

## Q1 2026 HIGHLIGHTS

- Attained quarterly production of 3,811 boe/d (99% heavy oil).
- Generated \$25.4 million in revenue.
- Achieved total operating and transportation costs of \$14.76/boe.
- Delivered an operating netback<sup>1</sup> of \$16.7 million, or \$48.60/boe.
- Realized quarterly adjusted funds flow from operations ("AFF")<sup>1</sup> of \$12.7 million, or \$0.13/share.
- Generated free funds flow<sup>1</sup> of \$9.6 million, or \$0.10 per share.
- Distributed \$2.4 million in quarterly base dividends to shareholders during the quarter.
- Purchased and cancelled 457,600 shares for \$1.0 million under the Company's Normal Course Issuer Bid ("NCIB") at an average price of \$2.13 per share.
- Exited the first quarter with no bank debt and positive working capital<sup>1</sup> of \$13.9 million.
- Minimal hedging preserved exposure to significantly higher commodity prices that started in March.

(1) Operating netback, adjusted funds flow from operations (AFF), free funds flow, 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".

During the first quarter, Hemisphere's Atlee Buffalo polymer flood projects had good run time and stable production, providing strong base cash flow for the Company. Capital expenditures in the quarter were \$3 million, which included the drilling of one well in Atlee Buffalo and minor facilities upgrades.

At Hemisphere's Marsden pilot polymer flood, the Company noted that injectivity in one of its injectors dropped off significantly in the second half of 2025. In December, changes were made to the downhole design of that injector, which has resulted in higher injection rates. Management believes this increased injection will help accelerate voidage replacement to rebuild reservoir pressure, and is committed to the ongoing assessment of its pilot program over the course of the year.

## Outlook

Hemisphere's low-decline assets, positive working capital, strong balance sheet, and fully unhedged oil position will allow the Company to capitalize on the current oil price environment while continuing to prioritize shareholder returns and per-share production and reserves growth.

## Annual General and Special Meeting of Shareholders

Hemisphere's Annual General and Special Meeting of Shareholders will be held at 10:00 am (Pacific Time) on June 10, 2026 in the Walker Room of the Terminal City Club located at 837 West Hastings Street, Vancouver, British Columbia.

## Q1 2026 FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended March 31	
<i>(\$000s except per unit and share amounts)</i>	2026	2025
<b>FINANCIAL</b>		
Petroleum and natural gas revenue	\$ 25,403	\$ 27,339
Operating field netback <sup>(1)</sup>	16,807	17,179
Operating netback <sup>(1)</sup>	16,665	16,994
Cash flow (used in) provided by operating activities <sup>(2)</sup>	(5,334)	16,181
Adjusted funds flow from operations (AFF) <sup>(1)</sup>	12,677	12,703
Per share, basic and diluted <sup>(1)</sup>	0.13	0.13
Free funds flow <sup>(1)</sup>	9,588	11,497
Net income	7,866	8,942
Per share, basic and diluted	0.08	0.09
Dividends	2,358	2,428
Per share, basic	0.025	0.025
NCIB share repurchases	973	1,301
Capital expenditures <sup>(1)</sup>	3,089	1,206
Working capital <sup>(1)</sup>	13,893	14,052
<b>OPERATING</b>		
<b>Average daily production</b>		
Heavy oil (bbl/d)	3,764	3,814
Natural gas (Mcf/d)	279	111
Combined (boe/d)	3,811	3,833
Oil weighting	99%	99%
<b>Average sales prices</b>		
Heavy oil (\$/bbl)	\$ 74.84	\$ 79.58
Natural gas (\$/Mcf)	1.92	2.05
Combined (\$/boe)	\$ 74.07	\$ 79.26
<b>Operating netback (\$/boe)</b>		
Petroleum and natural gas revenue	\$ 74.07	\$ 79.26
Royalties	(10.30)	(14.63)
Operating costs	(11.76)	(11.68)
Transportation costs	(3.00)	(3.15)
Operating field netback <sup>(1)</sup>	49.01	49.80
Realized commodity hedging loss	(0.41)	(0.53)
<b>Operating netback<sup>(1)</sup></b>	<b>\$ 48.60</b>	<b>\$ 49.27</b>
General and administrative expense	(3.96)	(3.74)
Interest expense and foreign exchange loss	(0.33)	(0.27)
Tax expense provision	(7.34)	(8.43)
<b>Adjusted funds flow from operations<sup>(1)</sup> (\$/boe)</b>	<b>\$ 36.97</b>	<b>\$ 36.83</b>

Notes:

- (1) Non-IFRS financial measure that is not a standardized financial measure under IFRS Accounting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Non-IFRS and Other Financial Measures" section of the MD&A.
- (2) This includes the Company's payment of current tax liabilities in February 2026 related to taxes previously deferred under the new corporate partnership structure effective January 2, 2024.

<b>COMMON SHARES</b>	May 12, 2026	March 31, 2026	December 31, 2025
Common shares outstanding	94,387,109	94,327,904	94,481,702
Stock options outstanding	4,252,600	4,420,600	5,145,600
Total fully diluted shares outstanding	98,639,709	98,748,504	99,627,302

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated as at May 12, 2026

The following Management's Discussion and Analysis ("MD&A") is a review of the operations and current financial position for the three months ended March 31, 2026 for Hemisphere Energy Corporation ("Hemisphere" or the "Company") and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2026, and the audited consolidated financial statements and related notes for the year ended December 31, 2025. These documents and additional information relating to the Company, including the Company's Annual Information Form, are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or the Company's website at [www.hemisphereenergy.ca](http://www.hemisphereenergy.ca).

The information in this MD&A is based on the unaudited condensed interim consolidated financial statements which were prepared in accordance with IFRS Accounting Standards ("IFRS") applicable to the preparation of unaudited condensed interim consolidated financial statements including IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

This MD&A contains non-IFRS measures, additional IFRS measures and forward-looking statements. Readers are cautioned that this document should be read in conjunction with Hemisphere's disclosure under "Non-IFRS and Other Financial Measures" and "Forward-Looking Statements" included at the end of this MD&A. All figures are in Canadian dollars unless otherwise noted.

### Business Overview

Hemisphere was incorporated under the laws of British Columbia on March 6, 1978. On January 2, 2024, Hemisphere formed a wholly-owned subsidiary, Hemi Energy Inc. ("HEI"). On January 2, 2024, Hemisphere and HEI formed two general partnerships under the laws of Alberta; Hemi Energy Partnership, which owns substantially all of the Company's producing assets, and Hemi Energy Partnership II, which may be used to hold other assets of the Company in the future. Unless the context otherwise requires, references to Hemisphere or the Company include all subsidiaries of Hemisphere.

The Company's principal business is the acquisition, exploration, development, and production of petroleum and natural gas interests in Canada. It is a publicly traded company listed on the TSX Venture Exchange under the symbol "HME" and on the OTCQX Best Market under the symbol "HMENF". The Company's head office is located at Suite 501, 905 West Pender Street, Vancouver, British Columbia, Canada V6C 1L6.

#### **Atlee Buffalo, Alberta**

Atlee Buffalo is Hemisphere's core area, located approximately 85 kilometers north of Medicine Hat. Hemisphere made its first acquisition in the area in late 2013 and owns 20,200 gross acres (20,200 net acres) as of March 31, 2026.

#### **Marsden, Saskatchewan**

Marsden is located approximately 50 kilometers southeast of Lloydminster in Saskatchewan. Hemisphere first entered the area in 2023 and owns 9,165 gross acres (9,165 net acres) as of March 31, 2026.

## Operating Results

The Company generated adjusted funds flow from operations<sup>1</sup> ("AFF") of \$12.7 million (\$0.13/share, basic and diluted) for the three months ended March 31, 2026, which was consistent with the comparable 2025 period.

The Company reported net income of \$7.9 million (\$0.08/share, basic and diluted) for the three months ended March 31, 2026, compared to \$8.9 million (\$0.09/share, basic and diluted) for the comparable quarter in 2025. This \$1.0 million decrease in the first quarter of 2026 is primarily the result of an increase in share-based compensation.

## Production

By product:	Three Months Ended March 31	
	2026	2025
Heavy oil (bbl/d)	3,764	3,814
Natural gas (Mcf/d)	279	111
Total (boe/d)	3,811	3,833
Oil weighting	99%	99%

In the first quarter of 2026, the Company's average daily production was 3,811 boe/d (99% oil), representing approximately flat production when compared to the first quarter of 2025.

