

Hemisphere Energy Announces Record Third Quarter 2019 Financial and Operating Results and Significant Corporate Growth

Vancouver, British Columbia--(Newsfile Corp. - November 14, 2019) - Hemisphere Energy Corporation (TSXV: HME) ("Hemisphere" or the "Company") announces its financial and operating results for the three months and nine months ended September 30, 2019.

Q3 2019 HIGHLIGHTS

- Achieved record revenue of \$8.2 million, a 40% increase over the third quarter of 2018.
- Realized record quarterly funds flow from operations of \$3.6 million, a 157% increase over the third quarter of 2018.
- Increased average quarterly production to a record 1,738 boe/d (96% oil), a 51% increase as compared to the third quarter of 2018.
- Increased operating netback by 31% to \$30.64/boe, as compared to the third quarter of 2018.
- Reduced operating and transportation costs by 13% to \$11.82/boe, as compared to the third quarter of 2018.
- Reduced net general and administration costs by 18% to \$3.02/boe, as compared to the third quarter of 2018.
- Completed an 11 well drilling program and facility upgrades with \$6.4 million in capital expenditures.
- Repurchased and canceled 475,000 shares under the Company's Normal Course Issuer Bid ("NCIB").
- Increased Hemisphere's corporate Liability Management Ratio (LMR) with the Alberta Energy Regulator to 9.77 as of September 2019.

CORPORATE UPDATE

Hemisphere delivered both financial and operational success during the third quarter of 2019 as the Company completed its summer development program with \$6.4 million in capital expenditures. The drilling program included 11 new wells in the Atlee Buffalo G pool that were placed on production through the third quarter with results exceeding internal expectations. Corporate production in October 2019 averaged approximately 2,200 boe/d, an increase of more than 25% over Hemisphere's third quarter average production rate. The Company also invested in facilities, infrastructure, and pipelines to handle additional production from the drilling program.

Hemisphere achieved a solid financial quarter with record revenue of \$8.2 million and record funds flow from operations of \$3.6 million. Despite a lower oil price environment the Company's operating netback was \$30.64/boe, which is largely due to low operating and transportation costs of \$11.82/boe. Through the quarter, Hemisphere continued to decrease its per barrel corporate costs and brought its general and administration costs down to \$3.02/boe.

Over the past two years Hemisphere has executed a low risk growth plan through development of its oil assets in the Atlee Buffalo area of southeast Alberta. Management has consistently delivered production and reserve growth with efficient operations through times of significant volatility in commodity prices. This has positioned Hemisphere to focus on deleveraging while continuing to develop its asset base.

Hemisphere intends to keep its capital expenditures within corporate cash flow with additional funds anticipated to be used to pay down debt and purchase shares under Hemisphere's previously announced NCIB. The Company has acquired and canceled 729,500 shares to date under the NCIB and is now in a position to focus on improving its debt metrics, while continuing to optimize new production, further reduce per barrel operating and corporate costs, and move forward its 2020 development program.

Q3 2019 FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
OPERATING				
Average daily production				
Oil (bbl/d)	1,670	1,106	1,440	977
Natural gas (Mcf/d)	404	255	329	257
NGL (bbl/d)	1	1	1	2
Combined (boe/d)	1,738	1,150	1,496	1,021
Oil and NGL weighting	96%	96%	96%	96%
Average sales prices				
Oil (\$/bbl)	\$ 53.21	\$ 57.19	\$ 55.63	\$ 55.26
Natural gas (\$/Mcf)	0.80	1.31	1.74	1.55
NGL (\$/bbl)	55.62	56.07	43.79	57.55
Combined (\$/boe)	\$ 51.34	\$ 55.36	\$ 53.96	\$ 53.33
Operating netback (\$/boe)				
Petroleum and natural gas revenue	\$ 51.34	\$ 55.36	\$ 53.96	\$ 53.33
Royalties	6.95	11.22	7.07	9.67
Operating costs	9.37	11.06	10.51	12.17
Transportation costs	2.45	2.47	2.49	2.67
Operating field netback ⁽¹⁾	32.57	30.62	33.88	28.83
Realized commodity hedging loss	1.93	7.19	3.03	8.15
Operating netback ⁽²⁾	\$ 30.64	\$ 23.43	\$ 30.85	\$ 20.67

FINANCIAL

Petroleum and natural gas revenue	\$	8,207,658	\$	5,856,762	\$	22,039,005	\$	14,869,598
Operating field netback ⁽¹⁾		5,206,704		3,239,216		13,838,732		8,037,033
Operating netback ⁽²⁾		4,898,805		2,478,636		12,600,470		5,763,569
Cash flow provided by (used in) operating activities		3,803,907		2,192,827		6,966,814		1,998,995
Funds flow from operations ⁽³⁾		3,558,673		1,387,469		8,753,556		2,738,280
Per share, basic and diluted		0.04		0.02		0.10		0.03
Net income (loss)		2,854,615		(236,344)		4,777,972		(4,878,900)
Per share, basic and diluted		0.03		(0.00)		0.05		(0.05)
Capital expenditures		6,386,377		9,185,090		9,978,618		14,588,032
Net debt ⁽⁴⁾		35,934,983		31,207,369		35,934,983		31,207,369
Gross term Loan ⁽⁵⁾	\$	34,426,600	\$	28,241,400	\$	34,426,600	\$	28,241,400

Notes:

(1) Operating field netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs on an absolute and per barrel of oil equivalent basis.

