

Phone: [Redacted]
Fax: [Redacted]

May 31st, 2022

Hemisphere Energy Corporation
Suite 501, 905 West Pender Street
Vancouver, BC V6C 1L6

Attn: [Redacted]

Dear Madam/Sirs:

Reference is made to the commitment letter dated July 27, 2021, as amended by the first amending agreement dated as of December 30, 2021 (as amended, the "**Commitment Letter**"), between Hemisphere Energy Corporation (the "**Borrower**"), as borrower, and ATB Financial, as lender ("**ATB**" or the "**Lender**").

This letter will serve as the second amending agreement to the Commitment Letter. Capitalized terms used herein shall have the respective meanings ascribed to such term in the Commitment Letter, as amended hereby (as so amended, the "**Amended Commitment Letter**"), unless otherwise defined herein. All other terms and conditions contained in the Commitment Letter shall remain in full force and effect, unamended.

ATB has completed its review of the Facilities provided under the Commitment Letter and confirms continuance of all Facilities provided under the Commitment Letter on the same basis as outlined therein with the following exception(s):

1. Section 1a)iii)(1) of the Commitment Letter is hereby amended by replacing the definition of "**Term Date**" with the following:
"1a)iii)(1) **EXTENDIBLE COMMITTED TERM FACILITY**
The "**Term Date**" is [Redacted], subject to extension as herein provided."
2. Sections 6)(e) and (f) of the Commitment Letter are hereby deleted in their entirety and replaced with the following:
"**6) NEGATIVE COVENANTS**
(e) A Loan Party will not make any Distributions, other than Permitted Distributions;
(f) [RESERVED];"
3. Section 10) of the Commitment Letter is hereby amended by deleting it in its entirety and replaced with the following:
"**10) NEXT REVIEW DATE:**
All Facilities are subject to review by Lender, with the next annual review being [Redacted]"

4. Section 16) of the Commitment Letter is hereby amended by adding the definition of "**Cash Flow**" on page 29 in proper alphabetical order:

"16) DEFINITIONS

"**Cash Flow**" means, in respect of Borrower for any period, the net income of Borrower determined on a consolidated basis in accordance with GAAP; provided that (but without duplication) there shall be (i) added thereto deferred taxes, amortization, depreciation, depletion and other non-cash charges expensed during the period, and (ii) subtracted therefrom Permitted Distributions declared during the period."

5. Section 16) of the Commitment Letter is hereby amended by deleting the definition of "**Commodity Swap**" therein in its entirety and replacing it with the following:

"16) DEFINITIONS

"**Commodity Swap**" means an agreement entered into between a Person and a counterparty on a case by case basis, the purpose and effect of which is to mitigate or eliminate such Person's exposure to fluctuations in commodity prices, whether physically or financially settled and including (among other things) hedging transactions, price collars, puts and other derivatives contracts intended to reduce the uncertainty of commodity pricing."

6. Section 16) of the Commitment Letter is hereby amended by adding the definition of "**Debt Service**" on page 31 in proper alphabetical order:

"16) DEFINITIONS

"**Debt Service**" means, with respect to any Loan Party for any period, all amounts required to be paid during such period in respect of Debt, including without limitation, repayments of principal, interest expense and fees."

7. Section 16) of the Commitment Letter is hereby amended by adding the definition of "**Distribution**" on page 32 in proper alphabetical order:

"16) DEFINITIONS

"**Distribution**" by a Person means:

- (a) any normal course issuer bid of Borrower made in compliance with Applicable Law;
- (b) any declaration, payment or setting aside for payment of any dividend, return of capital or other distribution on or in respect of any of the share, partnership or trust capital of such Person;
- (c) any redemption, retraction, purchase, retirement or other acquisition, in whole or in part, of any of the share, partnership or trust capital of such Person or any securities, instruments or contractual rights capable of being converted into, exchanged or exercised for share, partnership or trust capital of such Person, including options, warrants, conversion or exchange privileges and similar rights;
- (d) the payment of any principal, interest, fees, redemption amounts or other amounts on or in respect of any loans, advances or other indebtedness owing at

any time by such Person to a holder of shares, partnership interests or trust units of such Person or to an affiliate of such holder;