## Average Benchmark and Realized Prices

	Three Months Ended March 31	
	2026	2025
<b>Benchmark prices</b>		
WTI (\$US/bbl) <sup>(1)</sup>	\$ 71.10	\$ 71.60
WCS Diff (\$US/bbl) <sup>(2)</sup>	13.69	13.15
Exchange rate (1 \$US/\$C)	1.3699	1.4388
WTI (\$C/bbl)	97.40	103.02
WCS Diff (\$C/bbl)	18.75	18.92
WCS (\$C/bbl)	78.65	84.10
AECO natural gas (\$/Mcf) <sup>(3)</sup>	2.50	2.00
<b>Average realized prices</b>		
Heavy oil (\$/bbl)	74.84	79.58
Natural gas (\$/Mcf)	1.95	2.05
Combined (\$/boe)	\$ 74.07	\$ 79.26

**Notes:**

(1) Represents posting prices of West Texas Intermediate Oil ("WTI").

(2) Represents posting prices of Western Canadian Select ("WCS").

(3) Represents the Alberta 30-day spot AECO posting prices.

The Company's oil and natural gas revenue and financial results are significantly influenced by changes in commodity prices. The West Texas Intermediate pricing ("WTI") at Cushing, Oklahoma is the benchmark reference price for North American crude oil prices. Canadian oil prices, including Hemisphere's heavy crude oil, are based on price postings, which is WTI pricing adjusted for transportation, quality, and the currency conversion rates from United States dollar ("US\$") to Canadian dollar ("C\$").

<sup>1</sup> Non-IFRS financial measure. Refer to "Non-IFRS and Other Financial Measures" section of the MD&A.

## Revenue

(\$000s)	Three Months Ended March 31			
		2026		2025
Oil	\$	25,355	\$	27,319
Natural gas		48		20
<b>Total</b>	<b>\$</b>	<b>25,403</b>	<b>\$</b>	<b>27,339</b>

Revenue for the three months ended March 31, 2026 decreased by 7% from the comparable period in 2025. This decrease is primarily due to the \$5.19/boe decrease in the Company's combined average realized price, over the comparable three-month period in 2025.

## Operating Netback

(\$000s, except per unit amounts)	Three Months Ended March 31			
		2026		2025
<b>Operating netback</b>				
Revenue	\$	25,403	\$	27,339
Royalties		(3,534)		(5,045)
Operating costs		(4,033)		(4,030)
Transportation costs		(1,029)		(1,085)
Operating field netback <sup>(1)</sup>	\$	16,807	\$	17,179
Realized commodity hedging loss		(142)		(185)
<b>Operating netback<sup>(1)</sup></b>	<b>\$</b>	<b>16,665</b>	<b>\$</b>	<b>16,994</b>
<b>Operating netback (\$/boe)</b>				
Revenue	\$	74.07	\$	79.26
Royalties		(10.30)		(14.63)
Operating costs		(11.76)		(11.68)
Transportation costs		(3.00)		(3.15)
Operating field netback <sup>(1)</sup>	\$	49.01	\$	49.80
Realized commodity hedging loss		(0.41)		(0.53)
<b>Operating netback<sup>(1)</sup></b>	<b>\$</b>	<b>48.60</b>	<b>\$</b>	<b>49.27</b>

Note:

(1) Non-IFRS financial measure that is not a standardized financial measure under ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Non-IFRS and Other Financial Measures" section of the MD&A.

Royalties paid in the first quarter of 2026 totaled \$3.5 million, of which \$3.1 million and \$0.4 million were paid to Alberta Crown and Over-Riding Royalty holders, respectively. Royalties for the three months ended March 31, 2026 were \$10.30/boe (14% of revenue), as compared to \$14.63/boe (18% of revenue) during the same period of 2025. This represents a 30% decrease in royalties paid per barrel, primarily due to the lower realized commodity prices in the first quarter of 2026.

Operating costs include all costs for gathering, processing, dehydration, compression, water processing and marketing of the oil and natural gas, as well as additional costs incurred periodically for maintenance and repairs. Operating costs for the three months ended March 31, 2026 were \$11.76/boe, which remained relatively consistent with the same period in 2025.

Transportation costs include all costs incurred to transport emulsion, oil, and gas sales to processing and distribution facilities. Transportation costs were \$3.00/boe during the first quarter of 2026, which is a 5% decrease over the comparable quarter in 2025 due to trucking to closer sales points.

Operating netback for the three months ended March 31, 2026 was \$48.60/boe, which is \$0.67/boe or 1% lower than the comparable period in 2025. This is mainly due to the 7% decrease in the Company's combined average realized price over the comparable period in 2025.

## Exploration and Evaluation

Exploration and evaluation expense generally consists of certain geological and geophysical costs, expiry of undeveloped lands, and costs of uneconomic exploratory wells. Exploration and evaluation expenses for the three months ended March 31, 2026 and 2025 were \$47 thousand and \$36 thousand, respectively.

## Depletion and Depreciation

(\$000s, except per boe)	Three Months Ended March 31			
		2026		2025
Depletion expense	\$	2,953	\$	2,621
Depreciation expense		263		267
Total	\$	3,216	\$	2,888
\$ per boe	\$	9.38	\$	8.37

The depletion rate is calculated using the unit-of-production method on Proved and Probable oil and gas reserves, taking into account the future development costs ("FDC") to develop and produce undeveloped and non-producing reserves.

Depletion and depreciation expenses for the three months ended March 31, 2026 increased by 12% to \$9.38/boe from \$8.37/boe for the same period in 2025. The increase in depletion expense for the three months ended March 31, 2026 over the comparable quarter in 2025 is due to allocating comparable production over the larger reserve base from the Company's December 31, 2025 independent engineer's evaluation report as prepared by McDaniel and Associates Consultants Ltd.

## Impairment

At March 31, 2026, the Company performed an assessment of potential impairment or reversal indicators on each of its Cash Generating Units ("CGU"), and management determined that there were no indicators of impairment or reversal identified. As such, no impairment test on its petroleum and natural gas assets was required and \$nil impairment was recorded.

## Capital Expenditures

(\$000s)	Three Months Ended March 31			
		2026		2025
Land and lease	\$	154	\$	229
Geological and geophysical		408		464
Drilling and completions		2,163		189
Facilities and infrastructure		364		324
Total capital expenditures <sup>(1)</sup>	\$	3,089	\$	1,206

Note:

(1) Non-IFRS financial measure that is not a standardized financial measure under IFRS Accounting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Non-IFRS and Other Financial Measures" section of the MD&A.

The capital spent during the three months ended March 31, 2026 included the drilling of one multi-lateral well in Atlee Buffalo, Alberta.

## General and Administrative

<i>(\$000s, except per boe)</i>	Three Months Ended March 31	
	2026	2025
Gross general and administrative	\$ 1,682	\$ 1,659
Capitalized general and administrative	(323)	(370)
Total	\$ 1,359	\$ 1,289
\$ per boe	\$ 3.96	\$ 3.74

General and administrative ("G&A") expenses increased on an absolute basis by 5% and a per boe basis by 6% over the comparable three months in 2025. These increases in G&A expenses are due to inflation and additional staffing costs.

The Company capitalizes some G&A expenses which can be attributed to any costs incurred during the period relating to its development and exploration activities. For the three months ended March 31, 2026, capitalized G&A expenses decreased by \$47 thousand over the comparable period in 2025.

## Share-based Compensation

Share-based compensation reflects the estimated value of stock options and restricted share units ("RSUs") issued to directors, employees, and consultants of the Company. For three months ended March 31, 2026 and 2025, the Company recorded total share-based compensation expense of \$1.1 million and \$8 thousand, respectively.

<i>(\$000s)</i>	Three Months Ended March 31	
	2026	2025
Stock options	\$ 9	\$ 8
RSUs <sup>(1)</sup>	1,168	-
Capitalized costs <sup>(1)</sup>	(100)	-
Total share-based payments	\$ 1,077	\$ 8

Note:

(1) Inclusive of any dividend reinvestment and fair value remeasurement.

## Stock Options

During the first quarter of 2026, the Company did not grant any stock options to employees. However, a tranche of 25% of the options granted to an investor relations consultant during the fourth quarter of 2025 vested in the first quarter of 2026. The total valuation of the options that vested in the first quarter of 2026 was \$9 thousand, which was expensed as share-based compensation.

## Restricted Share Units

The Company has a Restricted Share Unit Plan ("RSU Plan") that provides for the grant of RSUs to directors, officers, employees and consultants of the Company. The aggregate number of common shares reserved for issuance under the RSU Plan is in combination with the shares reserved for issuance under the Company's Stock Option Plan and may not exceed 10% of the issued and outstanding shares of the Company. One-third of the granted RSUs will vest on each of the first, second and third anniversaries from the date of grant, unless otherwise determined by the Board of Directors of the Company. Awards are adjusted for dividends declared, with an adjustment to the notional number of common shares underlying each RSU for each dividend record date following the issue date of the RSU. The RSU Plan allows for cash settlement of the RSUs and accordingly the Company has recorded share-based compensation liabilities for the RSUs.

