Q3 2022

Hemisphere ENERGY

TSX-V: HME OTCQX:HMENF - www.hemisphereenergy.ca

Q3 2022 HIGHLIGHTS

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

CORPORATE UPDATE

During the third quarter of 2022, Hemisphere recorded almost $24 million in revenue and its third highest ever adjusted funds flow from operations (AFF)[1] of $10.6 million. Hemisphere also spent $4.6 million on drilling operations and facility improvements, paid off its bank debt, and distributed $2.6 million of dividends to its shareholders.

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

QUARTERLY DIVIDEND

With the Company realizing free funds flow[1] of $6 million in the quarter, Hemisphere's board of directors has approved a quarterly dividend of $0.025 per share, to be paid November 30, 2022 to shareholders of record as of the close of business on November 23, 2022. The dividend is designated as an eligible dividend for income tax purposes.

[1] *See "Non-IFRS and Other Financial Measures".*

2022 FINANCIAL AND OPERATING HIGHLIGHTS

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

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

	Nine months ended September 30 **2022**	2021
SHARE CAPITAL		
Common shares outstanding	**103,110,139**	88,229,802
Stock options outstanding	**3,000,000**	6,444,000
Warrants outstanding	**-**	13,750,000
Fully Diluted	**106,110,139**	108,423,802
Weighted-average shares outstanding – basic	**98,236,537**	87,892,439
Weighted-average shares outstanding – diluted	**99,912,083**	93,050,371

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated as at November 17, 2022

The following Management's Discussion and Analysis ("MD&A") is a review of the operations and current financial position for the three and nine months ended September 30, 2022 for Hemisphere Energy Corporation ("Hemisphere" or the "Company") and should be read in conjunction with the unaudited interim condensed financial statements and related notes for the three and nine months ended September 30, 2022, and the audited annual financial statements and related notes for the year ended December 31, 2021. These documents and additional information relating to the Company, including the Company's Annual Information Form, are available on SEDAR at www.sedar.com or the Company's website at www.hemisphereenergy.ca.

The information in this MD&A is based on the unaudited interim condensed financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of unaudited interim condensed 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 additional IFRS 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 produces oil and natural gas from its Atlee Buffalo and Jenner properties in southeast Alberta. The Company is headquartered in Vancouver, British Columbia and is traded on the TSX Venture Exchange under the symbol "HME" and on the OTCQX Best Market under the symbol "HMENF".

Atlee Buffalo, Alberta

The Company owns and operates all of its wells in the Atlee Buffalo area. The property is accessible year-round and is located north of Medicine Hat in southeastern Alberta. Hemisphere has a 100% working interest in 9,480 net acres.

Jenner, Alberta

Hemisphere owns and operates all of its wells and has a land position of 7,649 net acres in the Jenner area. The property is accessible year-round and is located 25 kilometers west of the Company's Atlee Buffalo property in southeastern Alberta.

Operating Results

The Company generated adjusted funds flow from operations[1] (AFF) of $10.6 million ($0.10/share) during the third quarter of 2022, as compared to $4.0 million ($0.04/diluted share) during the third quarter of 2021. AFF for the nine months ended September 30, 2022 increased to $35.7 million ($0.36/share) from

[1] *Non-IFRS and other financial measure. Refer to "Non-IFRS and Other Financial Measures" section of the MD&A.*

$12.3 million ($0.13/diluted share) for the same period in 2021. The increase in AFF from operations for three months and nine months ended September 30, 2021 is due primarily to a respective 32% and 65% increase in the combined average realized sales price, and a 72% and 64% increase in production, over the respective comparable periods in 2021.

For the three and nine months ended September 30, 2022, the Company reported net income of $9.3 million ($0.09/share) and $18.1 million ($0.18/share), respectively, compared to net income of $2.3 million ($0.03/basic share and $0.02/diluted share) and $0.5 million ($0.01/share) for the three and nine months ended September 30, 2021. This increase of $17.6 million in the first nine months of 2022 is generally the result of an increase in operating field netback of $29.5 million, offset by an increase in depletion of $2.7 million and current and deferred tax expenses of $1.3 million and $6.1 million.

Production

	Three Months Ended September 30		Nine Months Ended September 30	
By product:	**2022**	2021	**2022**	2021
Oil (bbl/d)	**2,838**	1,652	**2,774**	1,683
Natural gas (Mcf/d)	**189**	110	**165**	124
Total (boe/d)	**2,870**	1,671	**2,801**	1,704
Oil weighting	**99%**	99%	**99%**	99%

In the third quarter of 2022, the Company's average daily production was 2,870 boe/d (99% oil) representing a 72% increase from 1,671 boe/d (99% oil) over the comparable quarter in 2021. For the nine months ended September 30, 2022, the Company's average daily production was 2,801 boe/d (99% oil), representing a 64% increase from 1,704 boe/d (99% oil) for the same period in 2021. This increase is mainly attributed to the success of Hemisphere's enhanced oil recovery projects, as well as the addition of three new wells in the Atlee G pool in the fourth quarter of 2021 and four new wells brought on production in the Atlee F pool during the first quarter of 2022, plus 3 new G wells and two well reentries in the F pool this summer.

Average Benchmark and Realized Prices

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Benchmark prices				
WTI ($US/bbl)(1)	**$ 91.56**	$ 70.56	**$ 98.09**	$ 64.81
Exchange rate (1 $US/$C)	**1.3058**	1.2595	**1.2827**	1.2509
WTI ($C/bbl)	**119.55**	88.88	**125.82**	81.07
WCS Diff ($C/bbl)	**26.02**	17.10	**20.27**	15.68
WCS ($C/bbl)(2)	**93.53**	71.77	**105.55**	65.39
AECO natural gas ($US/Mcf)(3)	**4.46**	3.58	**5.49**	3.27
Average realized prices				
Crude oil ($C/bbl)	**90.39**	68.39	**101.57**	61.60
Natural gas ($C/Mcf)	**3.98**	3.47	**5.10**	3.07
Combined ($C/boe)	**$ 89.66**	$ 67.87	**$ 100.87**	$ 61.08

Notes:
(1) Represents posting prices of West Texas Intermediate Oil.
(2) Represents posting prices of Western Canadian Select.
(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-adjusted for transportation, quality and the currency conversion rates from United States dollar ("USD") to Canadian dollar.

The Company's combined average realized price increased by 32% to $89.66/boe from $67.87/boe during the comparable three months ended September 30, 2021. The Company's combined average realized price increased by 65% from $61.08/boe to $100.87/boe during the nine months ended September 30, 2022. This increase is the result of a higher realized WTI price, offset by increases of $8.92/bbl and $4.59/bbl respectively in the differential between the WCS and WTI pricing for the three and nine month ended September 30, 2022 over the comparable periods in 2021.

As at the date of this MD&A, the Company held derivative commodity contracts as follows:

Product	Type	Volume	Price	Index	Term
Crude oil	Swap	200 bbl/d	US$13.80	WCS Differential	Jun. 1, 2022 – Dec. 31, 2022
Crude oil	Swap	200 bbl/d	US$21.00	WCS Differential	Aug. 1, 2022 – Dec. 31, 2022
Crude oil	Swap	200 bbl/d	US$21.00	WCS Differential	Aug. 1, 2022 – Dec. 31, 2022
Crude oil	Put Spread	125 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$2.15/bbl	WTI-NYMEX	Sep. 1, 2022 – Dec. 31, 2022
Crude oil	Put Spread	275 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$3.75/bbl	WTI-NYMEX	Oct. 1, 2022 – Dec. 31, 2022
Crude oil	Sold Call	275 bbl/d	US$100.00(call sell), net premium US$3.75/bbl	WTI-NYMEX	Oct. 1, 2022 – Dec. 31, 2022
Crude oil	3-Way	300 bbl/d	US$50.00(put)/US$60.00(put)/US $85(call)	WTI-NYMEX	Oct. 1, 2022 – Dec. 31, 2022
Crude oil	Put Spread	750 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$2.50/bbl	WTI-NYMEX	Jan. 1, 2023 – Mar. 31, 2023
Crude oil	Put Spread	500 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$2.95/bbl	WTI-NYMEX	Apr. 1, 2023 – Jun. 30, 2023
Crude oil	Put Spread	500 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$3.70/bbl	WTI-NYMEX	Jul. 1, 2023 – Sep. 30, 2023

At September 30, 2022, the commodity contracts were fair valued as a liability of $34 thousand recorded on the balance sheet, and an unrealized gain of $3.1 million for the three month period and $1.3 million for the nine month period ended September 30, 2022, respectively (September 30, 2021 – gain of $0.3 million and loss of $3.0 million respectively).