- (e) any loan, advance, payment of management or consulting fees or reimbursement of costs which is made by the Person to or in favour of a holder of shares, partnership interests or trust units of such Person or an affiliate of such holder (including for certainty, and whether or not an affiliate of such holder or the sponsor or an affiliate thereof) except where any such payment is made to any such holder in such holder's capacity as an officer, director or employee of such Person in the ordinary course of business; or
- (f) the transfer by the Person of any property or assets for consideration of less than its or their fair market value or on non-arms' length terms and conditions to a holder of shares, partnership interests or trust units of such Person or an affiliate of such holder,

whether any of the foregoing is made, paid or satisfied in or for cash, property or both; provided that, notwithstanding the foregoing, the payment of (i) employee or director compensation in the ordinary course of business, and (ii) accounts payable and amounts due under loan agreements and leases to Persons who are acting at arm's length to the Loan Parties shall not be considered "Distributions" for purposes of this Agreement."

8. Section 16) of the Commitment Letter is hereby amended by adding the definition of "**Free Cash Flow**" on page 36 in proper alphabetical order:

"16) **DEFINITIONS**

"**Free Cash Flow**" means, in respect of any Loan Party, on a consolidated basis for any period, Cash Flow for such period, less the aggregate of (without duplication): (i) all required Debt Service for such period (other than Debt Service deducted in calculating Cash Flow for such period), and (ii) all capital expenditures (determined in accordance with GAAP) for such period."

9. Section 16) of the Commitment Letter is hereby amended by adding the definition of "**Permitted Distributions**" on page 40 in proper alphabetical order:

"16) **DEFINITIONS**

"**Permitted Distributions**" means:

- (a) Distributions by a Loan Party to another Loan Party; and
- (b) Distributions by Borrower as follows:
 - (i) provided Facility #1 utilization is *\$/Redacted*, Borrower shall be permitted to make Distributions in an amount less than or equal to *\$/Redacted* for each calendar year. For any Distribution in an amount in excess of *\$/Redacted* per calendar year, Borrower shall provide 10 Business Days prior notice thereof to Lender; and
 - (ii) provided Facility #1 utilization is greater than *\$/Redacted*, any Distributions may be made by Borrower provided that, on a pro forma basis, after taking into account such proposed Distribution (A) the Senior Debt to EBITDA Ratio is less than 1.00:1.00; (B) Borrower shall have at least *\$/Redacted*% undrawn availability under

Facility #1; and (C) the aggregate of such Distributions for any fiscal year is no more than 50% of Free Cash Flow calculated on a trailing four quarter basis."