As at March 31, 2026, there were 2,116,000 RSUs outstanding. The adjustment ratio for the awards is set at 1.0 at issuance of the RSUs, and has been adjusted to 1.06 as at March 31, 2026 for the subsequent dividends declared.

## Finance Expense

<i>(\$000s, except per boe)</i>	Three Months Ended March 31	
	2026	2025
Loan interest and fees	\$ 139	\$ 113
Lease interest	49	64
Interest income	(85)	(111)
Accretion of decommissioning liabilities	44	49
<b>Total</b>	<b>\$ 147</b>	<b>\$ 115</b>
\$ per boe - Total	\$ 0.43	\$ 0.33
\$ per boe - Interest only	\$ 0.30	\$ 0.19

Loan fees, including standby and facility fees, for the three months ended March 31, 2026 increased by \$26 thousand from the comparable period in 2025, due to increased annual term loan carrying fees, while interest income decreased by \$26 thousand due to lower cash on hand, over the comparable period in 2025. The Company also recorded \$49 thousand of lease interest on right-of-use assets liability for the three months ended March 31, 2026. The total finance expense per boe for loan and lease interest increased by \$0.10/boe or 29% over the comparable quarter of 2025 due primarily to the previously mentioned lower interest income earned on the Company's cash balances.

Accretion of decommissioning liabilities represents the adjusted present value of the Company's decommissioning obligations which include the abandonment and reclamation costs associated with wells and facilities. During the three months ended March 31, 2026, accretion expenses decreased by 10% over the comparable period in 2025.

## Taxes

The Company has approximately \$32 million of tax pools available to be applied against future income for tax purposes, as per its tax assessments at December 31, 2025 (December 31, 2024 - \$23 million). The Company has recorded current income tax expense of \$2.5 million and deferred income tax expense of \$0.4 million for the three months ended March 31, 2026 (March 31, 2025 - \$2.9 million current income tax and \$8 thousand deferred income tax). The Company expects to incur additional taxes in 2026 and any taxes payable beyond this will primarily be a function of commodity prices, capital expenditures and production volumes.

## Tax Pools

<i>(\$000s)</i>	Base Deduction Rate	December 31, 2025	December 31, 2024
Canadian exploration expense (CEE)	100%	\$ -	\$ -
Canadian development expense (CDE)	30%	18,184	17,736
Canadian oil and gas property expense (COGPE)	10%	4,009	4,096
Non-capital losses carry forwards (NCL)	100%	-	-
Undepreciated capital cost (UCC)	20-55%	9,542	649
Share issuance costs and other	Various	630	598
<b>Total</b>		<b>\$ 32,365</b>	<b>\$ 23,079</b>

## Summary of Quarterly Results

<i>(\$000s, except production and per unit amounts)</i>	2026		2025			2024		
	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Average daily production (boe/d)	<b>3,811</b>	3,354	3,571	3,826	3,833	3,359	3,621	3,628
Heavy oil and natural gas revenue	<b>25,403</b>	18,989	23,142	24,395	27,339	23,361	26,675	28,938
Cash provided by/(used in) operating activities	<b>(5,334)</b>	4,868	15,265	11,846	16,181	12,284	16,782	14,795
Net income	<b>7,866</b>	5,080	6,931	7,053	8,942	7,342	8,596	10,387
Per share, basic	<b>0.08</b>	0.05	0.07	0.07	0.09	0.08	0.09	0.11
Per share, diluted	<b>0.08</b>	0.05	0.07	0.07	0.09	0.07	0.09	0.10
Combined average realized price (\$/boe)	<b>74.07</b>	61.55	70.43	70.06	79.26	75.59	80.06	87.65

The fluctuations in the Company's revenue over the past eight quarters are primarily due to changes in realized commodity prices and changes in production volumes.

The fluctuations in realized commodity prices and production volumes have also impacted the Company's cash provided by operating activities, in addition to changes in non-cash working capital. Net income has also fluctuated from changes in adjusted funds flow and unrealized gains/losses on derivative financial instruments.

## Outstanding Share Capital

Fully diluted share capital	May 12, 2026	March 31, 2026	December 31, 2025
Common shares issued and outstanding	94,387,109	<b>94,327,904</b>	94,481,702
Stock options	4,252,600	<b>4,420,600</b>	5,145,600
Total fully diluted shares outstanding	98,639,709	<b>98,748,504</b>	99,627,302

On July 14, 2025, the Company renewed its NCIB to purchase and cancel, from time to time, up to 7,934,731 common shares of the Company until July 13, 2026. In the three months ended March 31, 2026, the Company purchased and cancelled 457,600 shares under the NCIB for \$973 thousand at an average cost of \$2.13 per share.

Subsequent to the quarter ended March 31, 2026, the Company has purchased and cancelled 30,000 shares under the NCIB at an average cost of \$2.52 per share.

In the three months ended March 31, 2026, the Company issued 303,802 shares from the cashless exercises of 725,000 stock options under the Company's Stock Option Plan, at an average exercise price of \$1.25 per share.

Subsequent to the quarter ended March 31, 2026, the Company issued 89,205 shares from the cashless exercises of 168,000 stock options, at an average exercise price of \$1.29 per share.

The Company has the following stock options that are outstanding and exercisable as at May 12, 2026:

Exercise Price	Grant Date	Expiry Date	Balance Outstanding	Balance Exercisable
\$0.91	December 17, 2021	December 17, 2031	693,600	693,600
\$1.30	December 14, 2022	December 14, 2032	1,975,000	1,975,000
\$1.25	September 11, 2023	September 11, 2033	50,000	50,000
\$1.27	December 15, 2023	December 15, 2028	1,438,000	1,438,000
\$1.84	December 13, 2024	December 13, 2029	48,000	48,000
\$2.01	December 15, 2025	December 15, 2030	48,000	12,000
			4,252,600	4,216,600
Weighted-average exercise price			\$1.23	\$1.23

## Dividends

On June 7, 2022, the Company's Board of Directors approved a variable dividend policy. Since inception of the policy, the Company has paid total dividends of \$54.2 million as of March 31, 2026.

As at the date of this MD&A, the Company has paid the following dividends to shareholders during 2026:

Dividend type	Record date	Shares outstanding <sup>(1)</sup>	Payment date	Dividend price per share	Dividends paid (\$000s)	Market capitalization <sup>(2)</sup> (\$000s)	Dividend yield <sup>(3)</sup> (annualized)
Quarterly Base	Feb. 12, 2026	94,333,576	Feb. 26, 2026	\$0.025	\$2,358	\$213,194	4.42%
Special	Apr. 15, 2026	94,297,904	Apr. 28, 2026	\$0.030	\$2,829	\$259,319	4.36%
<b>Total paid during 2026</b>				<b>\$0.055</b>	<b>\$5,187</b>		

Notes:

(1) As at record date.

(2) As at payment date.

(3) Dividends paid multiplied by 4 and divided by the market capitalization.

On April 15, 2026, the Company announced its Board of Directors approved a special dividend of \$0.03 per share to the Company's shareholders of record on May 14, 2026 for payment on May 28, 2026.

On May 12, 2026, the Company's Board of Directors approved a quarterly base dividend of \$0.025 per share to be paid on June 26, 2026 to shareholders of record on June 12, 2026.

Future dividend payments will be subject to board approval, and be conditional on continued production performance, commodity price environment, and compliance with the terms of the Company's credit facility.

## Liquidity and Capital Management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company also attempts to match its payment cycle with collection of crude oil and natural gas revenues on the 25<sup>th</sup> of each month.

Hemisphere released its 2026 guidance on January 28, 2026, which was approved by the Company's Board of Directors. With the recent higher oil price environment, the Company has provided an update to the price sensitivities for its 2026 guidance in its May 13, 2026 news release. Management's forecasts may change materially based upon actual prices received, changes in future strip pricing, production volumes, operating costs, activity levels, cash flows, and the timing thereof and other factors which may or may not be within the control of the Company. The economic climate may lead to adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company's liquidity and ability to generate profits in the future.

a) Financing

The Company's net cash used in financing activities during the three months ended March 31, 2026 was \$3.6 million (\$3.9 million for the three months ended March 31, 2025). For the three months ended March 31, 2026, the financing expenditures included dividends paid of \$2.4 million, shares purchased under the NCIB of \$1.0 million, plus lease liability payments of \$0.2 million.

b) Bank Debt

On July 27, 2021, the Company entered into a two-year committed and extendible term facility with a Canadian Bank (the "Lender") providing for borrowings of up to \$35.0 million (the "Credit Facility").

The Credit Facility has a renewed term date of July 31, 2026. The facility is extendible at the new term date and on an annual basis for an additional 365 days upon request of the Company. The Credit Facility is secured by a floating charge debenture and a general security agreement on the assets of the Company.