Revenue

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2022**	2021	**2022**	2021
Oil	**$ 23,603**	$ 10,397	**$ 76,905**	$ 28,304
Natural gas	**69**	35	**230**	104
Total	**$ 23,672**	$ 10,432	**$ 77,135**	$ 28,408

Revenue for the three months ended September 30, 2022 increased by 127% from the comparable period in 2021. For the nine months, revenue increased by 172% over the comparable period in 2021. These increases are primarily due to the respective $21.79/boe and $39.79/boe increases in the Company's combined average realized price, combined with 72% and 64% increases in production over the comparable, respective three and nine month periods in 2022.

Operating Netback

	Three Months Ended September 30		Nine Months Ended September 30	
($000s, except per unit amounts)	**2022**	2021	**2022**	2021
Operating netback				
Revenue	**$ 23,672**	$ 10,432	**$ 77,135**	$ 28,408
Royalties	**(6,386)**	(2,100)	**(20,061)**	(4,773)
Operating costs	**(3,464)**	(1,945)	**(7,927)**	(4,702)
Transportation costs	**(634)**	(353)	**(1,802)**	(1,127)
Operating field netback[1]	**$ 13,188**	$ 6,033	**$ 47,345**	$ 17,806
Realized commodity hedging gain (loss)	**(734)**	(939)	**(6,744)**	(1,835)
Operating netback[1]	**$ 12,455**	$ 5,094	**$ 40,601**	$ 15,971
Operating netback ($/boe)				
Revenue	**$ 89.66**	$ 67.87	**$ 100.87**	$ 61.08
Royalties	**(24.19)**	(13.66)	**(26.23)**	(10.26)
Operating costs	**(13.12)**	(12.66)	**(10.37)**	(10.11)
Transportation costs	**(2.40)**	(2.30)	**(2.36)**	(2.42)
Operating field netback[1]	**$ 49.95**	$ 39.25	**$ 61.91**	$ 38.28
Realized commodity hedging gain (loss)	**(2.78)**	(6.11)	**(8.82)**	(3.94)
Operating Netback[1]	**$ 47.17**	$ 33.14	**$ 53.09**	$ 34.34

Notes:

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

Royalties per barrel for the three and nine months ended September 30, 2022 were $24.19/boe and $26.23/boe, respectively, representing a 77% and 156% increase over the three and nine months ended September 30, 2021. These higher royalties are due primarily to the result of significantly higher realized commodity and par prices year over year and wells being off royalty holiday.

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 September 30, 2022 were $13.12/boe which represents a slight increase of 4% over the same period in 2021. Operating costs for the nine months ended September 30, 2022 were $10.37/boe which represents an increase of 3% over the same period in 2021. This increase is mainly attributed to the start of polymer flood in both of the Company's Atlee Buffalo oil pools in July 2021 and July 2022, respectively, a turnaround at the G-Pool Battery and higher electricity costs at the Jenner Battery in the third quarter of 2022, but is offset on a per boe basis by the 64% increase in production over the same period in 2021, as discussed above.

Transportation costs include all costs incurred to transport emulsion, oil and gas sales to processing and distribution facilities. Transportation costs were $2.40/boe and $2.36/boe for the three and nine month periods ended September 30, 2022. This represents 5% increase and 3% decrease, respectively, over the comparable three and nine month periods in 2021.

Operating netback for the three and nine months ended September 30, 2022 were $47.17/boe and $53.09/boe respectively, 42% and 55% higher than the comparable periods in 2021. This is mainly due to the 32% and 65% increases in the Company's combined average realized prices, plus the 72% and 64% increases in production over the comparable periods in 2021, offset by the higher royalties discussed above, over the comparable three and nine month periods of 2021.

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 September 30, 2022 and 2021 were $20 thousand and $13 thousand respectively. For the nine months ended September 30, 2022 and 2021, exploration and evaluation expenses were $64 thousand and $42 thousand respectively.

Depletion and Depreciation

	Three Months Ended September 30		Nine Months Ended September 30	
($000s, except per boe)	**2022**	2021	**2022**	2021
Depletion expense	**$ 1,817**	$ 1,005	**$ 5,327**	$ 2,976
Depreciation expense	**196**	27	**471**	80
Total	**$ 2,013**	$ 1,032	**$ 5,798**	$ 3,056
$ per boe	**$ 7.62**	$ 6.71	**$ 7.58**	$ 6.57

The depletion rate is calculated using the unit-of-production method on Proved and Probable oil and natural 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 September 30, 2022 increased to $7.62/boe from $6.71/boe for the same period in 2021. For the nine months ended September 30, 2022, depletion and depreciation expenses increased to $7.58/boe from $6.57/boe for the same period in 2021. The increase in depletion expense for the three and nine months ended September 30, 2022 over the comparable periods in 2021 is primarily due to amortization of significantly increased production over a marginally larger reserve base from the Company's December 31, 2021 independent engineer's evaluation report as prepared by McDaniel and Associates Consultants Ltd.

Impairment

At September 30, 2022, the Company performed an assessment of potential impairment or reversal indicators on each of its Cash Generating Units (CGUs), 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 (September 30, 2021 – $nil impairment).

Capital Expenditures

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2022**	2021	**2022**	2021
Land and lease	**$ 17**	$ 84	**$ 209**	$ 91
Geological and geophysical	**359**	169	**967**	491
Drilling and completions	**3,401**	1,790	**8,935**	2,111
Facilities and infrastructure	**821**	1,277	**2,064**	3,583
Total capital expenditures[(1)]	**$ 4,598**	$ 3,320	**$ 12,175**	$ 6,276

Notes:

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

The capital spent during the nine months ended September 30, 2022 included exploration activities as well as development capital relating to several Atlee and Jenner wells drilled this year, as well as facility work to begin polymer injection into the Atlee F pool in July 2021.

General and Administrative

	Three Months Ended September 30		Nine Months Ended September 30	
($000s, except per boe)	**2022**	2021	**2022**	2021
Gross general and administrative	**$ 1,667**	$ 853	**$ 3,680**	$ 2,600
Capitalized general and administrative	**(437)**	(135)	**(926)**	(417)
Total	**$ 1,230**	$ 718	**$ 2,754**	$ 2,183
$ per boe	**$ 4.66**	$ 4.67	**$ 3.60**	$ 4.69

General and administrative ("G&A") expenses increased on an absolute basis by 71% and 26% for the three and nine months ended September 30, 2022, respectively, over the comparable periods in 2021. The G&A costs increased due to higher costs commensurate with the company's growth in the nine months of the year. General and administrative ("G&A") expenses decreased on a per boe basis by $0.01/boe and $1.09/boe, respectively, over the comparable periods in 2021, mainly as a result of the previously discussed 72% and 64% increases in production over the comparable periods in 2021.

The Company capitalizes some general and administrative expenses which can be attributed to costs incurred during the period relating to its development and exploration activities. For the nine months ended September 30, 2022, capitalized general and administrative expenses increased by $509 thousand over the comparable period in 2021. This increase was the result of increased development and exploration activities during the first nine months of 2022, compared to the first nine months of 2021.

Share-based Payments

Share-based payments are non-cash expenses which reflect the estimated value of stock options issued to directors, employees and consultants of the Company. The Company uses a Black & Scholes option pricing model to calculate the fair value of stock option grants where the corresponding expense is recognized over the option vesting period.

There were no stock options granted during the three months ended September 30, 2022.

In May 2022 the Company granted 150,000 stock options at an exercise price of $1.27 to two consultants. The total valuation of the options from grants in the three months ended September 30, 2022, was $172 thousand, all of which was capitalized to property plant and equipment.

In March of 2022, the Company granted 50,000 stock options to a consultant at an exercise price of $1.41 over ten years, all of which vested immediately. The total valuation of the options from grants in the three months ended March 31, 2022, was $64 thousand, all of which was expensed as stock-based compensation.

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2022**	2021	**2022**	2021
Share-based payments	**$ -**	$ -	**$ 64**	$ -
Capitalized costs	**-**	-	**172**	-
Total share-based payments	**$ -**	$ -	**$ 236**	$ -

Finance Expense

	Three Months Ended September 30		Nine Months Ended September 30	
($000s, except per boe)	**2022**	2021	**2022**	2021
Loan interest	**$ 152**	$ 372	**$ 605**	$ 1,434
Lease interest	**64**	8	**153**	25
Loss/(gain) in fair value of warrant liability	**-**	(645)	**6,783**	4,536
Loan transaction costs	**-**	769	**-**	769
Accretion of debt issuance costs	**-**	18	**-**	128
Amortization of deferred charges	**-**	167	**-**	265
Accretion of decommissioning liabilities	**38**	26	**116**	77
Total	**$ 254**	$ 715	**$ 7,656**	$ 7,234
Total $ per boe	**$ 0.96**	$ 4.65	**$ 10.01**	$ 15.55
Loan & lease interest $ per boe	**$ 0.82**	$ 2.47	**$ 0.99**	$ 3.14

Loan interest for the three and nine months ended September 30, 2022 decreased by $0.2 million and $0.8 million, or 59% and 58%, respectively, over the comparable periods in 2021. This decrease is the result of an 100% reduction in the principle of the Bank Debt via repayments, combined with a decrease in interest rates for the quarters upon which the new Bank Credit Facility interest is calculated. The Company also recorded $64 thousand and $153 thousand of lease interest on right-of-use assets liability under IFRS 16 for the three and nine months ended September 30, 2022, respectively. The finance expense per boe for loan and lease interest has decreased by 67% and 68%, respectively, over the comparable three and nine month periods in 2021 due primarily to the aforementioned decrease in loan principal and borrowing cost, offset by an increase in the capital leases.

