



HEMISPHERE ENERGY ANNOUNCES THIRD QUARTER RESULTS AND DECLARES DIVIDEND

TSX-V: HME OTCQX: HMEF

Vancouver, British Columbia, November 17, 2022 – Hemisphere Energy Corporation ("Hemisphere" or the "Company") today reported its financial and operating results for the third quarter ended September 30, 2022, during which the Company recorded almost \$24 million in revenue and its third highest ever adjusted funds flow from operations (AFF)¹ of \$10.6 million. Hemisphere also spent \$4.6 million on drilling operations and facility improvements, paid off its bank debt, and distributed \$2.6 million of dividends to its shareholders.

Quarterly Dividend

With the Company realizing free funds flow¹ of \$6 million in the quarter, Hemisphere's board of directors has approved a quarterly dividend of \$0.025 per share, to be paid November 30, 2022 to shareholders of record as of the close of business on November 23, 2022. The dividend is designated as an eligible dividend for income tax purposes.

Q3 2022 Highlights

- Paid off all bank debt.
- Produced an average of 2,870 boe/d (99% heavy oil), a 72% increase over the third quarter of 2021.
- Attained quarterly revenue of \$23.7 million, a 127% increase over the third quarter of 2021.
- Delivered an operating field netback¹ of \$49.95/boe, 27% higher than in the third quarter of 2021.
- Realized adjusted funds flow from operations (AFF)¹ of \$10.6 million (\$0.10 per diluted share), a 162% increase over the comparable period in 2021.
- Achieved free funds flow¹ of \$6 million (\$0.06 per diluted share), representing a 725% increase over the comparable period in 2021.
- Lowered net debt¹ at the end of the quarter to \$0.7 million from \$18.2 million at the end of September 2021, representing a 96% reduction year-over-year.
- Paid Hemisphere's quarterly variable dividend of \$0.025 per share on September 7, 2022 for an annualized yield based on market price at the time of 6.5%.
- Acquired and cancelled 393,800 Hemisphere shares as part of the corporate NCIB at an average price of \$1.55.

Operations Update

In September, Hemisphere commenced a drilling program to test potential new pools, pool extensions, and new production technologies. Successful wells are being brought online through the fourth quarter. Additionally, two wells have been converted to injectors in the Atlee G pool to help repressurize the northwestern portion of the reservoir. The Company is also finalizing the construction of its field battery expansion at the Atlee F pool following the start-up of its polymer flood in August.

Financial and Operating Summary

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
<i>(\$000's except per unit amounts)</i>	2022	2021	2022	2021
FINANCIAL				
Petroleum and natural gas revenue	\$ 23,672	10,432	\$ 77,135	\$ 28,408
Operating field netback ⁽¹⁾	13,188	6,033	47,345	17,806
Operating netback ⁽¹⁾	12,454	5,094	40,601	15,971
Cash flow provided by operating activities	12,959	5,473	36,096	13,417
Adjusted funds flow from operations (AFF) ⁽¹⁾	10,604	4,048	35,675	12,320
Per share, basic ⁽¹⁾	0.10	0.05	0.36	0.14
Per share, diluted ⁽¹⁾	0.10	0.04	0.36	0.13
Free funds flow ⁽¹⁾	6,006	727	23,500	6,044
Net income (loss)	9,315	2,309	18,064	482
Per share, basic (\$/share)	0.09	0.03	0.18	0.01
Per share, diluted (\$/share)	0.09	0.02	0.18	0.01
Capital expenditures ⁽¹⁾	4,598	3,320	12,175	6,276
Net debt ⁽¹⁾	721	18,231	721	18,231
Net debt to annualized AFF ⁽¹⁾	0.0	1.1	0.0	1.1
Bank debt	-	16,234	-	16,234
OPERATING				
Average daily production				
Heavy oil (bbl/d)	2,838	1,652	2,774	1,683
Natural gas (Mcf/d)	189	110	165	124
Combined (boe/d)	2,870	1,671	2,801	1,704
Oil weighting	99%	99%	99%	99%
Average sales prices				
Heavy oil (\$/bbl)	\$ 90.39	68.39	\$ 101.57	61.60
Natural gas (\$/Mcf)	3.98	3.47	5.10	3.07
Combined (\$/boe)	\$ 89.66	67.87	\$ 100.87	61.08
Operating netback (\$/boe)				
Petroleum and natural gas revenue	\$ 89.66	67.87	\$ 100.87	61.08
Royalties	(24.19)	(13.66)	(26.23)	(10.26)
Operating costs	(13.12)	(12.66)	(10.37)	(10.11)
Transportation costs	(2.40)	(2.30)	(2.36)	(2.42)
Operating field netback ⁽¹⁾	49.95	39.25	61.91	38.28
Realized commodity hedging loss	(2.78)	(6.11)	(8.82)	(3.94)
Operating netback ⁽¹⁾	\$ 47.17	33.14	53.09	34.34
Adjusted funds flow from operations⁽¹⁾				
(\$/boe)	\$ 40.17	26.33	46.65	26.49

