-IFRS Financial Measure):** Management uses the term “capital expenditures” as a measure of capital investment in exploration and production activity, as well as property acquisitions and dispositions, 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 December 31		Year Ended December 31	
	2021	2020	2021	2020
Cash used in investing activities	\$ 4,146,466	\$ 463,552	\$ 8,283,822	\$ 1,874,801
Change in non-cash working capital	1,568,450	54,497	3,707,190	(189,379)
Capital expenditures	\$ 5,714,916	\$ 618,049	\$ 11,991,012	\$ 1,685,422

- c) **Operating field netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis):** is 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.
- d) **Operating netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis):** is calculated as the operating field netback plus the Company’s realized commodity hedging gain (loss) on an absolute and per barrel of oil equivalent basis.
- e) **Net debt (Non-IFRS Financial Measure):** 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. 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, lease and warrant liabilities, and including the bank debt or gross term loan. There is no IFRS measure that is reasonably comparable to net debt.

The following table outlines the Company calculation of net debt:

	As at December 31	
	2021	2020
Current assets ⁽¹⁾	\$ 4,813,130	\$ 3,001,611
Current liabilities ⁽¹⁾	(7,223,444)	(1,334,300)
Bank Debt	(15,504,836)	-
Gross term loan ⁽²⁾	-	(26,096,500)
Net debt	\$ (17,915,150)	\$ (24,429,189)

Notes:

(1) Excluding fair value of financial instruments and lease and warrant liabilities.

(2) Gross term loan is calculated as the total USD draws on the term loan translated to Canadian Dollars at the period end exchange rate.

f) Supplementary Financial Measures

“Net debt to annualized Adjusted Funds Flow from operations” is comprised of net debt divided by adjusted funds flow from operations, for which the quarterly amount is multiplied by four to annualize the AFF.

“Adjusted Funds Flow from operations per basic share” is comprised of funds from operations divided by basic weighted average common shares.

“Adjusted Funds Flow from operations per diluted share” is comprised of funds from operations divided by diluted weighted average common shares.

“Operating expense per boe” is comprised of operating expense, as determined in accordance with IFRS, divided by the Company’s total production.

“Realized heavy oil price” is comprised of heavy crude oil commodity sales from production, as determined in accordance with IFRS, divided by the Company’s crude oil production.

“Realized natural gas price” is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company’s natural gas production.

“Realized combined price” is comprised of total commodity sales from production, as determined in accordance with IFRS, divided by the Company’s total production.

“Royalties per boe” is comprised of royalties, as determined in accordance with IFRS, divided by the Company’s total production.

"Transportation costs per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total production.

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, 2021, which is available under the Company's SEDAR profile at www.sedar.com.

Oil and Gas Advisories

All estimated reserve volumes and the estimated net present values of the future net revenues of such reserve estimates included in this news release are as attributed by McDaniel Associates & Consultants Ltd., the Company's independent reserve evaluators in its report dated effective as of December 31, 2019 and prepared in accordance with the COGE Handbook and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

Any references in this news release to initial production rates (including as a result of recent waterflood 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.

It should not be assumed that the net present value of the estimated net revenues of the reserves presented in this news release represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions upon which such estimates are made will be attained and variances could be material. The reserve estimates of Hemisphere's crude oil, natural gas liquids and natural gas reserves and any estimated recovery factors provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

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	NGL	natural gas liquids
boe/d	barrel of oil equivalent per day	NPV10 BT	Net Present Value discounted at 10%, before tax
\$/boe	dollar per barrel of oil equivalent	IFRS	International Financial Reporting Standards
WCS	Western Canadian Select	G&A	General and Administrative Costs
US\$	United States Dollar		

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.