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 and nine months ended September 30, 2022, accretion expenses increased by 51% over the comparable periods in 2021, due to growth in the number of wells and production assets.

Remeasurement Loss/(Gain) on Warrant Liability

For the nine months ended September 30, 2022, the Company has recognized a remeasurement loss $6.8 million ($4.5 million loss for comparable period in 2021). The Company issued 13,750,000 warrants to a third-party lender on September 15, 2017 in conjunction with its term loan. Each warrant entitled the holder to purchase one common share of Hemisphere at an exercise price of $0.28 per share prior to September 15, 2022. The exercise price of the warrants represented a 40% premium to the 30-day volume weighted average price ("VWAP") of Hemisphere's common shares at market close on September 14, 2017. The warrants were subject to a forced exercise clause which applies upon a 30-day VWAP equaling or exceeding $1.40 per share and are non-transferable.

During the fourth quarter of 2021, the holder did a cashless exercise of 3,437,500 warrants (25% of the total) at a $0.846 30-day VWAP resulting in the issuance of 2,299,851 common shares. This resulted in a non-cash loss for warrant revaluation and a transfer from warrant liability to share capital of $1.9 million. After this exercise, the holder had 10,312,500 exercisable warrants remaining.

On April 15, 2022 the holder did a cashless exercise of the remaining 10,312,500 warrants at a $1.4367 30-day VWAP resulting in the issuance of 8,302,686 common shares. This resulted in a non-cash loss for warrant revaluation and a transfer from warrant liability to share capital of $11.9 million. There are no warrants outstanding after this exercise and no warrant liability is recorded following this final exercise.

The warrants were classified as a financial liability as a result of a cashless exercise provision. In no event would the Company be required to settle the warrants through a cash payment. The fair value of the warrants were revalued every quarter, until fully exercised, using the Black and Scholes pricing model. Valuations at the time of the April 15, 2022 final exercise, as well as the prior year end were calculated with the following inputs:

	April 15, 2022	December 31, 2021
Share Price	$ 1.53	$ 0.99
Risk-free interest rate	2.61%	1.25%
Expected life (years)	0.42	.71
Expected volatility	48%	58%

Tax Pools

The Company had approximately $54.5 million (December 2020 - $60.2 million) of tax pools available to be applied against future income for tax purposes as of December 31, 2021. Based on the Company's increased taxable income, available pools and current commodity prices, the Company has recorded a current tax provision of $1.3 million and a deferred income tax expense of $6.1 million for the nine months of 2022. The Company expects to incur additional income tax payable in the balance 2022 and any taxes payable beyond this will primarily be a function of commodity prices, capital expenditures and production volumes.

($000s)	Deduction Rate	**December 31, 2021**	December 31, 2020
Canadian exploration expense (CEE)	100%	**$ 3,337**	$ 3,337
Canadian development expense (CDE)	30%	**18,235**	19,656
Canadian oil and gas property expense (COGPE)	10%	**3,995**	4,439
Non-capital losses carry forwards (NCL)	100%	**27,599**	31,174
Undepreciated capital cost (UCC)	20-55%	**612**	812
Share issuance costs and other	Various	**698**	749
Total		**$ 54,476**	$ 60,167

Summary of Quarterly Results

	2022			**2021**				**2020**
($000s, except per unit amounts)	**Sep. 30 Q3(1)**	**Jun. 30 Q2(2)**	Mar. 31 Q1(3)	Dec. 31 Q4(4)	Sep. 30 Q3(5)	Jun. 30 Q2(6)	Mar. 31 Q1(7)	Dec. 31 Q4(8)
Average daily production (boe/d)	**2,870**	**2,883**	2,648	2,164	1,671	1,786	1,654	1,522
Heavy oil and natural gas revenue	**23,672**	**30,608**	22,856	14,731	10,432	10,088	7,889	5,355
Cashflow provided by operating activities	**12,959**	**14,926**	8,212	4,954	5,473	4,742	3,203	2,128
Net income (loss)	**9,315**	**4,131**	4,618	5,435	2,309	(3,594)	1,767	(1,501)
Per share, basic and diluted	**0.09**	**0.04**	0.05	0.06	0.03	(0.04)	0.02	(0.02)
Combined average realized price ($/boe)	**89.66**	**116.65**	95.92	73.99	67.87	62.06	53.00	38.24

Notes:

(1) The decreases in revenue and cash provided by operating activities for the quarter are due primarily to a decrease realized commodity prices and a slight decrease in production.
(2) The increases in revenue and cash provided by operating activities are due primarily to an increase in production and realized commodity prices
(3) The increases in revenue and cash provided by operating activities are due primarily to an increase in production and realized commodity prices.
(4) The increases in revenue and cash provided by operating activities are due primarily to an increase in production and realized commodity prices.
(5) The increases in revenue and cash provided by operating activities are due primarily to an increase in realized commodity prices.
(6) The increases in revenue and cash provided by operating activities are due primarily to an increase in realized commodity prices.
(7) The increases in revenue and cash provided by operating activities are due primarily to an increase in realized commodity prices.
(8) The decreases in revenue and cash provided by operating activities are due primarily to a decrease in production and realized commodity prices.

Outstanding Share Capital

	November 17, 2022	**September 30, 2022**	December 31, 2021
Fully diluted share capital			
Common shares issued and outstanding	102,400,439	**103,110,139**	91,289,653
Stock options	3,000,000	**3,000,000**	7,424,000
Warrants	-	-	10,312,500
Total fully diluted shares outstanding	105,400,439	**106,110,139**	109,026,153

On July 14, 2022, the Company renewed its normal course issuer bid (NCIB), to purchase and cancel, from time to time, up to 8,905,832 common shares of the Company until July 12, 2023. At September 30, 2022, the Company had purchased and cancelled 1,106,200 shares under the NCIB for $1.7 million at an average cost of $1.53 per share. Subsequent to the quarter end, the Company has repurchased additional NCIB shares as disclosed below.

During the nine months ended September 30, 2022, the Company issued 4,624,000 shares for stock options exercised through the Employee Stock Option Plan, at an average exercise price of $0.25 per share. In May 2022, the Company granted 150,000 stock options to consultants of the Company at an exercise price of $1.27 each, all of which vested immediately. In March of 2022, the Company granted 50,000 stock options to a consultant at an exercise price of $1.41 over ten years, all of which vested immediately.

On April 15, 2022 the Company issued 8,302,686 shares for the cashless exercise of the remaining 10,312,500 warrants at a $1.4367 30-day VWAP. There are no warrants outstanding following this exercise.

Subsequent to the quarter ended September 30, 2022 the Company has purchased and cancelled an additional 709,700 shares under the NCIB at an average cost of $1.55 per share.

The Company has the following stock options that are outstanding and exercisable as at November 17, 2022:

Exercise Price	Grant Date	Expiry Date	Balance Outstanding November 17, 2022	Balance Exercisable November 17, 2022
$0.12	June 17, 2020	June 17, 2025	1,160,000	1,160,000
$0.91	December 17, 2021	December 17, 2031	1,690,000	1,690,000
$1.41	March 17, 2022	March 17, 2032	50,000	50,000
$1.27	May 10, 2022	May 10, 2032	150,000	150,000
			3,000,000	3,000,000
Weighted-average exercise price			$0.64	$0.64

Dividend

On June 7, 2022 the Company's Board of Directors approved a variable dividend policy targeting approximately 30% of Hemisphere's annual free funds flow to be paid quarterly. Accordingly, the Company paid its first ever quarterly cash dividend of $2.6 million to Hemisphere shareholders at $0.025/share on June 30, 2022. Based on the Company's market capitalization of $160 million (102.3 million shares issued and outstanding on June 30, 2022 at the market close price per share of $1.56) at payment date, the dividend returned an annualized yield of 6.4% ($2.6 million dividend times four and divided by $160 million market cap) to Hemisphere's shareholders.