Notes:

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

Selected financial and operational highlights should be read in conjunction with Hemisphere's Financial Statements and related Management's Discussion and Analysis for the quarter ended September 30, 2022. These reports for the quarter ended September 30, 2022, 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.

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, 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 "HMFN".

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 including in respect of the record and payment date of the Company's dividend, and that successful wells from September's drilling program are being brought online in the fourth quarter.

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: the dates in respect of the Company's dividend; 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 news release contains the terms adjusted funds flow from operations, free funds flow, 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 or share 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:

(\$000s, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Cash provided by operating activities	\$ 12,959	\$ 5,473	\$ 36,096	\$ 13,417
Change in non-cash working capital	(2,355)	(1,425)	(536)	(1,136)
Adjst: Decommissioning obligation expenditures	-	-	115	38
Adjusted funds flow from operations	\$ 10,604	\$ 4,048	\$ 35,675	\$ 12,320
Per share, basic	\$ 0.10	\$ 0.05	\$ 0.36	\$ 0.14
Per share, diluted	\$ 0.10	\$ 0.04	\$ 0.36	\$ 0.13

- b) **Free funds flow (Non-IFRS Financial Measure):** is calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Management believes that free funds flow provides a useful measure to determine Hemisphere's ability to improve returns and to manage the long-term value of the business.

(\$000s, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Adjusted funds flow	\$ 10,604	\$ 4,048	\$ 35,675	\$ 12,320
Capital expenditures	(4,598)	(3,321)	(12,175)	(6,276)
Free funds flow	\$ 6,006	\$ 727	\$ 23,500	\$ 6,044
Per share, basic and diluted	\$ 0.08	\$ 0.01	\$ 0.24	\$ 0.07

- c) **Capital Expenditures (Non-IFRS Financial Measure):** Management uses the term "capital expenditures" as a measure of capital investment in exploration and production assets, 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:

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Cash used in investing activities	\$ 6,219	\$ 1,286	\$ 14,166	\$ 4,137
Change in non-cash working capital	(1,621)	2,035	(1,991)	2,139
Capital expenditures	\$ 4,598	\$ 3,321	\$ 12,175	\$ 6,276

- d) **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.
- e) **Operating netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis):** 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.
- f) **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. There is no IFRS measure that is reasonably comparable to net debt.

The following table outlines the Company calculation of net debt:

(\$000s)		As At September 30, 2022		As At December 31, 2021
Current assets ⁽¹⁾	\$	6,900	\$	4,813
Current liabilities ⁽¹⁾		(7,621)		(7,223)
Bank debt		-		(15,505)
Net debt	\$	(721)	\$	(17,915)

Notes:

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

g) Supplementary Financial Measures and non-IFRS ratios

“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.

“Annual Free Funds Flow” is comprised of free funds flow from the current three month period multiplied by four.

“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.

“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 and the interim period ended September 30, 2022 which is available under the Company's SEDAR profile at www.sedar.com.

Oil and Gas Advisories

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.

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		

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