At March 31, 2026, the Company had drawn \$nil on the Credit Facility. There are standard reporting covenants under the Credit Facility and a financial covenant for the Company to maintain working capital above a ratio of 1.00 to 1.00. Working capital for the covenant is defined as current assets, less current liabilities, excluding the derivative financial instruments, plus the undrawn amount available under the Credit Facility. The Company met these standard reporting covenants as well as the financial covenant, with a working capital ratio of 6.76 to 1.00 as at March 31, 2026.

Under the Credit Facility, advances can be drawn as prime rate loans and bear interest at the bank's prime lending rate plus interest rates between 2.50% and 3.50%. Advances may also be drawn as guaranteed notes/banker's acceptances and letters of credit, subject to Canadian interest benchmark rates plus margins ranging from 3.50% to 4.50%. Standby fees are charged on the undrawn portion of the Credit Facility at rates ranging from 0.875% to 1.125%. These interest rates, fees and margins vary based on adjusted debt to earnings metrics determined at each quarter-end for the preceding 12 months.

The next semi-annual review of the available lending limit of the Credit Facility is scheduled for review by July 31, 2026 and is based on the Lender's interpretation of the Company's reserves and future commodity prices. There can be no assurance that the amount or terms of the Credit Facility will not be adjusted at the next semi-annual review. Should the Lender reduce the Credit Facility's borrowing base below the amount drawn at the time of the redetermination, the

Company would have 45 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the redetermined borrowing base. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is compliant with all covenants, representations, and warranties.

c) Capital Management

The Company manages its capital with the following objectives:

- Ensure sufficient flexibility to achieve the Company’s ongoing business objectives including the replacement of production, funding of future growth opportunities, and pursuit of accretive acquisitions; and
- Maximize shareholder return enhancing the Company’s share value through dividends, share buybacks and corporate performance.

As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors, to direct and monitor the strategy and ongoing operations and liquidity of the Company. Budgets and forecasts are subject to significant judgment and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The capital structure of the Company is composed of shareholders’ equity and bank debt. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, utilizing its bank debt, issuing new debt instruments, other financial or equity-based instruments, adjusting capital spending, or disposing of assets. The capital structure is reviewed on an ongoing basis.

### Commitments

(\$000s)	2026	2027	2028	2029	2030+	Total
Office & equipment leases	\$ 54	30	-	-	-	84
Surface leases	20	26	26	23	237	332
Production equipment leases	748	997	942	28	-	2,715
	\$ 822	1,053	968	51	237	3,131

### Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

### Proposed Transactions

As of the effective date, there are no outstanding proposed transactions.

## Changes in Accounting Policies

Effective January 1, 2026, the Company adopted amendments to IFRS 9 “Financial instruments and IFRS 7 “Financial instruments: disclosures”. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities. The amendments did not have a material impact on the Company’s financial statements.

Voluntary changes in accounting policy are made only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. When the Company has not applied a new primary source of IFRS that has been issued, but is not effective, the Company will disclose the fact along with information relevant to assessing the possible impact that application of the new primary source of IFRS will have on the financial statements in the period of initial application.

## Risks

The Company’s activities expose it to a variety of risks that arise as a result of its exploration, development, production, and financing activities. These risks and uncertainties include, among other things, volatility in market prices for crude oil and natural gas, general economic conditions in Canada, the US and globally and other factors described under “*Risk Factors*” in Hemisphere’s most recently filed Annual Information Form which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The following provides information about the Company’s exposure to some risks associated with the oil and gas industry, as well as the Company’s objectives, policies, and processes for measuring and managing risk.

### **Business Risk**

Oil and gas exploration and development involves a high degree of risk whereby many properties may ultimately not be developed to a producing stage. There can be no assurance that the Company’s future exploration and development activities will result in discoveries of commercial bodies of oil and gas. Whether an oil and gas property will be commercially viable depends on numerous factors, including the particular attributes of the reserve and its proximity to infrastructure, as well as commodity prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, and environmental protection. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in an oil and gas property not being profitable.

To the extent that geopolitical events may adversely affect Hemisphere’s business, financial condition, and results of operations, it may also have the effect of heightening many of the other risks described in this MD&A and Hemisphere’s Annual Information Form for the year ended December 31, 2025.

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its payment obligations. This risk arises principally from the Company’s

receivables from joint operators and oil and natural gas marketers, and reclamation deposits. The credit risk associated with reclamation deposits is minimized substantially by ensuring this financial asset is placed with major financial institutions with strong investment-grade ratings by a primary ratings agency. The credit risk associated with accounts receivable is mitigated as the Company monitors monthly balances to limit the risk associated with collections. The Company does not anticipate any default. There are no balances over 90 days past due or impaired.

The maximum exposure to credit risk is as follows:

<i>(\$000s)</i>	<b>March 31, 2026</b>	December 31, 2025
Accounts receivable		
Marketing receivables	\$ 10,368	\$ 5,909
Trade receivables	132	169
Receivable from SR&ED credit	994	925
Receivables from joint ventures	16	11
Reclamation deposits	116	116
	<b>\$ 11,626</b>	<b>\$ 7,130</b>

The Company sells the majority of its oil production to three major oil marketers and, therefore, is subject to concentration risk which is mitigated by management's policies and practices related to credit risk, as discussed above. Historically, the Company has never experienced any collection issues with its oil marketers.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

The Company also prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company will also attempt to match its payment cycle with collection of crude oil and natural gas revenues on the 25<sup>th</sup> of each month.

In light of the volatility in oil and gas prices and uncertainty regarding the timing for recovery in such prices, as well as pipeline and transportation capacity constraints, management's ability to prepare financial forecasts is challenging. The economic climate may lead to adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company's liquidity and ability to generate profits in the future.

At March 31, 2026, the Company had working capital<sup>2</sup> (a non-IFRS measure calculated as current assets, less current liabilities, excluding the derivative financial instruments, lease and decommissioning obligations, and including any bank debt) of \$13.9 million (December 31, 2025 - \$8.6 million). The

<sup>2</sup> Non-IFRS financial measure. Refer to "Non-IFRS and Other Financial Measures" section of the MD&A.

Company funds its operations through operating cash flows and a committed \$35.0 million two-year renewable term credit facility with ATB Financial.

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the financial instruments. Market risk is comprised of interest rate risk, foreign currency risk, commodity price risk, and other price risk.

#### *Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate due to changes in market interest rates. Borrowings under the Company's bank debt are subject to variable interest rates. A one percent change in interest rates would have a minimal annual effect on net income.

#### *Foreign currency risk*

The Company's functional and reporting currency is Canadian dollars. The Company does not sell or transact in any foreign currency; except i) the Company's commodity prices are largely denominated in US Dollars ("USD"), and as a result the prices that the Company receives are affected by fluctuations in the exchange rates between the USD and the Canadian dollar ii) some of the Company's leases are transacted in USD. The exchange rate effect cannot be quantified, but generally an increase in the value of the Canadian dollar compared to the USD will reduce the prices received by the Company for its crude oil and natural gas sales.

#### *Commodity price risk*

Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the levels of supply and demand, as well as the relationship between the Canadian dollar and the USD. Significant changes in commodity prices may materially impact the Company's adjusted funds flow from operations, and ability to raise capital. The Company has derivative commodity contracts in place as further disclosed within this MD&A.

#### *Other price risk*

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, foreign currency risk or commodity price risk. The Company is not exposed to significant other price risk.

### **Environmental and Climate Change Risks**

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. The Company maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this

insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations.

The Company's exploration and production facilities and other operations and activities emit greenhouse gases ("GHG") which may require compliance with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national, and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate its effects. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on our business, financial condition, results of operations and prospects.

### Non-IFRS Measures and Other Financial Measures

This MD&A contains the terms adjusted funds flow from operations, free funds flow, operating field netback and operating netback, capital expenditures 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 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 tax provision and 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 (used in) provided by operating activities is presented as follows:

<i>(\$000s, except per share amounts)</i>	Three Months Ended March 31	
	2026	2025
Cash (used in) provided by operating activities <sup>(1)</sup>	\$ (5,334)	\$ 16,181
Change in non-cash working capital	17,998	(3,503)
Adjust: Decommissioning obligation expenditures	13	25
Adjusted funds flow from operations	\$ 12,677	\$ 12,703
Per share, basic and diluted	\$ 0.13	\$ 0.13

Note:

(1) This includes the Company's payment of current tax liabilities in February 2026 related to taxes previously deferred under the new corporate partnership structure effective 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.

