



## HEMISPHERE ENERGY ANNOUNCES 2024 THIRD QUARTER RESULTS, DECLARES QUARTERLY DIVIDEND, AND PROVIDES OPERATIONS UPDATE

TSX-V: HME    OTCQX: HMENF

Vancouver, British Columbia, November 21, 2024 – Hemisphere Energy Corporation ("Hemisphere" or the "Company") is pleased to provide its financial and operating results for the three and nine months ended September 30, 2024, declare a quarterly dividend payment to shareholders, and provide an operations update.

### Q3 2024 Highlights

- Achieved quarterly production of 3,621 boe/d (99% heavy oil), an 18% increase over the same quarter last year.
- Attained quarterly revenue of \$26.7 million, a 10% increase from the third quarter of 2023.
- Delivered operating netback<sup>1</sup> of \$15.4 million or \$46.24/boe for the quarter.
- Realized quarterly adjusted funds flow from operations ("AFF")<sup>1</sup> of \$11.7 million or \$35.17/boe.
- Executed a \$9.9 million capital expenditure program to drill eight successful wells in Atlee Buffalo, Alberta and construct a new multi-well battery and polymer injection facility in Marsden, Saskatchewan.
- Exited the third quarter with a positive working capital<sup>1</sup> position of \$6.5 million.
- Paid a special dividend of \$2.9 million (\$0.03/share) to shareholders on July 26, 2024.
- Paid a quarterly base dividend of \$2.5 million (\$0.025/share) to shareholders on September 13, 2024.
- Announced a special dividend of \$0.03/share to shareholders that was paid subsequent to the quarter on October 25, 2024.
- Renewed the Company's Normal Course Issuer Bid ("NCIB").
- Purchased and cancelled 756,400 shares under the Company's NCIB.

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(1) Operating netback, adjusted funds flow from operations (AFF), free funds flow, capital expenditures, and working capital are non-IFRS measures, or when expressed on a per share or boe basis, non-IFRS ratio, that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Non-IFRS financial measures and ratios are not standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Refer to the section "Non-IFRS and Other Specified Financial Measures".

Selected financial and operational highlights should be read in conjunction with Hemisphere's unaudited consolidated interim financial statements and related notes, and the Management's Discussion and Analysis for the three and nine months ended September 30, 2024 which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on Hemisphere's website at [www.hemisphereenergy.ca](http://www.hemisphereenergy.ca). All amounts are expressed in Canadian dollars unless otherwise noted.

## Financial and Operating Summary

(\$000s except per unit and share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
<b>FINANCIAL</b>				
Petroleum and natural gas revenue	\$ 26,675	\$ 24,342	\$ 76,574	\$ 62,049
Operating field netback <sup>(1)</sup>	15,583	15,860	46,392	38,327
Operating netback <sup>(1)</sup>	15,405	15,632	46,217	37,690
Cash flow provided by operating activities	16,782	12,340	34,260	30,744
Adjusted funds flow from operations ("AFF") <sup>(1)</sup>	11,717	11,713	35,381	28,116
Per share, basic <sup>(1)</sup> (\$/share)	0.12	0.12	0.36	0.28
Per share, diluted <sup>(1)</sup> (\$/share)	0.12	0.11	0.35	0.27
Free funds flow <sup>(1)</sup>	1,815	2,988	16,852	13,395
Net income	8,596	8,465	25,761	20,213
Per share, basic and diluted (\$/share)	0.09	0.08	0.26	0.20
Dividends	5,399	2,525	10,337	7,593
Per share, basic (\$/share)	0.055	0.025	0.105	0.075
NCIB share repurchases	736	640	4,163	2,010
Capital expenditures <sup>(1)</sup>	9,902	8,725	18,529	14,721
Working capital <sup>(1)</sup>	6,450	2,226	6,450	2,226
<b>OPERATING</b>				
<b>Average daily production</b>				
Heavy oil (bbl/d)	3,601	3,032	3,441	3,011
Natural gas (Mcf/d)	123	145	123	152
Combined (boe/d)	3,621	3,056	3,461	3,036
Oil weighting	99%	99%	99%	99%
<b>Average sales prices</b>				
Heavy oil (\$/bbl)	\$ 80.50	\$ 87.14	\$ 81.17	\$ 75.35
Natural gas (\$/Mcf)	0.65	2.50	1.38	2.67
Combined (\$/boe)	\$ 80.06	\$ 86.57	\$ 80.74	\$ 74.86
<b>Operating netback (\$/boe)</b>				
Petroleum and natural gas revenue	\$ 80.06	\$ 86.57	\$ 80.74	\$ 74.86
Royalties	(17.53)	(18.03)	(16.91)	(14.84)
Operating costs	(10.87)	(9.19)	(10.52)	(10.64)
Transportation costs	(4.89)	(2.95)	(4.39)	(3.04)
Operating field netback <sup>(1)</sup>	46.77	56.40	48.92	46.24
Realized commodity hedging loss	(0.53)	(0.81)	(0.18)	(0.77)
<b>Operating netback<sup>(1)</sup></b>	<b>\$ 46.24</b>	<b>\$ 55.59</b>	<b>\$ 48.74</b>	<b>\$ 45.47</b>
General and administrative expense	(3.85)	(4.19)	(3.64)	(3.46)
Interest expense and foreign exchange gain (loss)	(0.21)	(0.52)	(0.40)	(0.62)
Tax expense provision	(7.01)	(9.23)	(7.39)	(7.47)
<b>Adjusted funds flow from operations<sup>(1)</sup> (\$/boe)</b>	<b>\$ 35.17</b>	<b>\$ 41.65</b>	<b>\$ 37.31</b>	<b>\$ 33.92</b>

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

SHARE CAPITAL	As at November 20, 2024	As at September 30, 2024	As at December 31, 2023
Common shares outstanding	97,530,539	98,020,039	99,340,339
Stock options outstanding	6,223,600	6,223,600	7,563,000
Total fully diluted shares outstanding	103,754,139	104,243,639	106,903,339

## Quarterly Dividend and Shareholder Return

Hemisphere is pleased to announce that its Board of Directors has approved a quarterly cash dividend of \$0.025 per common share in accordance with the Company's dividend policy. The dividend will be paid on December 27, 2024 to shareholders of record as of the close of business on December 13, 2024. The dividend is designated as an eligible dividend for income tax purposes.

