

MANAGEMENT'S REPORT

To the Shareholders of Hemisphere Energy Corporation:

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

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

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

Vancouver, British Columbia
August 13, 2025

(signed) "Don Simmons"

Don Simmons, President & CEO

(signed) "Dorlyn Evancic"

Dorlyn Evancic, Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited)

(\$000s)	Note	June 30, 2025	December 31, 2024
Assets			
Current assets			
Cash and cash equivalents		\$ 23,150	\$ 12,550
Accounts receivable	3(a)	7,781	9,048
Prepaid expenses		1,489	1,078
		32,420	22,676
Non-current assets			
Reclamation deposits	8	116	116
Exploration and evaluation assets	6	3,681	3,389
Property and equipment	7	82,619	85,148
Total assets		\$ 118,836	\$ 111,329
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 4,235	\$ 7,657
Current tax liability		13,869	-
Current portion of lease liabilities	11	947	826
Current portion of decommissioning obligations	8	158	158
Share-based compensation payable	12(b)	422	-
Derivative financial instruments	3(c)	430	132
		20,061	8,773
Non-current liabilities			
Lease liabilities	11	2,470	2,969
Share-based compensation payable	12(b)	350	-
Deferred tax liability		10,890	19,368
Decommissioning obligations	8	5,902	5,840
		39,673	36,950
Shareholders' Equity			
Share capital	12	57,142	60,165
Contributed surplus		4,711	5,170
Retained earnings		17,310	9,044
Total shareholders' equity		79,163	74,379
Total liabilities and shareholders' equity		\$ 118,836	\$ 111,329

Commitments Note 13

Subsequent events Note 15

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

Approved by the Board of Directors

(signed) "Bruce McIntyre"

Bruce McIntyre, Director

(signed) "Don Simmons"

Don Simmons, Director

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Expressed in Canadian dollars)

(Unaudited)

<i>(\$000s, except per share amounts)</i>	Note	Three Months Ended June 30		Six Months Ended June 30	
		2025	2024	2025	2024
Revenue					
Oil and natural gas revenue	5	\$ 24,395	\$ 28,938	\$ 51,734	\$ 49,899
Royalties		(4,564)	(6,257)	(9,609)	(10,200)
		19,831	22,681	42,125	39,699
Realized gain (loss) on derivative financial Instruments		(900)	(164)	(1,085)	3
Unrealized gain (loss) on derivative financial Instruments	3(c)	515	146	(298)	(476)
Net revenue		19,446	22,663	40,742	39,226
Expenses					
Production and operating		4,940	4,830	10,054	8,890
Exploration and evaluation	6	36	55	72	93
Depletion and depreciation	7	2,972	2,622	5,860	4,894
General and administrative		1,305	1,154	2,594	2,172
Share-based compensation	12(b)	550	6	558	13
Finance expense - net	9	100	203	215	373
Foreign exchange loss, realized		15	23	44	34
Foreign exchange (gain), unrealized		(2)	-	(42)	-
Total expenses		9,916	8,893	19,355	16,469
Income before taxes		9,530	13,770	21,387	22,757
Current income tax expense		(2,360)	-	(5,267)	-
Deferred income tax expense		(117)	(3,383)	(125)	(5,592)
Net income and comprehensive income for the period		\$ 7,053	\$ 10,387	\$ 15,995	\$ 17,165
Net income per share, basic	12(c)	\$ 0.07	\$ 0.11	\$ 0.17	\$ 0.17
Net income per share, diluted	12(c)	\$ 0.07	\$ 0.10	\$ 0.16	\$ 0.17

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

(Unaudited)

	Note	Number common shares	Share Capital (\$000s)	Contributed Surplus (\$000s)	Retained Earnings /(Deficit) (\$000s)	Total Shareholders' Equity (\$000s)
Balance at December 31, 2023		99,340,339	\$ 63,164	\$ 6,415	\$ (8,356)	\$ 61,223
Stock option exercise	12(b)	1,422,196	1,270	-	-	1,270
Share-based compensation	12(b)	-	-	25	-	25
Transfer on option exercise	12(b)	-	1,270	(1,270)	-	-
Shares repurchased under NCIB	12(a)	(3,372,800)	(5,461)	-	-	(5,461)
NCIB repurchase tax	12(a)	-	(78)	-	-	(78)
Dividends	12(d)	-	-	-	(15,703)	(15,703)
Net income for the year		-	-	-	33,103	33,103
Balance at December 31, 2024		97,389,735	\$ 60,165	\$ 5,170	\$ 9,044	\$ 74,379
Stock option exercise	12(b)	532,643	143	-	-	143
Share-based compensation - options	12(b)	-	-	16	-	16
Transfer on option exercise		-	475	(475)	-	-
Shares repurchased under NCIB	12(a)	(2,024,500)	(3,641)	-	-	(3,641)
Dividends	12(d)	-	-	-	(7,729)	(7,729)
Net income for the period		-	-	-	15,995	15,995
Balance at June 30, 2025		95,897,878	\$ 57,142	\$ 4,711	\$ 17,310	\$ 79,163