<i>(\$000s, except per share amounts)</i>	Three Months Ended March 31	
	2026	2025
Adjusted funds flow from operations	\$ 12,677	\$ 12,703
Capital expenditures	(3,089)	(1,206)
Free funds flow	\$ 9,588	\$ 11,497
Per share, basic and diluted	\$ 0.10	\$ 0.12

- 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:

<i>(\$000s)</i>	Three Months Ended March 31	
	2026	2025
Cash used in investing activities	\$ 2,473	\$ 3,465
Change in non-cash working capital	616	(2,259)
Capital expenditures	\$ 3,089	\$ 1,206

- 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, and lease liabilities, adjusted for tax provision 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:

<i>(\$000s)</i>	As at March 31, 2026		As at December 31, 2025	
Current assets <sup>(1)</sup>	\$	21,167	\$	27,775
Current liabilities <sup>(1)</sup>		(7,274)		(19,223)
Working capital	\$	13,893	\$	8,552

Note:

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

## g) **Supplementary Financial Measures**

**"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.

**"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.

## **Boe Conversion**

*Within this document, petroleum and natural gas volumes and reserves are converted to a common unit of measure, referred to as a barrel of oil equivalent (boe), using a ratio of 6,000 cubic feet of natural gas to one barrel of oil. Use of the term boe may be misleading, particularly if used in isolation. The conversion ratio is based on an energy equivalent method and does not necessarily represent a value equivalency at the wellhead.*

## **Forward-Looking Statements**

*In the interest of providing Hemisphere's shareholders and potential investors with information regarding the Company, including management's assessment of the future plans and operations of Hemisphere, certain statements contained in this MD&A constitute forward-looking statements or 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 foregoing, this document may contain forward-looking statements pertaining to the following: the future payment of dividends; Hemisphere's capital program and the manner it intends to spend such funds; future oil and natural gas prices; future operational activities; and plans for continued growth in the Company's production, reserves and cash flow; the compliance of the Company under its credit agreements, the Company's tax pools and expectations on future tax taxability; the Company's dividend policies and intentions with respect to the same; and the manner in which FFF (if any) may be allocated. 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.*

*With respect to forward-looking statements contained in this MD&A, the Company has made assumptions regarding, among other things: future capital expenditure levels; future oil and natural gas prices and differentials between light, medium and heavy oil prices; inflation rates; results from operations including future oil and natural gas production levels; future exchange rates and interest rates; Hemisphere's ability to obtain equipment in a timely manner to carry out development activities; Hemisphere's ability to market its oil and natural gas successfully to current and new customers; the impact of increasing competition; Hemisphere's ability to obtain financing on acceptable terms; the continued availability of Hemisphere's credit facility; and Hemisphere's ability to add production and reserves through our development and exploitation activities.*

*Although Hemisphere believes that the expectations reflected in the forward-looking statements contained in this MD&A, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such*

*expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this MD&A, as there can be no assurance that the plans, intentions, or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Hemisphere's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the following: volatility in market prices for oil and natural gas; the effects of COVID-19, risks associated with Hemisphere's enhanced oil recovery operations, including effects on its reserves, reservoirs and production; general economic conditions in Canada, the U.S. and globally; and the other factors described under "Risk Factors" in Hemisphere's most recently filed Annual Information Form available on the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Readers are cautioned that this list of risk factors should not be construed as exhaustive.*

*The forward-looking statements contained in this MD&A speak only as of the date of this document. Except as expressly required by applicable securities laws, Hemisphere does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.*

## MANAGEMENT'S REPORT

To the Shareholders of Hemisphere Energy Corporation:

Management is responsible for the preparation of the financial statements and the consistent presentation of all other financial information that is publicly disclosed. The financial statements have been prepared in accordance with the accounting policies detailed in the notes to the financial statements and in accordance with IFRS Accounting Standards and include estimates and assumptions based on management's best judgment. Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced in a timely manner.

**The accompanying unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.**

The Audit Committee, consisting of independent members of the Board of Directors, has reviewed the unaudited condensed interim consolidated financial statements with management. The Board of Directors has approved the unaudited condensed interim consolidated financial statements on the recommendation of the Audit Committee.

Vancouver, British Columbia  
May 12, 2026

(signed) "Don Simmons"

Don Simmons, President & CEO

(signed) "Dorlyn Evancic"

Dorlyn Evancic, Chief Financial Officer

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited)

(\$000s)	Note	March 31, 2026	December 31, 2025
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 8,147	\$ 19,513
Accounts receivable	3(a)	11,510	7,014
Prepaid expenses		1,510	1,248
		<b>21,167</b>	<b>27,775</b>
<b>Non-current assets</b>			
Reclamation deposits	8	116	116
Exploration and evaluation assets	6	5,257	5,099
Property and equipment	7	87,901	88,133
<b>Total assets</b>		<b>\$ 114,441</b>	<b>\$ 121,123</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 5,593	\$ 2,129
Current tax liability		536	16,621
Current portion of lease liabilities	11	872	903
Current portion of decommissioning obligations	8	158	158
Share-based compensation payable	12(b)	1,145	474
Derivative financial instruments		-	3
		<b>8,304</b>	<b>20,288</b>
<b>Non-current liabilities</b>			
Lease liabilities	11	1,865	2,062
Share-based compensation payable	12(b)	820	323
Deferred tax liability		13,054	12,627
Decommissioning obligations	8	5,262	5,231
		<b>29,305</b>	<b>40,531</b>
<b>Shareholders' Equity</b>			
Share capital	12	54,049	54,266
Contributed surplus		3,864	4,611
Retained earnings		27,223	21,715
<b>Total shareholders' equity</b>		<b>85,136</b>	<b>80,592</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 114,441</b>	<b>\$ 121,123</b>

Commitments Note 13

Subsequent events Note 15

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Approved by the Board of Directors

(signed) "Bruce McIntyre"  
Bruce McIntyre, Director

(signed) "Don Simmons"  
Don Simmons, Director

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

*(Expressed in Canadian dollars)*

*(Unaudited)*

<i>(\$000s, except per share amounts)</i>	Note	<b>Three Months Ended March 31</b>	
		<b>2026</b>	<b>2025</b>
<b>Revenue</b>			
Oil and natural gas revenue	5	\$ 25,403	\$ 27,339
Royalties		<b>(3,534)</b>	(5,045)
		<b>21,869</b>	22,294
Realized loss on derivative financial instruments		<b>(141)</b>	(185)
Unrealized (gain) loss on derivative financial instruments		<b>3</b>	(813)
<b>Total revenue</b>		<b>21,731</b>	21,296
<b>Expenses</b>			
Production and operating		<b>5,063</b>	5,115
Exploration and evaluation	6	<b>47</b>	36
Depletion and depreciation	7	<b>3,216</b>	2,888
General and administrative		<b>1,359</b>	1,289
Share-based compensation	12(b)	<b>1,077</b>	8
Finance expense	9	<b>147</b>	115
Foreign exchange loss, realized		<b>10</b>	29
Foreign exchange loss (gain), unrealized		<b>4</b>	(41)
<b>Total Expenses</b>		<b>10,923</b>	9,439
<b>Income before taxes</b>		<b>10,808</b>	11,857
Current income tax expense		<b>(2,516)</b>	(2,907)
Deferred income tax expense		<b>(426)</b>	(8)
<b>Net income and comprehensive income for the period</b>		<b>\$ 7,866</b>	\$ 8,942
Net income per share, basic and diluted	12(c)	<b>\$ 0.08</b>	\$ 0.09

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

(Unaudited)

	Note	Number common shares	Share Capital (\$000s)	Contributed Surplus (\$000s)	Retained Earnings (\$000s)	Total Shareholders' Equity (\$000s)
Balance at December 31, 2025		94,481,702	\$ 54,266	\$ 4,611	\$ 21,715	\$ 80,592
Stock option exercise	12(b)	303,802	-	-	-	-
Share-based compensation - options	12(b)	-	-	9	-	9
Transfer on option exercise		-	756	(756)	-	-
Shares repurchased under NCIB	12(a)	(457,600)	(973)	-	-	(973)
Dividends	12(d)	-	-	-	(2,358)	(2,358)
Net income for the period		-	-	-	7,866	7,866
<b>Balance at March 31, 2026</b>		<b>96,327,904</b>	<b>\$ 54,049</b>	<b>\$ 3,864</b>	<b>\$ 27,223</b>	<b>\$ 85,136</b>
<b>Balance at December 31, 2024</b>		<b>97,389,735</b>	<b>\$ 60,165</b>	<b>\$ 5,170</b>	<b>\$ 9,044</b>	<b>\$ 74,379</b>
Stock option exercise	12(b)	303,947	74	-	-	74
Share-based compensation - options	12(b)	-	-	8	-	8
Transfer on option exercise		-	416	(416)	-	-
Shares repurchased under NCIB	12(a)	(709,700)	(1,301)	-	-	(1,301)
Dividends	12(d)	-	-	-	(2,428)	(2,428)
Net income for the period		-	-	-	8,942	8,942
<b>Balance at March 31, 2025</b>		<b>96,983,982</b>	<b>\$ 59,354</b>	<b>\$ 4,762</b>	<b>\$ 15,558</b>	<b>\$ 79,674</b>