On August 18, 2022 the Company announced a variable dividend of $2.6 million to Hemisphere shareholders at $0.025/share which was paid on September 7, 2022. Based on the Company's market capitalization of $157 million (102.7 million shares issued and outstanding on September 7, 2022 at the market close price per share of $1.53) at payment date, the dividend returned an annualized yield of 6.5% ($2.6 million dividend times four and divided by $157 million market cap) to Hemisphere's shareholders.

Further quarterly payments of this variable dividend 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. The remaining 70% of free funds flow may be used for additional spending on Hemisphere's Normal Course Issuer Bid (NCIB) and/or other special dividends, in addition to possible strategic acquisitions and accelerated investments in the Company's long-term development program.

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 25th of each month.

Hemisphere released its updated 2022 guidance in June 2022. The Company's Board of Directors approved a 2022 capital expenditure program of $16.0 million, of which the entire capital program is expected to be funded by Hemisphere's projected 2022 AFF, see Non-IFRS and Other Financial Measures, of approximately $52.0 million. The projected AFF will be used for discretionary purposes, which may include repayment of debt, potential acceleration of other development or exploration projects, acquisitions, and return of capital to shareholders through Hemisphere's NCIB program and dividends.

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 and nine months ended September 30, 2022 were $6.6 million and $21.7 million ($6.2 million and $9.7 million cash used in financing activities for the three and nine months ended September 30, 2021). These activities are primarily a reduction of bank debt of $15.5 million, dividends issued of $5.1 million, shares purchased under the NCIB of $1.7 million, plus lease liability payments in the period, offset by proceeds received from stock option exercises of $1.2 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"). As part of entering into the Credit Facility, the Company had fully repaid and terminated its former term loan with a third-party lender (see below).

The Credit Facility had an initial term date of May 31, 2022 (the "Term Date"), and was extended to May 31, 2023, which is the new term date. 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 has a maturity date of May 31, 2024. If the term it is not extended on May 31, 2023, additional advances would not be permitted and any outstanding advances would become repayable at May 31, 2024. The Credit Facility is secured by a floating charge debenture and a general security agreement on the assets of the Company.

As at September 30, 2022, 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 fair value of financial instruments and lease and warrant liabilities, plus the undrawn amount available under the credit facility. The Company was in compliance with these standard reporting covenants and the financial covenant with a working capital ratio of 5.42 to 1.00 as at September 30, 2022.

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 date for the Credit Facility is in November 2022. The renewal of the available lending limit of the Credit Facility is based on the Lenders' 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. In the event that the lender reduces 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 in compliance with all covenants, representations and warranties.

c) Term Loan

On September 15, 2017, the Company entered into a first lien senior secured credit agreement (the "Credit Agreement") with a third-party lender (the "Lender") providing for a multi-draw, non-revolving term loan facility of a maximum aggregate principal amount of up to US$35.0 million. Security granted by the Company under the Credit Agreement included a demand debenture for

US$75.0 million which provides for a first ranking security interest and floating and fixed charges over all of the real and personal property present and after acquired of the Company.

On July 27, 2021, the Company terminated this term loan with repayment of the full gross balance outstanding in the amount of US$17.8 million (CAD$22.5 million) from proceeds of the bank debt, as discussed above.

d) 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 through enhancing the Company's share value.

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 the 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)		2022	2023	2024	2025	2026	2027	2028	Total
Office lease	$	17	78	88	37	-	-	-	220
Other leases		12	45	60	19	19	19	19	193
Equipment lease		184	738	738	738	732	664	609	4,403
	$	213	861	886	794	751	683	628	4,816

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

As of the effective date, there are no changes in accounting policies.

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 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 the Company's website at www.hemisphereenergy.ca or on SEDAR at www.sedar.com. 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 are ultimately not 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 a number of 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.

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:

($000s)	**September 30, 2022**	December 31, 2021
Accounts receivable		
Marketing receivables	**$ 5,325**	$ 3,983
Trade receivables	**112**	202
Receivables from joint ventures	**33**	36
Reclamation deposits	**116**	116
	$ 5,586	$ 4,336

The Company sells the majority of its oil production to two 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 marketer.

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 25th of each month.

In light of the current 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 September 30, 2022, the Company had net debt (a non-IFRS measure calculated as current assets, less current liabilities excluding fair value of financial instruments, lease and warrant liabilities, and including the bank debt) of $0.7 million (December 31, 2021 $18.0 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.

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 as a result of 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 $nil 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 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.

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.

COVID-19 Risk

During the nine months ended September 30, 2022, demand for oil and natural gas continued to increase as the global economy continued to recover from the novel strain of the coronavirus ("COVID-19") pandemic. Energy prices strengthened to multiyear highs due to elevated uncertainty of global oil and natural gas supply after Russia's invasion of Ukraine, in addition to restricted oil and gas investment globally. While the Company has benefited from the improvement in commodity prices, there is a degree of uncertainty related to COVID-19 and geopolitical events that have been considered in our estimates as at and for the period ended September 30, 2022.

To the extent that the COVID-19 pandemic and other 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, 2021.

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 net debt, which are considered "non-IFRS financial measures" and any of these measures calculated on a per boe basis, which are considered "non-IFRS financial ratios". These terms do not have a standardized meaning prescribed by IFRS. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income (loss) or cashflow from operations determined in accordance with IFRS and these measures should not be considered to be more meaningful than IFRS measures in evaluating the Company's performance.

a) **Adjusted funds flow from operations "AFF" (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis):** The Company considers AFF to be a key measure that indicates the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt. AFF is a measure that represents cash flow generated by operating activities, before changes in non-cash working capital and adjusted for decommissioning expenditures, and may not be comparable to measures used by other companies. The most directly comparable IFRS measure for AFF is cash provided by operating activities. AFF per share is calculated using the same weighted-average number of shares outstanding as in the case of the earnings per share calculation for the period.

A reconciliation of AFF to cash provided by operating activities is presented as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
($000s, except per share amounts)	**2022**	2021	**2022**	2021
Cash provided by operating activities	**$ 12,959**	$ 5,473	**$ 36,096**	$ 13,417
Change in non-cash working capital	**(2,355)**	(1,425)	**(536)**	(1,135)
Adjust: Decommissioning obligation expenditures	**-**	-	**115**	38
Adjusted funds flow from operations	**$ 10,604**	$ 4,048	**$ 35,675**	$ 12,320
Per share, basic	**$ 0.10**	$ 0.05	**$ 0.36**	$ 0.14
Per share, diluted	**$ 0.10**	$ 0.04	**$ 0.36**	$ 0.13

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

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

c) **Capital Expenditures (Non-IFRS Financial Measure):** Management uses the term "capital expenditures" as a measure of capital investment in exploration and production assets, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable IFRS measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures is set forth below:

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

d) **Operating field netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis):** is a benchmark used in the oil and natural gas industry and a key indicator of profitability relative to current commodity prices. Operating field netback is calculated as oil and gas sales, less royalties, operating expenses and transportation costs on an absolute and per barrel of oil equivalent basis. These terms should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income or loss as determined in accordance with IFRS as an indicator of the Company's performance.

e) **Operating netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis):** calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) on an absolute and per barrel of oil equivalent basis.

f) **Net debt (Non-IFRS Financial Measure):** is closely monitored by the Company to ensure that its capital structure is maintained by a strong balance sheet to fund the future growth of the Company. Net debt is used in this document in the context of liquidity and is calculated as the total of the Company's current assets, less current liabilities, excluding the fair value of financial instruments, lease and warrant liabilities, and including the bank debt. There is no IFRS measure that is reasonably comparable to net debt.

The following table outlines the Company calculation of net debt:

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

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

g) ***Supplementary Financial Measures and Non-IFRS Ratios***

"Adjusted Funds Flow from operations per basic share" is comprised of funds from operations divided by basic weighted average common shares.
"Adjusted Funds Flow from operations per diluted share" is comprised of funds from operations divided by diluted weighted average common shares.
"Annual Free Funds Flow" is comprised of free funds flow from the current three month period multiplied by four.
"Net debt to annualized Adjusted Funds Flow from operations" is comprised of net debt divided by adjusted funds flow from operations, for which the quarterly amount is multiplied by four to annualize the AFF.
"Operating expense per boe" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total production.
"Realized heavy oil price" is comprised of heavy crude oil commodity sales from production, as determined in accordance with IFRS, divided by the Company's crude oil production.
"Realized natural gas price" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas production.
"Realized combined price" is comprised of total commodity sales from production, as determined in accordance with IFRS, divided by the Company's total production.
"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total production.
"Transportation costs per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total production.