10. Schedule "A" to the Commitment Letter is hereby deleted in its entirety and replaced with Schedule "A" attached hereto.
11. Appendix to Schedule "A" to the Commitment Letter is hereby amended by adding to the Appendix to Schedule "A" attached hereto.
12. The Borrower shall pay a non-refundable renewal fee of *\$/Redacted/* due and payable on acceptance of this second amending agreement. The Lender is hereby authorized to debit Borrower's current account for this renewal fee.
13. The Borrower hereby acknowledges and agrees that, notwithstanding anything contained in this second amending agreement, each of the Security Documents granted by the Borrower to the Lender in connection with the Commitment Letter continues in full force and effect, without in any way impairing or derogating from any of the mortgages, pledges, charges, assignments, security interests and covenants therein contained or thereby constituted, as continuing security for all indebtedness, liabilities and obligations of the Borrower to the Lender, arising or incurred in connection with the Commitment Letter and the Security Documents. The Borrower acknowledges and agrees that the Lender is relying on this Section 13 in connection with its commitments under the Amended Commitment Letter and further acknowledges and agrees that references in the Security Documents to the "Commitment Letter", the "Loan Agreement" or the "Credit Agreement" (as applicable) shall include the Amended Commitment Letter, as the same may be amended, modified, supplemented, restated or replaced, from time to time, and the other documents, instruments and agreements entered into pursuant thereto.
14. The Borrower hereby confirms that the representations set forth in section 9 of the Commitment Letter (other than those given as of a specific date) are in all material respects complete, true and correct on the date hereof.
15. This second amending agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same second amending agreement. For the purposes of this Section 15 the delivery of email, facsimile or other electronic copy of an executed counterpart of this second amending agreement shall be deemed to be valid execution and delivery of this second amending agreement.
16. This second amending agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable in the Province of Alberta. Each party to this second amending agreement hereby irrevocably and unconditionally attorns to the non-exclusive jurisdiction of the courts of the Province of Alberta and all courts competent to hear appeals therefrom.
17. The provisions of the Commitment Letter, as amended by this second amending agreement, are hereby ratified, confirmed and approved.

Please acknowledge your acceptance of the same by returning an executed copy of this second amending agreement on or before _____, 2022.

"SCHEDULE "A"

CONTAINING FORM OF COMPLIANCE CERTIFICATE

To: ATB Financial
ATB Capital Markets
410, 585 – 8th Avenue SW Calgary, Alberta T2P 1G1
Attention: Director

I, _____ hereby certify as of the date of this certificate as follows:

- (a) I am the _____ *[insert title]* of Hemisphere Energy Corporation ("**Borrower**") and I am authorized to provide this certificate to you for and on behalf of Borrower.
- (b) This certificate applies to the **[month/fiscal quarter/fiscal year]** ending _____.
- (c) I am familiar with and have examined the provisions of the amended and restated letter agreement (the "**Agreement**") dated _____, 2022 between Borrower and ATB Financial, as lender, and have made reasonable investigations of corporate records and inquiries of other officers and senior personnel of Borrower and of any Guarantor. Terms defined in the Agreement have the same meanings when used in this certificate.
- (d) No event or circumstance has occurred which constitutes or which, with the giving of notice, lapse of time, or both, would constitute a breach of any covenant or other term or condition of the Agreement and there is no reason to believe that during the next fiscal quarter of Borrower, any such event or circumstance will occur.

OR

We are or anticipate being in default of the following terms or conditions, and our proposed action to meet compliance is set out below:

Description of any breaches and proposed action to remedy:

- (e) Our financial ratios are as follows:
 - i) the Working Capital Ratio is _____:1.00, being not less than the required ratio of 1.00:1.00; and
 - ii) the Senior Debt to EBITDA Ratio is (calculated on a trailing four fiscal quarter basis) is _____:1.00.
- (f) The detailed calculations of the foregoing ratios and covenants are set forth in the addendum annexed hereto, Appendix I and are true and correct in all respects.

- (g) The particulars of all:
 - i) Permitted Distributions in the current calendar year; and
 - ii) Free Cash Flow calculated on a trailing four quarters,are attached hereto, Appendix II.

- (h) Our LLR in:
 - i) Alberta is **[2.0]**;
 - ii) **[insert other jurisdiction(s)]** is _____.

This certificate is given by the undersigned officer in his/her capacity as an officer of Borrower without any personal liability on the part of such officer.

This certificate may be executed electronically; this certificate may be delivered by email, facsimile or other functionally equivalent electronic means.

Dated this ____ day of _____, 20__.

HEMISPHERE ENERGY CORPORATION

Per: _____
Name: _____
Title: _____"

"APPENDIX II

[Insert detailed calculations of financial ratios]

(III) PERMITTED DISTRIBUTIONS AND FREE CASH FLOW, CALCULATED ON A TRAILING FOUR QUARTERS:

Permitted Distributions = \$ _____

Free Cash Flow = \$ _____"