



HEMISPHERE ENERGY ANNOUNCES 2022 FOURTH QUARTER AND RECORD YEAR-END FINANCIAL AND OPERATING RESULTS

TSX-V: HME OTCQX: HMENF

Vancouver, British Columbia, April 20, 2023 – 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, 2022.

2022 Highlights

- Increased annual production to 2,828 boe/d (99% heavy oil), a 55% increase over 2021.
- Achieved record annual revenue of \$96.7 million, a 124% increase over 2021.
- Realized record annual adjusted funds flow from operations ("AFF") of \$46.7 million⁽¹⁾, a 152% increase over 2021.
- Executed a successful \$18.3 million capital expenditure⁽¹⁾ program that included implementing a new polymer flood at the F pool, expanding and upgrading facilities, purchasing land and seismic, and drilling eight development, two (one net) exploration, and three re-entry wells.
- Generated \$28.4 million of free funds flow ("FFF")⁽¹⁾ after all capital expenditures, a 337% increase over the previous year.
- Decreased year-end net debt⁽¹⁾ by 95% to just under \$1.0 million.
- Implemented Hemisphere's first ever quarterly dividend in June, and dispersed total returns of \$7.7 million to shareholders during the year at \$0.025/share.
- Re-purchased and cancelled 2.3 million shares, returning \$3.4 million to shareholders.
- Increased Proved Developed Producing (PDP) NPV10 BT reserve value to \$228 million and volumes to 8.2 MMboe (99.7% heavy crude oil).
- Increased Proved (1P) NPV10 BT reserve value to \$309 million and volumes to 12.1 MMboe (99.7% heavy crude oil).
- Increased Proved plus Probable (2P) NPV10 BT reserve value to \$395 million and volumes to 16.0 MMboe (99.3% heavy oil).

(1) Non-IFRS financial measure that is not a standardized financial measure under International Financial Reporting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Non-IFRS and Other Financial Measures" section below.

2022 was a highly successful year for Hemisphere with record revenue of \$97 million generating nearly 50% returns of \$47 million in adjusted funds flow. Hemisphere reinvested \$18 million to grow production by 55% to record levels, reduced net debt to \$1 million, and returned \$11 million to shareholders through a newly initiated high-yield quarterly dividend program and its existing Normal Course Issuer Bid ("NCIB").

Hemisphere's robust balance sheet, significant base of free funds flow, high value reserves, and low decline production positions the Company to continue to return substantial value to shareholders through dividends and share buybacks in the coming years, while also aggressively exploring for new growth areas through acquisitions and organic development of new assets.

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, 2022. These reports, including the Company's Annual Information Form for the year ended December 31, 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.

FINANCIAL (\$000s except per unit and share amounts)	Three Months Ended December 31		Years Ended December 31	
	2022	2021	2022	2021
FINANCIAL				
Petroleum and natural gas revenue	\$ 19,564	\$ 14,731	\$ 96,699	\$ 43,139
Operating field netback ⁽¹⁾	10,926	9,244	58,270	27,050
Operating netback ⁽¹⁾	11,396	7,613	51,995	23,584
Cash provided by operating activities	8,995	4,955	45,091	18,371
Adjusted funds flow from operations (AFF) ⁽¹⁾	11,011	6,168	46,686	18,487
Per share, basic ⁽¹⁾	0.11	0.07	0.47	0.21
Per share, diluted ⁽¹⁾	0.11	0.06	0.46	0.20
Free funds flow ⁽¹⁾	4,921	453	28,420	6,497
Net income	3,253	5,435	21,317	5,918
Per share, basic	0.03	0.06	0.21	0.07
Per share, diluted	0.03	0.06	0.21	0.06
Capital expenditures ⁽¹⁾	6,090	5,715	18,266	11,991
Net debt ⁽¹⁾	965	17,915	965	17,915
Net debt to annualized AFF ⁽¹⁾	0.0	0.7	0.0	1.0
Bank debt	-	15,505	-	15,505
OPERATING				
Average daily production				
Heavy oil (bbl/d)	2,884	2,144	2,801	1,799
Natural gas (Mcf/d)	138	120	158	123
Combined (boe/d)	2,907	2,164	2,828	1,820
Oil weighting	99%	99%	99%	99%
Average sales prices				
Heavy oil (\$/bbl)	\$ 73.52	\$ 74.43	\$ 94.29	\$ 65.46
Natural gas (\$/Mcf)	4.76	4.48	5.03	3.42
Combined (\$/boe)	\$ 73.16	\$ 73.99	\$ 93.69	\$ 64.95
Operating netback (\$/boe)				
Petroleum and natural gas revenue	\$ 73.16	\$ 73.99	\$ 93.69	\$ 64.95
Royalties	(16.50)	(15.38)	(23.71)	(11.80)
Operating costs	(13.16)	(9.27)	(11.09)	(9.86)
Transportation costs	(2.64)	(2.91)	(2.43)	(2.57)
Operating field netback ⁽¹⁾	40.86	46.43	56.46	40.72
Realized commodity hedging gain (loss)	1.76	(8.19)	(6.08)	(5.22)
Operating netback ⁽¹⁾	\$ 42.62	\$ 38.24	\$ 50.38	\$ 35.50
Adjusted funds flow from operations ⁽¹⁾ (\$/boe)	\$ 41.18	\$ 30.98	\$ 45.23	\$ 27.84