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 (particularly the Message to Shareholders) 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 (particularly the Message to Shareholders) contains forward-looking statements pertaining to the following: management believes that Hemisphere is in a favourable position to both accelerate high return projects and deliver significantly enhanced return of capital to shareholders, that the Company will renew and extend its credit facility, and that the Company expects to be in a position within the next few weeks to update both its 2022 guidance and return of capital plan once the bank review is complete; 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, and the expectation for the increasing of the Company's asset base with continued successful waterflood operations. 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; 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; the effects of COVID-19 on Hemisphere's operations (including those affecting its partners and service providers); 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 website at www.hemisphereenergy.ca or on SEDAR at www.sedar.com. 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 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 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 financial statements with management. The Board of Directors has approved the financial statements on the recommendation of the Audit Committee.

Vancouver, British Columbia
November 17, 2022

(signed) *"Don Simmons"*
Don Simmons, President & CEO

(signed) *"Dorlyn Evancic"*
Dorlyn Evancic, Chief Financial Officer

CONDENSED STATEMENTS OF FIANCIAL POSITION

(Expressed in Canadian dollars)
(Unaudited)

($000s)	Note	**September 30, 2022**	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		**$ 234**	$ -
Accounts receivable	3(a)	**5,470**	4,221
Prepaid expenses		**1,196**	592
Fair value of financial instruments	3(c)	**-**	433
		6,900	5,246
Non-current assets			
Reclamation deposits	8	**116**	116
Exploration and evaluation assets	6	**1,354**	568
Property and equipment	7	**67,927**	61,189
Total assets		**$ 76,297**	$ 67,119
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 6,291**	$ 7,223
Current tax provision		**1,330**	-
Current portion of lease liabilities	12	**106**	403
Warrant liability	11	**-**	5,145
Fair value of financial instruments	3(c)	**34**	1,782
		7,761	14,553
Non-current liabilities			
Bank debt	10	**-**	15,505
Lease liabilities	12	**3,983**	2,182
Deferred tax liability		**6,101**	-
Decommissioning obligations	8	**8,068**	9,070
		25,913	41,310
Shareholders' Equity			
Share capital	13	**67,898**	56,500
Contributed surplus		**2,870**	2,634
Deficit		**(20,38)**	(33,325)
Total shareholders' equity		**50,384**	25,809
Total liabilities and shareholders' equity		**$ 76,297**	$ 67,119

Commitments Note 14
Subsequent events Note 16

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

Approved by the Board of Directors

(signed) *"Bruce McIntyre"*
Bruce McIntyre, Director

(signed) *"Don Simmons"*
Don Simmons, Director

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Expressed in Canadian dollars)
(Unaudited)

($000s, except per share amounts)	Note	Three Months Ended September 30 **2022**	Three Months Ended September 30 2021	Nine Months Ended September 30 **2022**	Nine Months Ended September 30 2021
Revenue					
Oil and natural gas revenue	5	**$ 23,672**	$ 10,432	**$ 77,135**	$ 28,408
Royalties		**(6,386)**	(2,101)	**(20,061)**	(4,773)
		17,286	8,331	**57,074**	23,635
Realized loss on financial instruments		**(734)**	(938)	**(6,744)**	(1,835)
Unrealized gain (loss) on financial instruments	3(c)	**3,076**	302	**1,314**	(2,964)
Net revenue		**19,628**	7,695	**51,644**	18,836
Expenses					
Production and operating		**4,098**	2,298	**9,729**	5,830
Exploration and evaluation	6	**20**	13	**64**	42
Depletion and depreciation	7	**2,013**	1,032	**5,798**	3,056
General and administrative		**1,230**	718	**2,754**	2,183
Share-based payments	13(c)	**-**	-	**64**	-
		7,361	4,061	**18,409**	11,111
Results from operating activities		**12,267**	3,634	**33,235**	7,725
Finance expense	9	**(254)**	(715)	**(7,656)**	(7,234)
Foreign exchange loss		**(47)**	(610)	**(84)**	(9)
Net income before tax		**11,966**	2,309	**25,495**	482
Current income tax provision		**(357)**	-	**(1,330)**	-
Deferred income tax expense		**(2,294)**	-	**(6,101)**	-
Net income and comprehensive income for the period		**$ 9,315**	$ 2,309	**$ 18,064**	$ 482
Net income per share, basic	13(d)	**$ 0.09**	$ 0.03	**$ 0.18**	$ 0.01
Net income per share, diluted	13(d)	**$ 0.09**	$ 0.02	**$ 0.18**	$ 0.01

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

CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)
(Unaudited)

($000s, except share amounts)	Note	Number common shares		Share Capital		Contributed Surplus		Deficit		Total Equity
Balance, December 31, 2021		**91,289,653**	**$**	**56,500**	**$**	**2,634**	**$**	**(33,325)**	**$**	**25,809**
Stock option exercise	13(c)	4,624,000		1,163		-		-		1,163
Share-based compensation	13(c)	-		-		236		-		236
Shares repurchased under NCIB	13(b)	(1,106,200)		(1,693)		-		-		(1,693)
Warrant exercise - cashless	13	8,302,686		11,928		-		-		11,928
Dividends	13(e)	-		-		-		(5,123)		(5,123)
Net income for the period		-		-		-		18,064		18,064
Balance, September 30, 2022		**103,110,139**	**$**	**67,898**	**$**	**2,870**	**$**	**(20,384)**	**$**	**50,384**

Comparison with nine months ended September 30, 2021:

($000s, except share amounts)	Note	Number common shares		Share Capital		Contributed Surplus		Deficit		Total Equity
Balance, December 31, 2020		**86,782,302**	**$**	**54,342**	**$**	**1,209**	**$**	**(39,243)**	**$**	**16,308**
Stock option exercise	13(c)	1,985,000		197		-		-		197
Shares repurchased under NCIB	13(b)	(537,500)		(164)		-		-		(164)
Net income for the period		-		-		-		482		482
Balance, September 30, 2021		**88,229,802**	**$**	**54,375**	**$**	**1,209**	**$**	**(38,761)**	**$**	**16,823**

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

CONDENSED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)
(Unaudited)

		Three Months Ended September 30		Nine Months Ended September 30	
($000s)	Note	**2022**	2021	**2022**	2021
Operating activities					
Net income for the period		**$ 9,315**	$ 2,309	**$ 18,064**	$ 482
Items not affecting cash:					
Accretion of debt issuance costs	9	**-**	18	**-**	128
Accretion of decommissioning costs	9	**38**	26	**115**	77
Amortization of deferred charges	9	**-**	167	**-**	265
Deferred tax expense		**2,294**	-	**6,101**	-
Change in fair value of warrant liability	9	**-**	(645)	**6,783**	4,536
Depletion and depreciation	7	**2,013**	1,032	**5,798**	3,056
Exploration and evaluation expense	6	**20**	13	**64**	42
Share-based payments		**-**	-	**64**	-
Term loan settlement costs		**-**	769	**-**	769
Unrealized loss (gain) on financial instruments	3(c)	**(3,076)**	(302)	**(1,314)**	2,965
Unrealized loss on foreign exchange	3(c)	**-**	661	**-**	-
		10,604	4,048	**35,675**	12,320
Decommissioning obligation expenditures	8	**-**	-	**(115)**	(38)
Changes in non-cash working capital	15	**2,355**	1,425	**536**	1,135
Cash provided by operating activities		**12,959**	5,473	**36,096**	13,417
Investing activities					
Exploration and evaluation expenditures	6	**(287)**	(530)	**(881)**	(675)
Property and equipment expenditures	7	**(4,311)**	(2,790)	**(11,294)**	(5,601)
Changes in non-cash working capital	15	**(1,620)**	2,034	**(1,992)**	2,139
Cash used in investing activities		**(6,218)**	(1,286)	**(14,167)**	(4,137)
Financing activities					
Shares issued for stock options, cash exercise	13(b)	**261**	63	**1,163**	197
Shares repurchased under NCIB	13(a)	**(611)**	-	**(1,693)**	(164)
Dividends	13(d)	**(2,567)**	-	**(5,123)**	-
Change in bank debt	10	**(3,529)**	16,234	**(15,505)**	16,233
Repayment of term loan		**-**	(22,472)	**-**	(25,876)
Payment of lease liabilities, net		**(149)**	(21)	**(537)**	(61)
Cash used in financing activities		**(6,595)**	(6,196)	**(21,695)**	(9,671)
Net change in cash		**146**	(2,009)	**234**	(391)
Cash, beginning of period		**88**	2,053	**-**	435
Cash, end of period		**$ 234**	$ 44	**$ 234**	$ 44

Supplemental cash flow information (Note 15)

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited)

1. Nature and Continuance of Operations

Hemisphere Energy Corporation (the "Company") was incorporated under the laws of British Columbia on March 6, 1978. 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 Pender Street West, Vancouver, British Columbia, Canada V6C 1L6. The Company has no subsidiaries.