(2) Operating netback is a non-IFRS measure calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) on an absolute and per barrel of oil equivalent basis.

(3) Funds flow from operations is a non-IFRS measure that represents cash generated by operating activities, before changes in non-cash working capital and may not be comparable to measures used by other companies.

(4) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including term loan or bank indebtedness and excluding fair value of financial instruments.

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

About Hemisphere Energy Corporation

Hemisphere Energy Corporation is a producing oil and gas company focused on developing low risk conventional oil assets for minimal capital exposure through developing known pools of oil and optimizing waterflood projects. Hemisphere plans continual growth in production, reserves, and cash flow by drilling existing projects and executing strategic acquisitions. Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME".

For further information, please visit our website at www.hemisphereenergy.ca to see our presentation or contact:

Don Simmons, President & Chief Executive Officer

Telephone: (604) 685-9255

Email: simmons@hemisphereenergy.ca

Forward-looking Statements

Certain statements included in this news release constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular, but without limiting the generality of the foregoing, this news release includes forward-looking statements regarding Hemisphere's plans to keep its 2019 capital expenditures within corporate cash flow and Hemisphere's plans for the use and allocation of any additional funds; and Hemisphere's plans to focus on improving its debt metrics, optimize new production, reduce per barrel operating and corporate costs, and to move forward its 2020 development program and Hemisphere's plans for continual growth in production, reserves, and cash flow by drilling existing projects and executing strategic acquisitions.

Forward looking statements are based on a number of material factors, expectations, or assumptions of Hemisphere which have been used to develop such statements and information but which may prove to be incorrect. Although Hemisphere believes that the expectations reflected in such forward looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because Hemisphere can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: that Hemisphere will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities are consistent with past operations; the quality of the reservoirs in which Hemisphere operates and continued performance from existing wells; the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Hemisphere's reserve volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund Hemisphere's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Hemisphere operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Hemisphere to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Hemisphere has an interest in to operate the field in a safe, efficient and effective manner; the ability of Hemisphere to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through

acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Hemisphere to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Hemisphere operates; and the ability of Hemisphere to successfully market its oil and natural gas products.

The forward looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Hemisphere's products, the early stage of development of some of the evaluated areas and zones; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Hemisphere or by third party operators of Hemisphere's properties, increased debt levels or debt service requirements; inaccurate estimation of Hemisphere's oil and gas reserve volumes; limited, unfavourable or a lack of access to capital

markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Hemisphere's public disclosure documents, (including, without limitation, those risks identified in this news release and in Hemisphere's Annual Information Form).

The forward looking information and statements contained in this news release speak only as of the date of this news release, and Hemisphere does not assume any obligation to publicly update or revise any of the included forward looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS Measures

The press release contains terms that are non-IFRS measures and commonly used in the oil and gas industry which are not defined by or calculated in accordance with International Financial Reporting Standards ("IFRS"), such as: (i) funds flow from operations and funds flow from operations on a per share basis; (ii) net debt; and (iii) operating netback, operating netback per boe, operating field netback and operating field netback per boe. These terms should not be considered an alternative to, or more meaningful than the comparable IFRS measures (as determined in accordance with IFRS) which in the case of funds flow from operations is cash provided by operating activities and cash flow from operating activities and in the case of operating field netback and operating netback are net income or net loss. There is no IFRS measure that is reasonably comparable to net debt. These measures are commonly used in the oil and gas industry and by Hemisphere to provide shareholders and potential investors with additional information regarding: (i) in the case of funds flow from operations and funds flow from operations per share, the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt; (ii) in the case of operating netback, operating netback per boe, operating field netback and operating field netback per boe, the indication of the Company's profitability relative to current commodity prices; and (iii) in the case of net debt, the capital structure of the Company.

Hemisphere's determination of these measures may not be comparable to those measures reported by other companies. Funds flow from operations is calculated as cash generated by operating activities, before changes in non-cash working capital; funds flow from operations per share is calculated as funds flow from operations divided by the applicable number of diluted or fully-diluted shares of the Company outstanding; operating field netback is calculated as the Company's oil and gas sales, less royalties, operating expenses, and transportation costs; operating field netback per boe is calculated as operating field netback divided by production for the applicable period on a per barrel of oil equivalent basis; operating netback and operating netback per boe adjusts operating field netback and operating field netback per boe, respectively, for any realized gains or losses on commodity hedges, and net debt is calculated as current assets minus current liabilities including bank indebtedness and excluding fair value of financial instruments and any flow-through share premium. The Company has provided additional information on how these measures are calculated in the Management's Discussion and Analysis for the year ended December 31, 2018, which is available under the Company's SEDAR profile at www.sedar.com.

Oil and Gas Advisories

A barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Definitions and Abbreviations

bbl	barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	Mcf/d	thousand cubic feet per day
\$/bbl	dollar per barrel	\$/Mcf	dollar per thousand cubic feet
boe	barrel of oil equivalent	NGL	natural gas liquids
boe/d	barrel of oil equivalent per day	IFRS	International Financial Reporting Standards
\$/boe	dollar per barrel of oil equivalent	WTI	West Texas Intermediate Oil price
WCS	Western Canada Select Oil Price		

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

To view the source version of this press release, please visit <https://www.newsfilecorp.com/release/49730>