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

(Unaudited)

(\$000s)		Three Months Ended March 31	
	Note	2026	2025
<b>Operating activities</b>			
Net income for the period		\$ 7,866	\$ 8,942
Items not affecting cash:			
Accretion of decommissioning costs	8	44	49
Deferred tax expense		426	8
Depletion and depreciation	7	3,216	2,888
Exploration and evaluation expense	6	47	36
Share-based compensation	12(b)	1,077	8
Unrealized (gain) loss on derivative financial instruments		(3)	813
Unrealized (gain) loss on foreign exchange		4	(41)
		<b>12,677</b>	12,703
Decommissioning obligation expenditures	8	(13)	(25)
Changes in non-cash working capital	14	(17,998)	3,503
<b>Cash (used in) provided by operating activities</b>		<b>(5,334)</b>	16,181
<b>Investing activities</b>			
Exploration and evaluation expenditures	6	(205)	(86)
Property and equipment expenditures	7	(2,884)	(1,120)
Changes in non-cash working capital	14	616	(2,259)
<b>Cash used in investing activities</b>		<b>(2,473)</b>	(3,465)
<b>Financing activities</b>			
Shares issued for stock option cash exercise	12(b)	-	74
Shares repurchased under NCIB	12(a)	(973)	(1,301)
Dividends	12(e)	(2,358)	(2,428)
Payment of lease liabilities, net		(228)	(222)
<b>Cash used in financing activities</b>		<b>(3,559)</b>	(3,877)
Net change in cash		(11,366)	8,839
Cash, beginning of period		19,513	12,550
<b>Cash, end of period</b>		<b>\$ 8,147</b>	\$ 21,389

Supplemental cash flow information (Note 14)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2026 and 2025

*(Expressed in Canadian Dollars)*

*(Unaudited)*

### 1. Nature and Continuance of Operations

Hemisphere was incorporated under the laws of British Columbia on March 6, 1978. On January 2, 2024, Hemisphere formed a wholly-owned subsidiary, Hemi Energy Inc. ("HEI"). On January 2, 2024, Hemisphere and HEI formed two general partnerships under the laws of Alberta; Hemi Energy Partnership, which owns substantially all of the Company's producing assets, and Hemi Energy Partnership II, which may be used to hold other assets of the Company in the future. Unless the context otherwise requires, references to Hemisphere or the Company include all subsidiaries of Hemisphere.

The Company's principal business is the acquisition, exploration, development, and production of petroleum and natural gas interests in Canada. It is a publicly traded company listed on the TSX Venture Exchange under the symbol "HME" and on the OTCQX Best Market under the symbol "HMENF". The Company's head office is located at Suite 501, 905 West Pender Street, Vancouver, British Columbia, Canada V6C 1L6.

### 2. Basis of Presentation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements ("Financial Statements") have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" of IFRS Accounting Standards ("IFRS").

These Financial Statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements of the Company for the year ended December 31, 2025. These Financial Statements should be read in conjunction with the financial statements and notes thereto in the Company's annual filings for the year ended December 31, 2025.

These Financial Statements were authorized for issuance by the Board of Directors on May 12, 2026.

(b) Basis of valuation

These Financial Statements have been prepared on a historical cost basis, except for derivative financial instruments, which are stated at their fair values.

(c) Functional and presentation currency

These Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of these Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may materially differ from these estimates. Significant judgments, estimates and assumptions made in these financial statements are outlined in the audited financial statements for the year ended December 31, 2025.

Estimates and their underlying assumptions are reviewed on an ongoing basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

(e) Change in accounting policies

Effective January 1, 2026, the Company adopted amendments to IFRS 9 "Financial instruments and IFRS 7 "Financial instruments: disclosures". These amendments clarify the date of recognition and derecognition of some financial assets and liabilities. The amendments did not have a material impact on the Company's financial statements.

(f) Future accounting pronouncements

IFRS 18 "Presentation and disclosure in financial statements" has been issued which will replace IAS 1 "Presentation of financial statements". The new standard establishes a revised structure for the statements of comprehensive income with the intention to improve comparability across entities. IFRS 18 is effective for annual periods beginning on or after January 1, 2027 and will be applied retrospectively. The Company is currently evaluating the impact of adopting IFRS 18 on the financial statements.

### 3. Financial Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of these risks. Management sets controls to manage such risks and monitors them on an ongoing basis pertaining to market conditions and the Company's activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its payment obligations. This risk arises principally from the Company's receivables from joint operators and oil and natural gas marketers, and reclamation deposits. The credit risk associated with reclamation deposits is minimized substantially by ensuring this financial asset is placed with major financial institutions with strong investment-grade ratings by a primary ratings agency. The credit risk associated with accounts receivable is mitigated as the Company monitors monthly balances to limit the risk

associated with collections. The Company does not anticipate any default. There are no balances over 90 days past due or impaired.

The maximum exposure to credit risk is as follows:

<i>(\$000s)</i>	<b>March 31, 2026</b>	December 31, 2025
Accounts receivable		
Marketing receivables	\$ 10,368	\$ 5,909
Trade receivables	132	169
Receivable from SR&ED credit	994	925
Receivables from joint ventures	16	11
Reclamation deposits	116	116
	<b>\$ 11,626</b>	<b>\$ 7,130</b>

The Company sells the majority of its heavy crude oil production through three marketers and, therefore, is subject to concentration risk which is mitigated by management's policies and practices related to credit risk, as discussed above. The Company's key marketers are global companies with solid reputations, which the Company considers low risk of a collection concern.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

The Company also prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company will also attempt to match its payment cycle with collection of crude oil and natural gas revenues on the 25<sup>th</sup> of each month.

In light of the volatility in oil and gas prices and uncertainty regarding the timing for recovery in such prices, as well as pipeline and transportation capacity constraints, management's ability to prepare financial forecasts is challenging. The economic climate may lead to adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company's liquidity and ability to generate profits in the future.

At March 31, 2026, the Company had working capital (a non-IFRS measure calculated as current assets, less current liabilities, excluding the derivative financial instruments, lease and decommissioning obligations, and including any bank debt) of \$13.9 million (December 31, 2024 - \$8.6 million). The Company funds its operations through operating cash flows and a committed \$35.0 million two-year renewable term credit facility at ATB Financial (see Note 10).

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, other prices and interest rates will affect the value of the financial instruments. Market risk is comprised of interest rate risk, foreign currency risk, commodity price risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Borrowings under the Company's Credit Facility are subject to variable interest rates. A one percent change in interest rates would have a minimal effect on net income.

(ii) Foreign currency risk

The Company's functional and reporting currency is Canadian dollars. The Company does not sell or transact in any foreign currency; except i) the Company's commodity prices are largely denominated in USD, and as a result the prices that the Company receives are affected by fluctuations in the exchange rates between the USD and the Canadian dollar. The exchange rate effect cannot be quantified, but generally an increase in the value of the Canadian dollar compared to the USD will reduce the prices received by the Company for its crude oil and natural gas sales.

(iii) Commodity price risk

Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the levels of supply and demand, as well as the relationship between the Canadian dollar and the USD. Significant changes in commodity prices may materially impact the Company's cash flow from operations and ability to raise capital.

(iv) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

#### 4. Capital Management

The Company manages its capital with the following objectives:

- (a) To ensure sufficient financial flexibility to achieve the Company's ongoing business objectives including the replacement of production, funding of future growth opportunities and pursuit of accretive acquisitions; and

- (b) To maximize shareholder return through enhancing the Company's share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The capital structure of the Company is comprised of working capital, shareholders' equity, and bank debt. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, and issuing new debt instruments, or other financial or equity-based instruments, adjusting capital spending, or disposing of assets. The capital structure is reviewed on an ongoing basis. There were no changes to capital management during the year.

## 5. Revenue

The Company sells its production pursuant to variable-price contracts. The transaction price for variable-price contracts is based on a benchmark commodity price, adjusted for quality, location or other factors whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contracts, the Company is required to deliver variable volumes of heavy oil, natural gas or natural gas liquids to the contract counterparty.

Production revenue is recognized when the Company gives up control of the unit of production at the delivery point agreed to under the terms of the contract. The amount of production revenue recognized is based on the agreed transaction price and the volumes delivered. Any variability in the transaction price relates specifically to the Company's efforts to transfer production and therefore the resulting revenue is allocated to the production delivered in the period to which the variability relates. The Company does not have any factors considered to be constraining in the recognition of revenue with variable pricing factors. Production revenues are normally collected on the business day nearest the 25th day of the month following production.