2. Basis of Presentation

(a) Statement of compliance

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

These condensed interim Financial Statements have been prepared following the same accounting policies and methods of computation as the audited annual financial statements of the Company for the year ended December 31, 2021. These condensed interim 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, 2021.

These Financial Statements were authorized for issuance by the Board of Directors on November 17, 2022.

(b) Basis of valuation

These Financial Statements have been prepared on a historical cost basis, except for financial instruments and share-based payments, 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.

Estimates and their underlying assumptions are reviewed on an ongoing basis and are based on management's experience and other factors, including expectation 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. Reserve estimation including engineering data, geological and geophysical data, projected future rates of production, commodity pricing, operating costs and timing of future expenditures, are subject to significant judgment and interpretation. These estimates are a critical part of many of the estimated amounts and calculations contained in the financial statements. These estimates are verified by third party professional engineers, who work with information provided by the Company to establish reserve determinations. These determinations are updated at least on an annual basis.

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. See further discussions relating to liquidity in Note 3.

Significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements include:

(i) Impairment testing – internal and external sources of information including petroleum and natural gas prices, expected production volumes, expected royalty rates and operating costs, anticipated recoverable quantities of proved and probable reserves and rates used to discount future cash flow estimates. Judgment is required to assess these factors when determining if the carrying amount of an asset is impaired, or in the case of previously impaired asset, whether the carrying amount of the asset has been restored.

(ii) Depletion and depreciation – oil and natural gas reserves, including future prices, costs and reserve base to use on calculation of depletion.

(iii) Decommissioning obligations – estimates relating to amounts, likelihood, timing, inflation and discount rates.

(iv) Share-based payments – expected life of the options, risk-free rate of return and stock price volatility

(v) Financial instruments
   i. The estimated fair values of the Company's financial derivative commodity contracts are subject to measurement uncertainty due to the estimation of future crude oil and natural gas commodity prices, foreign exchange rates and volatility.
   ii. The estimated fair value of the warrant liability, which is considered a financial instrument, uses the Black & Scholes valuation model which is based on assumptions including volatility, risk-free interest rate and the expected term.

(vi) Warrants and stock options
The estimated fair value of the warrants issued as part of the term loan and stock options issued under the Company's stock option plans were based on the Black & Scholes pricing model incorporating assumptions on volatility, risk-free interest rate, forfeiture rate and the expected term.

(vii) Determinations of cash generating units ("CGUs") – geographic location, commodity type, reservoir characteristics and lowest level of cash inflows.

(viii) Determining the technical feasibility and commercial viability of exploration and evaluation assets.

(ix) Business combinations - estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of petroleum and natural gas properties based upon the estimation of recoverable quantities of Proved and Probable reserves being acquired

(x) Provisions - exercise of significant judgment and estimates of the outcome of future events.

(e) COVID-19 Risk

During the nine months ended September 30, 2022, demand for oil and natural gas continued to increase as the global economy continued to recover from the novel strain of the coronavirus (“COVID-19”) pandemic. Energy prices strengthened to multiyear highs due to elevated uncertainty of global oil and natural gas supply after Russia's invasion of Ukraine, in addition to restricted oil and gas investment globally. While the Company has benefited from the improvement in commodity prices, there is a degree of uncertainty related to COVID-19 and geopolitical events that have been considered in our estimates as at and for the period ended September 30, 2022.

To the extent that the COVID-19 pandemic and other 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 herein and Hemisphere’s Annual Information Form for the year ended December 31, 2021.

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:

($000s)	**September 30, 2022**	December 31, 2021
Accounts receivable		
Marketing receivables	**$ 5,325**	$ 3,983
Trade receivables	**112**	202
Receivables from joint ventures	**33**	36
Reclamation deposits	**116**	116
	$ 5,586	$ 4,336

The Company sells the majority of its heavy crude oil production through two 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 25th of each month.

In light of the current volatility in oil and gas 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 September 30, 2022, the Company had net debt (current assets, less current liabilities excluding fair value of financial instruments, lease and warrant liabilities, and including bank debt) of $0.7 million (December 31, 2021 - $18.0 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 Bank Loan are subject to variable interest rates. A one percent change in interest rates would have a $nil effect on the net income for 2022.

(ii) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar. The Company does not sell or transact in any foreign currency; except; i) the Company's commodity prices are largely denominated in United States 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. For the exchange rate effect, 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, and vice versa; ii) the Company's Term Loan, which was repaid on July 27, 2021 (see note 12), was denominated in USD, and as result, the amount that the Company was obligated to repay at the term of the loan was affected by fluctuations in the exchange rate between the USD and the Canadian dollar at that time. A 100 basis points change in the foreign exchange rate would have a $nil effect on the net income for 2022.

(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 adjusted funds flow from operations and ability to raise capital.

At September 30, 2022, the Company held derivative commodity price contracts as follows:

Product	Type	Volume	Price	Index	Term	Sep. 30, 2022 Fair Value *($000s)*
Crude oil	Swap	200 bbl/d	US$13.80	WCS Differential	Jun. 1, 2022 – Dec. 31, 2022	243
Crude oil	Swap	200 bbl/d	US$21.00	WCS Differential	Aug. 1, 2022 – Dec. 31, 2022	2
Crude oil	Swap	200 bbl/d	US$21.00	WCS Differential	Aug. 1, 2022 – Dec. 31, 2022	2
Crude oil	Put Spread	125 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$3.75/bbl	WTI-NYMEX	Sep. 1, 2022 – Dec. 31, 2022	(37)
Crude oil	Put Spread	275 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$3.75/bbl	WTI-NYMEX	Oct. 1, 2022 – Dec. 31, 2022	(112)
Crude oil	Sold Call	275 bbl/d	US$100.00(call sell), net premium US$3.75/bbl	WTI-NYMEX	Oct. 1, 2022 – Dec. 31, 2022	101
Crude oil	3-Way	300 bbl/d	US$50.00(put)/US$60.00(put)/US $85(call)	WTI-NYMEX	Oct. 1, 2022 – Dec. 31, 2022	(88)
Crude oil	Put Spread	750 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$2.50/bbl	WTI-NYMEX	Jan. 1, 2023 – Mar. 31, 2023	(50)
Crude oil	Put Spread	500 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$2.95/bbl	WTI-NYMEX	Apr. 1, 2023 – Jun. 30, 2023	(7)
Crude oil	Put Spread	500 bbl/d	US$50.00(put sell)/US$60.00(put buy), net cost US$3.70/bbl	WTI-NYMEX	Jul. 1, 2023 – Sep. 30, 2023	(20)
					Total	($34)

At September 30, 2022 the commodity contracts were fair valued as a liability of $34 thousand recorded on the balance sheet, and an unrealized gain of $3.1 million for the three month period and an unrealized gain of $1.3 million for the nine month period ended September 30, 2022, respectively (September 30, 2021 – gain of $0.3 million and loss of $3.0 million respectively).

(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 period.

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 in its core areas of the Mannville oil play in the Atlee Buffalo and Jenner areas of southeastern 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 September 30, 2022, production revenue sold to customers was comprised of three marketers which account for $5.3 million of the accounts receivable balance.

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

	Three Months Ended September 30				Nine Months Ended September 30			
($000s)		**2022**		2021		**2022**		2021
Heavy Crude Oil	**$**	**23,603**	$	10,396	**$**	**76,905**	$	28,304
Conventional Natural Gas		**69**		35		**230**		104
Total	**$**	**23,672**	$	10,432	**$**	**77,135**	$	28,408

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 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 nine months ended September 30, 2022, the Company transferred $31 thousand (year ended December 31, 2021 - $0.9 million) to property plant and equipment, capitalized general and administrative expenses of $nil (September 30, 2021 - $nil) to exploration and evaluation assets, and recognized exploration and evaluation expense of $64 thousand (September 30, 2021 - $42 thousand).