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	
	2022	2021
RESERVES		
Proved (Mboe) ⁽¹⁾	12,171	11,952
Proved plus Probable (Mboe) ⁽¹⁾	16,035	15,712
SHARE INFORMATION		
Common shares outstanding	101,978,939	91,289,653
Stock options outstanding	6,075,000	7,424,000
Warrants outstanding	-	10,312,500
Fully diluted shares outstanding	108,053,939	109,026,153
Weighted-average shares outstanding – basic	99,282,362	88,551,287
Weighted-average shares outstanding – diluted	101,197,960	92,391,126

Note:

(1) Reserves as attributed by the Company's independent reserves evaluator, McDaniel & Associates Consultants Ltd., in its report dated February 15, 2023 and effective as of December 31, 2022, 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 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 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:

Don Simmons, President & Chief Executive Officer

Telephone: (604) 685-9255

Email: info@hemisphereenergy.ca

Website: www.hemisphereenergy.ca

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 its balance sheet, significant base of free funds flow, high value reserves, and low decline production positions the Company to continue to return substantial value to shareholders through dividends and share buybacks in the coming years, while also aggressively exploring for new growth areas through acquisitions and organic development of new assets. 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 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 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 December 31		Years Ended December 31	
	2022	2021	2022	2021
Cash provided by operating activities	\$ 8,995	\$ 4,954	\$ 45,091	\$ 18,371
Change in non-cash working capital	1,447	1,200	911	65
Adjust: Decommissioning obligation expenditures	569	14	684	51
Adjusted funds flow from operations	\$ 11,011	\$ 6,168	\$ 46,686	\$ 18,487
Per share, basic	\$ 0.11	\$ 0.07	\$ 0.47	\$ 0.21
Per share, diluted	\$ 0.11	\$ 0.06	\$ 0.46	\$ 0.20

- b) **Free funds flow (or FFF) (Non-IFRS Financial Measures):** 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 December 31		Years Ended December 31	
	2022	2021	2022	2021
Adjusted funds flow	\$ 11,011	\$ 6,168	\$ 46,686	\$ 18,487
Capital expenditures	(6,090)	(5,715)	(18,266)	(11,990)
Free funds flow	\$ 4,921	\$ 453	\$ 28,420	\$ 6,497
Per share, basic and diluted	\$ 0.05	\$ 0.01	\$ 0.29	\$ 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 December 31		Years Ended December 31	
	2022	2021	2022	2021
Cash used in investing activities	\$ 4,680	\$ 4,147	\$ 18,847	\$ 8,283
Change in non-cash working capital	1,410	1,568	(581)	3,707
Capital expenditures	\$ 6,090	\$ 5,715	\$ 18,266	\$ 11,990

- 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):** 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.
- 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:

	As at December 31	
	2022	2021
Current assets ⁽¹⁾	\$ 5,825	\$ 4,813
Current liabilities ⁽¹⁾	(6,790)	(7,223)
Bank Debt	-	(15,505)
Net debt	\$ (965)	\$ (17,915)

Note:

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

g) Supplementary Financial Measures and 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.

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, 2022, 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 as at December 31, 2022 and prepared in accordance with the COGE Handbook and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

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

<i>boe/d</i>	<i>barrel of oil equivalent per day</i>	<i>NPV10 BT</i>	<i>Net Present Value discounted at 10%, before tax</i>
<i>\$/boe</i>	<i>dollar per barrel of oil equivalent</i>	<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>Mboe</i>	<i>thousand barrels of oil equivalent</i>	<i>WCS</i>	<i>Western Canadian Select</i>
<i>MMboe</i>	<i>million barrels of oil equivalent</i>	<i>US\$</i>	<i>United States Dollar</i>

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.