The Company's production revenues were primarily generated from its core area of the Mannville oil play in Atlee Buffalo, southeast Alberta. The Company's customers are oil and natural gas marketers and joint operations partners in the oil and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by management's policies and practices related to credit risk as discussed in Note 3(a). As at March 31, 2026, production revenue sold to customers was comprised of five marketers which account for \$10.4 million of the accounts receivable balance.

The following table presents the Company's total revenues disaggregated by revenue source:

(\$000s)	Three Months Ended March 31	
	2026	2025
Heavy crude oil	\$ 25,355	\$ 27,319
Conventional natural gas	48	20
<b>Total</b>	<b>\$ 25,403</b>	<b>\$ 27,339</b>

## 6. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the Company's exploration projects, which are pending the determination of proved and probable oil and gas reserves. A transfer from exploration and evaluation assets to property and equipment is made when reserves are assigned, or the exploration project has been completed. For the three months ended March 31, 2026, the Company recognized exploration and evaluation expense of \$47 thousand (December 31, 2025 - \$148 thousand).

<b>Cost</b>	
<i>(\$000s)</i>	
Balance at December 31, 2024	\$ 3,389
Additions	2,214
Exploration and evaluation expense	(148)
Transfer to property and equipment	(356)
Balance at December 31, 2025	\$ 5,099
Additions	205
Exploration and evaluation expense	(47)
<b>Balance at March 31, 2026</b>	<b>\$ 5,257</b>

At March 31, 2026, the Company performed an assessment of potential impairment indicators on its exploration and evaluation assets, and management determined that no impairment test was required.

## 7. Property and Equipment

<b>Cost</b>	<b>Petroleum and</b>		<b>Right of Use and</b>		
<i>(\$000s)</i>	<b>Natural Gas</b>		<b>Other Assets</b>		<b>Total</b>
Balance at December 31, 2024	\$ 172,412	\$ 6,848	\$	179,260	
Additions right-of-use assets	-	69	-	69	
Additions property and equipment	13,941	96	-	14,037	
Decrease in decommissioning obligations (Note 8)	(401)	-	-	(401)	
Capitalized share-based compensation	512	-	-	512	
Transfer from exploration and evaluation assets (Note 6)	356	-	-	356	
Balance at December 31, 2025	\$ 186,820	\$ 7,013	\$	193,833	
Additions right-of-use assets	-	-	-	-	
Additions property and equipment	2,884	-	-	2,884	
Capitalized share-based compensation	100	-	-	100	
<b>Balance at March 31, 2026</b>	<b>\$ 189,804</b>	<b>\$ 7,013</b>	<b>\$</b>	<b>196,817</b>	
<b>Accumulated Depletion, Depreciation, Amortization and Impairment Losses</b>					
Balance at December 31, 2024	\$ 91,226	\$ 2,886	\$	94,112	
Depletion and depreciation for the year	10,529	1,059	-	11,588	
Balance at December 31, 2025	\$ 101,755	\$ 3,945	\$	105,700	
Depletion and depreciation for the period	2,953	263	-	3,216	
<b>Balance at March 31, 2026</b>	<b>\$ 104,708</b>	<b>\$ 4,208</b>	<b>\$</b>	<b>108,916</b>	
<b>Net Book Value</b>					
December 31, 2025	\$ 85,065	\$ 3,068	\$	88,133	
<b>March 31, 2026</b>	<b>\$ 85,096</b>	<b>\$ 2,805</b>	<b>\$</b>	<b>87,901</b>	

The Company's additions for property and equipment included capitalized general and administrative expenses of \$323 thousand for the three months ended March 31, 2026 (year ended December 31, 2025 - \$1.5 million).

The calculation of depletion at March 31, 2026 includes estimated future development costs of \$53.0 million (year ended December 31, 2025 - \$53.0 million) associated with the development of the Company's Proved plus Probable reserves.

At March 31, 2026, the Company performed an assessment of potential impairment or reversal indicators on each of its Cash Generating Units ("CGU"), and management determined that there were no indicators of impairment or reversal identified. As such, no impairment test on its petroleum and natural gas assets was required.

At December 31, 2025, the Company performed an assessment of potential impairment or reversal indicators on each of its CGU, and management determined that there were no indicators of impairment or reversal identified. As such, no impairment test on its petroleum and natural gas assets was required.

## 8. Decommissioning Obligations

The Company's decommissioning obligation is estimated based on its net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years. The Company uses Alberta Energy Regulator guidelines for determining abandonment and reclamation estimates.

The Company estimates the total undiscounted and uninflated amount of cash flows required to settle its decommissioning obligations as at March 31, 2026 is \$7.9 million (December 31, 2025 - \$7.9 million), and \$12.5 million with inflation (December 31, 2025 - \$12.5 million). These payments are expected to be made over the next 37 years.

The discount factor, being the risk-free rate related to the liability, is 3.80% (December 31, 2025 – 3.80%). Inflation of 2.00% (December 31, 2025 – 2.00%) has also been factored into the calculation of amounts in the table below. The Company also has \$116 thousand (December 31, 2025 - \$116 thousand) in various reclamation bonds for its properties held by the Alberta Energy Regulator and British Columbia Ministry of Energy, Mines and Petroleum Resources.

<i>(\$000s)</i>	<b>Three Months Ended March 31, 2026</b>	Year Ended December 31, 2025
Decommissioning obligations at beginning of period	\$ 5,389	\$ 5,998
Increase in estimated future obligations	-	245
Change in estimate	-	(647)
Payment of decommissioning obligations	(13)	(405)
Accretion expense	44	198
Decommissioning obligations at end of period	\$ 5,420	\$ 5,389
Current portion	158	158
Long-term portion	5,262	5,231

## 9. Finance Expense

<i>(\$000s)</i>	Note	<b>Three Months Ended March 31 2026</b>	2025
Finance expense:			
Loan interest and fees		\$ 139	\$ 113
Lease interest		49	64
Interest income		(85)	(111)
Accretion of decommissioning liabilities	8	44	49
Total finance expense		\$ 147	\$ 115

## 10. Bank Debt

On July 27, 2021, the Company entered into a two-year committed and extendible term facility with a Canadian Bank (the "Lender") providing for borrowings of up to \$35.0 million (the "Credit Facility").

The Credit Facility has a renewed term date of July 31, 2026. The facility is extendible at the new term date and on an annual basis for an additional 365 days upon request of the Company. The Credit Facility is secured by a floating charge debenture and a general security agreement on the assets of the Company.

At March 31, 2026, the Company had drawn \$nil on the Credit Facility. There are standard reporting covenants under the Credit Facility and a financial covenant for the Company to maintain working capital above a ratio of 1.00 to 1.00. Working capital for the covenant is defined as current assets, less current liabilities, excluding the derivative financial instruments, plus the undrawn amount available under the Credit Facility. The Company met these standard reporting covenants as well as the financial covenant, with a working capital ratio of 6.76 to 1.00 as at March 31, 2026.

Under the Credit Facility, advances can be drawn as prime rate loans and bear interest at the bank's prime lending rate plus interest rates between 2.50% and 3.50%. Advances may also be drawn as guaranteed notes/banker's acceptances and letters of credit, subject to Canadian interest benchmark rates plus margins ranging from 3.50% to 4.50%. Standby fees are charged on the undrawn portion of the Credit Facility at rates ranging from 0.875% to 1.125%. These interest rates, fees and margins vary based on adjusted debt to earnings metrics determined at each quarter-end for the preceding 12 months.

The next semi-annual renewal of the available lending limit of the Credit Facility is scheduled for review by July 31, 2026 and is based on the Lender's interpretation of the Company's reserves and future commodity prices. There can be no assurance that the amount or terms of the Credit Facility will not be adjusted at the next semi-annual review. Should the Lender reduce the Credit Facility's borrowing base below the amount drawn at the time of the redetermination, the Company would have 45 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the redetermined borrowing base. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is compliant with all covenants, representations, and warranties.

## 11. Lease Liabilities

The Company has lease liabilities for contracts related to financing facilities, surface leases, vehicles, field operating equipment and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The following table summarizes lease liabilities at March 31, 2026:

<i>(\$000s)</i>	
Balance at December 31, 2024	\$ 3,795
Lease additions (Note 7)	69
Interest expense	236
Lease payments	(1,135)
Balance at December 31, 2025	\$ 2,965
Lease additions (Note 7)	-
Interest expense	49
Lease payments	(277)
<b>Balance at March 31, 2026</b>	<b>\$ 2,737</b>
Current portion	\$ 872
Long-term portion	1,865

## 12. Share Capital

### (a) Authorized

Unlimited number of common shares without par value.