($000s)		
Cost		
Balance, December 31, 2020	$	458
Additions		1,056
Exploration and evaluation expense		(64)
Transfer to property, plant and equipment		(882)
Balance, December 31, 2021	$	568
Additions		881
Exploration and evaluation expense		(64)
Transfer to property, plant and equipment		(31)
Balance, September 30, 2022	**$**	**1,354**

7. Property and Equipment

($000s) **Cost**		Petroleum and Natural Gas		Right of Use and Other Assets		Total
Balance, December 31, 2020	$	108,064	$	676	$	108,740
Right-of-use assets		-		2,615		2,615
Additions		10,929		5		10,934
Increase in decommissioning obligations (Note 9)		489		-		489
Capitalized share-based payments		399		-		399
Transfer from exploration and evaluation assets		882		-		882
Balance, December 31, 2021	$	120,764	$	3,296	$	124,060
Right-of-use assets		-		2,041		2,041
Additions		11,234		60		11,294
Decrease in decommissioning obligations		(1,003)		-		(1,003)
Capitalized share-based payments		173		-		173
Transfer from exploration and evaluation assets		31		-		31
Balance, September 30, 2022	**$**	**131,199**	**$**	**5,397**	**$**	**136,596**
Accumulated Depletion, Depreciation, Amortization and Impairment						
Balance, December 31, 2020	**$**	59,976	$	319	$	60,295
Depletion and depreciation for the year		4,350		139		4,489
Impairment reversal		(1,913)		-		(1,913)
Balance, December 31, 2021	$	62,413	$	458	$	62,871
Depletion and depreciation for the period		5,327		471		5,798
Balance, September 30, 2022	**$**	**67,740**	**$**	**929**	**$**	**68,669**
Net Book Value						
December 31, 2021	$	58,351	$	2,838	$	61,189
September 30, 2022	**$**	**63,459**	**$**	**4,468**	**$**	**67,927**

The Company's additions for property and equipment included capitalized general and administrative expenses of $0.9 million for the nine months ended September 30, 2022 (September 30, 2021 - $0.4 million).

The calculation of depletion at September 30, 2022 includes estimated future development costs of $40.7 million (Year ended December 31, 2021 - $50.7 million) associated with the development of the Company's Proved plus Probable reserves.

At September 30, 2022, the Company performed an assessment of potential impairment or reversal indicators on each of its Cash Generating Units (CGUs), 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, 2021, the Company performed an assessment of potential impairment or reversal indicators on each of its Cash Generating Units (CGUs), and management determined that there were indicators of reversal of impairment identified in the Company's Jenner oil CGU, as a result of improved forward commodity prices, and a resultant increase in proved and probable reserves as estimated in the Company's December 31, 2021 independent reserves report. As such, a reversal of $1.9 million of historical impairment was recorded in the Company's Jenner oil CGU.

The recoverable amounts were determined based on fair value less costs to sell using a discounted cash flow method and categorized in Level 3 of the fair value hierarchy. Key assumptions in the determination of cash flows from reserves include crude oil and natural gas prices, operating costs, royalties and future development costs, and discount rates specific to the underlying composition of assets residing in each CGU. The pre-tax discount rates ranged from 12% to 35% depending on the nature of the reserves. The following tables show the future commodity price estimates used by the Company's independent reserves evaluator at December 31, 2021:

	2022	2023	2024	2025	2026	2027	2028	2029	Thereafter
WTI (US$/bbl)	72.83	68.78	66.76	68.09	69.45	70.84	72.26	73.70	+2%/yr
WCS (C$/bbl)	74.42	69.17	66.54	67.87	69.23	70.61	72.02	73.46	+2%/yr
AECO(C$/MMbtu)	3.56	3.21	3.05	3.11	3.17	3.23	3.30	3.36	+2%/yr

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 discounted and inflated amount of cash flows required to settle its decommissioning obligations as at September 30, 2022 is $8.1 million (September 30, 2021 - $8.0 million), and the undiscounted and inflated amount of $13.9 million (September 30, 2021 - $11.2 million). These payments are expected to be made over the next 38 years with the majority of costs to be incurred between 2050 and 2060.

The discount factor, being the risk-free rate related to the liability, is 3.10% (September 30, 2021 – 1.20%). Inflation of 2.25% (September 30, 2021 – 1.50%) has also been factored into the calculation of amounts in the table below. The Company also has $0.1 million (December 31, 2021 - $0.1 million) in various reclamation bonds for its properties held by the Alberta Energy Regulator and British Columbia Ministry of Energy, Mines and Petroleum Resources.

($000s)	**Nine Months Ended September 30, 2022**	Year Ended December 31, 2021
Decommissioning obligations, beginning of period	**$ 9,070**	$ 8,531
Increase in estimated future obligations	**1,480**	430
Change in estimate	**(2,482)**	58
Decommissioning obligations incurred	**(115)**	(51)
Accretion expense	**115**	102
Decommissioning obligations, end of period	**$ 8,068**	$ 9,070

9. Finance Expenses

($000s)	**Three Months Ended September 30 2022**	Three Months Ended September 30 2021	**Nine Months Ended September 30 2022**	Nine Months Ended September 30 2021
Finance expense:				
Loan interest	**$ 152**	$ 372	**$ 605**	$ 1,434
Lease interest	**64**	8	**152**	25
Change in value of warrant liability	**-**	(645)	**6,783**	4,536
Loan transaction costs	**-**	769	**-**	769
Accretion of debt issuance costs	**-**	18	**-**	128
Amortization of deferred charges	**-**	167	**-**	265
Accretion of decommissioning liabilities	**38**	26	**116**	77
Total	**$ 254**	$ 715	**$ 7,656**	$ 7,234

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"). As part of entering into the Credit Facility, the Company fully repaid and terminated its former term loan with a third-party lender.

The Credit Facility had an initial term date of May 31, 2022 (the "Term Date"), and was extended to May 31, 2023, which is the new term date. 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 has a maturity date of May 31, 2024. If the term it is not extended on May 31, 2023, additional advances would not be permitted and any outstanding advances would become repayable at May 31, 2024. The Credit Facility is secured by a floating charge debenture and a general security agreement on the assets of the Company.

As at September 30, 2022, the Company had drawn $nil million 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 fair value of financial instruments and lease and warrant liabilities, plus the undrawn amount available under the credit facility. The Company was in compliance with these standard reporting covenants and the financial covenant with a working capital ratio of 5.42 to 1.00 as at September 30, 2022.

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 date for the Credit Facility is in November 2022. The renewal of the available lending limit of the Credit Facility is based on the Lenders' 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. In the event that the lender reduces 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 in compliance with all covenants, representations and warranties.

11. Warrant Liability

For the nine months ended September 30, 2022, the Company has recognized a remeasurement loss $6.8 million ($4.5 million loss for comparable period in 2021). The Company issued 13,750,000 warrants to a third-party lender on September 15, 2017 in conjunction with its term loan. Each warrant entitled the holder to purchase one common share of Hemisphere at an exercise price of $0.28 per share prior to September 15, 2022. The exercise price of the warrants represented a 40% premium to the 30-day volume weighted average price ("VWAP") of Hemisphere's common shares at market close on September 14,

2017. The warrants were subject to a forced exercise clause which applies upon a 30-day VWAP equaling or exceeding $1.40 per share and are non-transferable.

During the fourth quarter of 2021, the holder did a cashless exercise of 3,437,500 warrants (25% of the total) at a $0.846 30-day VWAP resulting in the issuance of 2,299,851 common shares. This resulted in a non-cash loss for warrant revaluation and a transfer from warrant liability to share capital of $1.9 million. After this exercise, the holder had 10,312,500 exercisable warrants remaining.

On April 15, 2022 the holder did a cashless exercise of the remaining 10,312,500 warrants at a $1.4367 30-day VWAP resulting in the issuance of 8,302,686 common shares. This resulted in a non-cash loss for warrant revaluation and a transfer from warrant liability to share capital of $11.9 million. There are no warrants outstanding after this exercise and no warrant liability is recorded following this final exercise.

The warrants were classified as a financial liability as a result of a cashless exercise provision. In no event would the Company be required to settle the warrants through a cash payment. The fair value of the warrants is revalued every quarter using the Black and Scholes pricing model. Valuations at the time of the April 15, 2022 final exercise, as well as the prior year end were calculated with the following inputs:

		April 15, 2022		December 31, 2021
Share Price	$	1.53	$	0.99
Risk-free interest rate		2.61%		1.25%
Expected life (years)		0.42		0.71
Expected volatility		48%		58%

12. 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. In June 2022, the Company incurred lease additions primarily for field operating equipment.

The following table summarizes lease liabilities at September 30, 2022:

($000s)		
Balance, December 31, 2020	$	333
Lease additions (Note 7)		2,616
Interest expense		43
Lease payments		(407)
Balance, December 31, 2021	$	2,585
Lease additions		2,041
Interest expense		153
Lease payments		(690)
Balance, September 30, 2022	$	**4,089**
Current Portion	$	106
Long-term portion		3,983

13. Share Capital

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

As at September 30, 2022 and December 31, 2021, the Company had the following common shares issued and outstanding:

Common Shares	Shares		($000s) Value
Balance, December 31, 2020	86,782,302	$	54,342
Shares issued for stock option exercises	2,745,000		376
Shares issued for warrants exercises (note 14)	2,299,851		1,946
Shares repurchased and cancelled (NCIB)	(537,500)		(164)
Balance, December 31, 2021	91,289,653	$	56,500
Shares issued for stock option exercises	4,624,000		1,163
Shares issued for warrants exercises (note 14)	8,302,686		11,929
Shares repurchased and cancelled (NCIB)	(1,106,200)		(1,693)
Balance, September 30, 2022	**103,110,139**	**$**	**67,899**

On July 14, 2022, the Company renewed its normal course issuer bid (NCIB), to purchase and cancel, from time to time, up to 8,905,832 common shares of the Company until July 13, 2023. At September 30, 2022, the Company purchased and cancelled 1,106,200 shares under the NCIB for $1.7 million at an average cost of $1.53 per share. Subsequent to the quarter end, the Company has repurchased additional NCIB shares as disclosed below (Note 16).