A minimum of \$21 million is anticipated to be returned to Hemisphere's shareholders in 2024, inclusive of \$9.8 million in quarterly base dividends, \$5.9 million in two special dividends, and \$5.3 million in NCIB share repurchases and cancellations. Based on the Company's current market capitalization of \$179 million (97.5 million shares issued and outstanding at market close price of \$1.84 per share on November 20, 2024), this represents an annualized yield of 11.7% to Hemisphere's shareholders.

## Operations Update

Hemisphere's polymer floods in Atlee Buffalo continue to perform well, with third quarter production up 18% from the same period of 2023. During the third quarter of 2024, Hemisphere drilled eight new horizontal wells into its Atlee Buffalo pools, of which three are in the F pool and five in the G pool. All but one of these wells were brought online subsequent to the end of the quarter, although at least two will ultimately be converted into injectors to continue to build reservoir pressure and sweep oil to producers in the pool.

The Company is currently adding another treater to its G pool battery to handle the additional volumes from these wells. At the same time, vessel inspection and overall maintenance is being completed across the G pool battery. Due to this downtime, management anticipates lower corporate production during the first half of the fourth quarter, with overall expectations for annual 2024 production to be in line with guidance.

In its Marsden, Saskatchewan property, Hemisphere continues to evaluate its new polymer pilot project and is awaiting source well regulatory approval in order to increase injection rates. At this time no significant production is budgeted from the area.

The Hemisphere team is currently working on development plans for next year and expects to release details on its 2025 guidance in January.

## 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.hemispheredenergy.ca](http://www.hemispheredenergy.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 that a quarterly dividend will be paid December 27, 2024 to shareholders of record as of the close of business on December 13, 2024; that a minimum of \$21 million is anticipated to be returned to shareholders in 2024; that at least two of Hemisphere's new wells will be converted into injectors; that management anticipates lower corporate production during the first half of the fourth quarter, with overall expectations for annual 2024 production to fall in line with guidance; and that Hemisphere expects to release details on its 2025 guidance in January.

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 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 perspective of recently acquired properties and the timing and manner to explore and develop the same; 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, capital expenditures, operating field netback, operating netback, and working capital/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 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 share or 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	
	2024	2023	2024	2023
Cash provided by operating activities	\$ 16,782	\$ 12,340	\$ 34,260	\$ 30,744
Change in non-cash working capital	(2,734)	(714)	8,091	(3,007)
Adjust: Tax provision <sup>(1)</sup>	(2,338)	-	(7,006)	-
Adjust: Decommissioning obligation expenditures	7	87	36	379
Adjusted funds flow from operations	\$ 11,717	\$ 11,713	\$ 35,381	\$ 28,116
Per share, basic	\$ 0.12	\$ 0.12	\$ 0.36	\$ 0.28
Per share, diluted	\$ 0.12	\$ 0.11	\$ 0.35	\$ 0.27

Note: (1) Provision for income taxes deferred under new corporate partnership structure effective as of January 2, 2024.

- b) **Free funds flow ("FFF") (Non-IFRS Financial Measure):** 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	
	2024	2023	2024	2023
Adjusted funds flow from operations	\$ 11,717	\$ 11,713	\$ 35,381	\$ 28,116
Capital expenditures	(9,902)	(8,725)	(18,529)	(14,721)
Free funds flow	\$ 1,815	\$ 2,988	\$ 16,852	\$ 13,395
Per share, basic and diluted	\$ 0.02	\$ 0.03	\$ 0.17	\$ 0.13

- 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	
	2024	2023	2024	2023
Cash used in investing activities	\$ 5,178	\$ 7,898	\$ 13,769	\$ 15,711
Change in non-cash working capital	4,724	827	4,760	(990)
Capital expenditures	\$ 9,902	\$ 8,725	\$ 18,529	\$ 14,721

- d) **Operating field netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis):** 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 gain (loss) on derivative financial instruments on an absolute and per barrel of oil equivalent basis.
- f) **Working capital/Net debt (Non-IFRS Financial Measure):** 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. Working capital/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 derivative financial instruments, decommissioning obligations, lease liabilities, and tax provisions, and including any bank debt. There is no IFRS measure that is reasonably comparable to working capital/net debt.

The following table outlines the Company calculation of working capital/net debt:

(\$000s)	As at September 30, 2024		As at December 31, 2023	
Current assets <sup>(1)</sup>	\$	22,943	\$	14,110
Current liabilities <sup>(1)</sup>		(9,487)		(10,521)
Adjust: Tax provision <sup>(2)</sup>		(7,006)		-
Working capital	\$	6,450	\$	3,589

Notes:

(1) Excluding fair value of financial instruments, decommissioning obligations, and lease liabilities.

(2) Provision for income taxes deferred under new corporate partnership structure effective as of January 2, 2024.

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, 2023 and the interim period ended September 30, 2024, which are available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Oil and Gas Advisories**

Any references in this news release to initial production rates (including as a result of recent polymer flood 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	IFRS	International Financial Reporting Standards
boe/d	barrel of oil equivalent per day		
\$/boe	dollar per barrel of oil equivalent		

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