### Issued and outstanding

As at March 31, 2026 and December 31, 2025, the Company had the following common shares issued and outstanding:

<b>Common Shares</b>	<b>Shares</b>	<b>Value</b> <i>(\$000s)</i>
Balance at December 31, 2024	97,389,735	\$ 60,165
Shares repurchased and cancelled (NCIB)	(3,487,300)	(6,544)
Tax on NCIB repurchase	-	(110)
Shares issued for stock option exercises	579,267	163
Transfer on stock option exercise	-	592
<b>Balance at December 31, 2025</b>	<b>94,481,702</b>	<b>\$ 54,266</b>
Shares repurchased and cancelled (NCIB)	(457,600)	(973)
Shares issued for stock option exercises	303,802	-
Transfer on stock option exercise	-	756
<b>Balance at March 31, 2026</b>	<b>94,327,904</b>	<b>\$ 59,049</b>

On July 14, 2025, the Company renewed its NCIB to purchase and cancel, from time to time, up to 7,934,731 common shares of the Company until July 13, 2026.

In the three months ended March 31, 2026, the Company purchased and cancelled 457,600 shares under the NCIB for \$973 thousand at an average cost of \$2.13 per share.

In the three months ended March 31, 2026, the Company issued 303,802 shares from the cashless exercises of 725,000 stock options under the Company's Stock Option Plan, at an average exercise price of \$1.25 per share.

### (b) Share-Based Compensation

Share-based compensation expense is summarized in the following table:

<i>(\$000s)</i>	<b>Three Months Ended March 31</b>	
	<b>2026</b>	<b>2025</b>
Stock options vested	\$ 9	\$ 8
RSUs <sup>(1)</sup>	1,168	-
Capitalized costs <sup>(1)</sup>	(100)	-
<b>Total share-based compensation</b>	<b>\$ 1,077</b>	<b>\$ 8</b>

Note:

(1) Inclusive of any dividend reinvestment and fair value remeasurement.

### Stock options

The Company has a stock option plan in place and is authorized to grant stock options to officers, directors, employees and consultants whereby the aggregate number of shares reserved for issuance may not exceed 10% of the issued shares at the time of grant and 5% of

the issued shares to each optionee. Stock options are non-transferable and have a maximum term of ten years. Stock options terminate no later than 90 days upon termination of employment or employment contract and one year in the case of retirement, death or disability. The grant price is determined using the closing price of the Company's shares from the day prior to the grant.

Details of the Company's stock options as at March 31, 2026 are as follows:

Exercise Price	Grant Date	Expiry Date	Balance Outstanding Dec. 31, 2025	Changes in the Period			Balance Outstanding Mar. 31, 2026	Balance Exercisable Mar. 31, 2026
				Granted	Exercised	Expired/Cancelled		
\$0.91	17-Dec-21	17-Dec-31	793,600	-	(100,000)	-	693,600	693,600
\$1.41	17-Mar-22	17-Mar-32	50,000	-	(50,000)	-	-	-
\$1.30	14-Dec-22	14-Dec-32	2,550,000	-	(475,000)	-	2,075,000	2,075,000
\$1.25	11-Sep-23	11-Sep-33	50,000	-	-	-	50,000	50,000
\$1.27	15-Dec-23	15-Dec-28	1,606,000	-	(100,000)	-	1,506,000	1,506,000
\$1.84	13-Dec-24	13-Dec-29	48,000	-	-	-	48,000	48,000
\$2.01	15-Dec-25	15-Dec-30	48,000	-	-	-	48,000	12,000
			5,145,600	-	(725,000)	-	4,420,600	4,384,600
Weighted-average exercise price per share			\$1.24	-	\$1.25	-	\$1.24	\$1.24

Share-based payments are non-cash expenses which reflect the estimated value of stock options issued to directors, employees, and consultants of the Company. For the three months ended March 31, 2026, the Company recorded total share-based compensation of \$9 thousand, for stock options that vested, compared to \$8 thousand for the same period in 2025.

### Restricted Share Units

The Company has a Restricted Share Unit Plan ("RSU Plan") in place and is authorized to grant RSUs to directors, officers, employees and consultants of the Company. The aggregate number of common shares reserved for issuance under the RSU Plan is in combination with the shares reserved for issuance under the Company's Stock Option Plan and may not exceed 10% of the issued and outstanding shares of the Company. One-third of the granted RSUs will vest on each of the first, second and third anniversaries from the date of grant, unless otherwise determined by the Board of Directors of the Company. Awards are adjusted for dividends declared, with an adjustment to the notional number of common shares underlying each RSU for each dividend record date following the issue date of the RSU. The adjustment ratio for the awards was set a 1.0 at issuance of the RSUs, and has been adjusted to 1.06 as at March 31, 2026 for the subsequent dividends declared.

The RSU Plan allows for cash settlement of the RSUs and accordingly the Company has recorded share-based compensation liabilities for the RSUs.

Details of the RSUs as at March 31, 2026 are as follows:

<b>RSU Units</b>	
Balance at beginning of period	2,086,000
Granted during the period	30,000
Vested during the period	-
<b>Balance at March 31, 2026</b>	<b>2,116,000</b>

<b>RSU Liability</b>	
<i>(\$000s)</i>	
Balance at December 31, 2024	\$ -
Issuance value	1,487
Increase in liability/fair value adjustment <sup>(1)</sup>	231
Vested during the year	(921)
Balance at December 31, 2025	\$ 797
Issuance value	576
Increase in liability/fair value adjustment <sup>(1)</sup>	592
Vested during the period	-
<b>Balance at March 31, 2026</b>	<b>\$ 1,965</b>
Current portion	\$ 1,145
Long-term portion	820

Note:

1) Includes dividend adjustment.

**(c) Income per share**

<i>(\$000s, except per share amounts)</i>	<b>Three Months Ended March 31</b>	
	<b>2026</b>	<b>2025</b>
Net income for the period	\$ 7,866	\$ 8,942
Weighted average number of common shares outstanding, basic	<b>94,309,340</b>	97,100,296
Dilutive stock options	<b>1,997,915</b>	1,901,024
Weighted average number of common shares outstanding, diluted	<b>96,307,255</b>	99,004,320
Income per share, basic and diluted	\$ <b>0.08</b>	\$ 0.09

In computing the weighted-average shares outstanding for the three months ended March 31, 2026, the Company included 1,997,915 dilutive stock options. For the comparable period in 2025, the Company included 1,901,024 dilutive stock options.

**(d) Dividends**

During the three months ended March 31, 2026, the Company paid the following dividends to shareholders in accordance with the Company's dividend policy:

<b>Dividend type</b>	<b>Payment date</b>	<b>Dividend price per share</b>	<b>Dividends paid</b>
			<i>(\$000s)</i>
Quarterly Base	Feb. 26, 2026	\$0.025	\$2,358

### 13. Commitments

(\$000s)	2026	2027	2028	2029	2030+	Total
Office & equipment leases	\$ 54	30	-	-	-	84
Surface leases	20	26	26	23	237	332
Production equipment leases	748	997	942	28	-	2,715
	\$ 822	1,053	968	51	237	3,131

### 14. Supplemental Cash Flow Information

(\$000s)	Three Months Ended March 31	
	2026	2025
Provided by (used in):		
Accounts receivable	\$ (4,496)	\$ 629
Prepaid expenses	(262)	(244)
Accounts payable and accrued liabilities	3,461	(2,048)
Current tax provision	(16,085)	2,907
Total changes in non-cash working capital	\$ (17,382)	\$ 1,244
Provided by (used in):		
Operating activities	\$ (17,998)	\$ 3,503
Investing activities	616	(2,259)
Total changes in non-cash working capital	\$ (17,382)	\$ 1,244

Interest paid, including bank fees, on the Company's debts during the three months ended March 31, 2026 was \$139 thousand, compared to \$113 thousand for the same period in 2025.

### 15. Subsequent Events

- a) Subsequent to March 31, 2026, the Company issued 89,205 shares from the cashless exercises of 168,000 stock options under the Company's Stock Option Plan, at an average exercise price of \$1.29 per share.
- b) Subsequent to quarter-end, the Company purchased and cancelled an additional 30,000 shares under the NCIB for \$76 thousand at an average cost of \$2.52 per share.
- c) The Company paid a special dividend of \$0.03 per share to shareholders of record on April 15, 2026 for total payment of \$2.8 million on April 28, 2026.
- d) On April 15, 2026, the Company announced its Board of Directors approved a special dividend of \$0.03 per share to the Company's shareholders of record on May 14, 2026 for payment on May 28, 2026.
- e) On May 12, 2026, the Company's Board of Directors approved a quarterly base dividend of \$0.025 per share be paid on June 26, 2026 to shareholders of record on June 12, 2026.



## OFFICERS

**Don Simmons, P.Geol.**  
*President & Chief Executive Officer*

**Dorlyn Evancic, CPA**  
*Chief Financial Officer*

**Ian Duncan, P.Eng.**  
*Chief Operating Officer*

**Ashley Ramsden-Wood, P.Eng.**  
*Chief Development Officer*

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