During the nine months ended September 30, 2022, the Company issued 4,624,000 shares for stock options exercised through the Employee Stock Option Plan, at an average exercise price of $0.25 per share.

On April 15, 2022 the Company issued 8,302,686 shares for the cashless exercise of the remaining 10,312,500 warrants at a $1.4367 30-day VWAP resulting in no warrants outstanding following this exercise.

(c) 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 five years. Stock options terminate no later than 90 days (30 days for investor-related services) 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 September 30, 2022 and 2021 are as follows:

				Changes in the Period				
Exercise Price	Grant Date	Expiry Date	Balance Outstanding Dec. 31, 2021	Granted	Exercised	Expired/ Cancelled	Balance Outstanding Sep. 30, 2022	Balance Exercisable Sep. 30, 2022
$0.25	21-Sep-17	21-Sep-22	3,939,000	-	(3,939,000)	-	-	-
$0.28	2-Oct-17	2-Oct-22	150,000	-	(150,000)	-	-	-
$0.25	01-Jan-18	1-Jan-23	250,000	-	(250,000)	-	-	-
$0.12	01-Mar-19	1-Mar-24	50,000	-	(50,000)	-	-	-
$0.12	17-Jun-20	17-Jun-25	1,295,000	-	(235,000)	-	1,060,000	1,060,000
$0.91	17-Dec-21	17-Dec-31	1,740,000	-	-		1,740,000	1,740,000
$1.41	17-Mar-22	17-Mar-32	-	50,000	-		50,000	50,000
$1.27	10-May-22	10-May-32	-	150,000	-	-	150,000	150,000
			7,424,000	200,000	(4,624,000)	-	3,000,000	3,000,000
	Weighted-average exercise price		$0.38	$1.31	$0.25	-	$0.64	$0.64

				Changes in the Period				
Exercise Price	Grant Date	Expiry Date	Balance Outstanding Dec. 31, 2020	Granted	Exercised	Expired/ Cancelled	Balance Outstanding Sep. 30, 2021	Balance Exercisable Sep. 30, 2021
$0.08	11-Feb-16	11-Feb-21	1,595,000	-	(1,595,000)	-	-	-
$0.08	12-Feb-16	12-Feb-21	75,000	-	(75,000)	-	-	-
$0.25	21-Sep-17	21-Sep-22	4,809,000	-	(195,000)	-	4,614,000	4,614,000
$0.28	2-Oct-17	2-Oct-22	150,000	-	-	-	150,000	150,000
$0.25	01-Jan-18	1-Jan-23	250,000	-	-	-	250,000	250,000
$0.12	01-Mar-19	1-Mar-24	50,000	-	-	-	50,000	50,000
$0.12	17-Jun-20	17-Jun-25	1,500,000	-	(120,000)	-	1,280,000	1,280,000
			8,429,000	-	(1,985,000)	-	6,444,000	6,444,000
	Weighted-average exercise price		$0.19	-	$0.08	-	$0.22	$0.22

Share-based payments are non-cash expenses which reflect the estimated value of stock options issued to directors, employees and consultants of the Company. The Company uses a Black & Scholes option pricing model to calculate the fair value of stock option grants where the corresponding expense is recognized over the option vesting period.

In May 2022 the Company granted 150,000 stock options to two consultants at an exercise price of $1.27. The total valuation of the options from grant was $172 thousand, all of which was capitalized to property plant and equipment.

In March of 2022, the Company granted 50,000 stock options to a consultant at an exercise price of $1.41 over ten years, all of which vested immediately. The total valuation of the options from grant was $64 thousand, all of which was expensed as stock-based compensation.

(d) Income (Loss) per share

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Income for the period *($000s)*	**$ 9,315**	$ 2,309	**$ 18,064**	$ 482
Weighted average number of common shares outstanding, basic	**102,652,837**	88,214,476	**98,236,537**	87,892,439
Dilutive stock options	**1,750,284**	5,157,932	**1,675,546**	5,157,932
Weighted average number of common shares outstanding, diluted	**104,403,121**	93,372,408	**99,912,083**	93,050,371
Income per share, basic	**$ 0.09**	$ 0.03	**$ 0.18**	$ 0.01
Income per share, diluted	**$ 0.09**	$ 0.02	**$ 0.18**	$ 0.01

For the three and nine months ended September 30, 2022, the Company had dilutive stock options of 1,750,284 and 1,675,546, respectively. For the comparable three and nine month periods in 2021 the Company had dilutive stock options of 5,157,932.

(e) Dividends

On June 7, 2022 the Company's Board of Directors approved a variable dividend policy targeting approximately 30% of Hemisphere's annual free funds flow (adjusted funds flow less capital expenditures) to be paid quarterly. Accordingly, the Company paid its first ever quarterly cash dividend of $2.6 million to Hemisphere shareholders at $0.025/share on June 30, 2022.

On August 18, 2022 the Company announced a variable dividend of $2.6 million to Hemisphere shareholders at $0.025/share which was paid on September 7, 2022.

Further quarterly payments of this variable dividend 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.

14. Commitments

($000s)		2022	2023	2024	2025	2026	2027	2028	Total
Office lease	$	17	78	88	37	-	-	-	220
Other leases		12	45	60	19	19	19	19	193
Equipment lease		184	738	738	738	732	664	609	4,403
	$	213	861	886	794	751	683	628	4,816

15. Supplemental Cash Flow Information

		Three Months Ended September 30				Nine Months Ended September 30		
($000s)		**2022**		2021		**2022**		2021
Provided by (used in):								
Accounts receivable	**$**	**2,434**	$	(87)	**$**	**(1,250)**	$	(1,086)
Prepaid expenses		**(281)**		(255)		**(604)**		(127)
Accounts payable and accrued liabilities		**(1,418)**		3,801		**398**		4,487
Total changes in non-cash working capital	**$**	**735**	$	3,459	**$**	**(1,456)**	$	3,274
Provided by (used in):								
Operating activities	**$**	**2,355**	$	1,425	**$**	**536**	$	1,135
Investing activities		**(1,620)**		2,034		**(1,992)**		2,139
Total changes in non-cash working capital	**$**	**735**	$	3,459	**$**	**(1,456)**	$	3,274

Interest paid on the Company’s bank loan and leases during the three and nine months ended September 30, 2022 were $0.2 million and $0.8 million, respectively, compared to $0.4 million and $1.5 million, respectively, for equivalent period in 2021 (note 9).

16. Subsequent Events

From October 1, 2022 to November 17, 2022 the Company has purchased and cancelled an additional 709,700 shares under the NCIB at an average cost of $1.55 per share.

OFFICERS

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

Dorlyn Evancic, CPA, CGA
Chief Financial Officer

Ian Duncan, P.Eng.
Chief Operating Officer

Andrew Arthur, P.Geol.
Vice President, Exploration

Ashley Ramsden-Wood, P.Eng.
Vice President, Engineering

BOARD OF DIRECTORS

Charles O'Sullivan, B.Sc., *Chairman*(2)

Frank Borowicz, QC, CA (Hon)(1)(2)

Bruce McIntyre, P.Geol.(1)(3)

Don Simmons, P.Geol.(3)

Gregg Vernon, P.Eng.(2)

Richard Wyman, B.Sc., MBA(1)(3)

Audit Committee

(1) Audit Committee
(2) Compensation & Corporate Governance Committee
(3) Reserves Committee

BANKER

Alberta Treasury Branches
Calgary, Alberta

AUDITOR

KPMG LLP
Calgary, Alberta

TRANSFER AGENT

Computershare Investor Services Inc.
Vancouver, British Columbia

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP
Calgary, Alberta
Harper Grey LLP
Vancouver, British Columbia

INDEPENDENT ENGINEER

McDaniel Associates & Consultants Ltd.
Calgary, Alberta

Hemisphere Energy Corporation
Suite 501, 905 West Pender Street, Vancouver, British Columbia V6C 1L6
Telephone: (604) 685-9255 | Facsimile: (604) 685-9676
www.hemisphereenergy.ca | TSX-V: HME, OTCQX: HMENF