Prior year period comparison

Balance at December 31, 2023		99,340,339	\$ 63,164	\$ 6,415	\$ (8,356)	\$ 61,223
Stock option exercise	12(b)	1,256,400	1,194	-	-	1,194
Share-based compensation	12(b)	-	-	13	-	13
Transfer on option exercise	12(b)	-	1,076	(1,076)	-	-
Shares repurchased under NCIB	12(a)	(1,923,300)	(2,896)	-	-	(2,896)
Dividends	12(d)	-	-	-	(4,938)	(4,938)
Net income for the period		-	-	-	17,165	17,165
Balance at June 30, 2024		98,673,439	\$ 62,537	\$ 5,352	\$ 3,871	\$ 71,760

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

(Unaudited)

(\$000s)	Note	Three Months Ended June 30		Six Months Ended June 30	
		2025	2024	2025	2024
Operating activities					
Net income for the period		\$ 7,053	\$ 10,387	\$ 15,995	\$ 17,165
Items not affecting cash:					
Accretion of decommissioning costs	8	50	50	99	99
Deferred tax expense		117	3,383	125	5,592
Depletion and depreciation	7	2,972	2,622	5,860	4,894
Exploration and evaluation expense	6	36	55	72	93
Share-based compensation	12(b)	550	6	558	13
Unrealized loss (gain) on derivative financial Instruments	3(c)	(515)	(146)	298	476
Unrealized loss on foreign exchange	3(c)	(2)	-	(42)	-
		10,261	16,357	22,965	28,332
Decommissioning obligation expenditures	8	(12)	(18)	(37)	(28)
Changes in non-cash working capital	14	1,597	(1,544)	5,100	(10,825)
Cash provided by operating activities		11,846	14,795	28,028	17,479
Investing activities					
Exploration and evaluation expenditures	6	(278)	(1,231)	(364)	(6,409)
Property and equipment expenditures	7	(1,913)	(1,748)	(3,033)	(2,218)
Changes in non-cash working capital	14	(98)	(1,929)	(2,357)	36
Cash used in investing activities		(2,289)	(4,908)	(5,754)	(8,591)
Financing activities					
Shares issued for stock options, cash exercise	12(b)	69	1,194	143	1,194
Shares repurchased under NCIB	12(a)	(2,340)	(1,730)	(3,641)	(2,897)
Dividends	12(d)	(5,301)	(2,467)	(7,729)	(4,938)
Payment of lease liabilities, net		(224)	(204)	(447)	(374)
Cash used in financing activities		(7,796)	(3,207)	(11,674)	(7,015)
Net change in cash		1,761	6,680	10,600	1,873
Cash and cash equivalents at beginning of period		21,389	2,382	12,550	7,189
Cash and cash equivalents at end of period		\$ 23,150	\$ 9,062	\$ 23,150	\$ 9,062

Supplemental cash flow information (Note 14)

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature and Continuance of Operations

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

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

2. Basis of Presentation

(a) Statement of compliance

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

These Financial Statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements of the Company for the year ended December 31, 2024. These Financial Statements should be read in conjunction with the financial statements and notes thereto in the Company's annual filings for the year ended December 31, 2024.

These Financial Statements were authorized for issuance by the Board of Directors on August 13, 2025.

(b) Basis of valuation

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of these Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may materially differ from these estimates.

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

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(b).

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) Reserves – the Company uses estimated proved and probable oil and gas reserves to deplete petroleum and natural gas assets included in property and equipment ("P&E"), to assess for indicators of impairment or impairment reversal on each of the Company's cash generating units ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of a CGU.
- (ii) Impairment testing – internal and external sources of information including forecasted oil and gas commodity prices, forecasted production volumes, forecasted royalty costs and operating costs, forecasted future development costs, anticipated recoverable quantities of proved and probable oil and gas 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.
- (iii) Depletion and depreciation – proved and probable oil and gas reserves, including forecasted future development costs are used in the calculation of depletion.

- (iv) Decommissioning obligations – estimates relating to amounts, likelihood, timing, inflation and discount rates.
- (v) Financial instruments – 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.
- (vi) Stock options and restricted share units ("RSUs") – the estimated fair value of stock options and RSUs issued under the Company’s stock option and RSU plans were based on a) stock options - the Black-Scholes pricing model incorporating assumptions on volatility, risk-free interest rate, forfeiture rate and the expected term b) RSUs – the market price per share at the date of issuance and a fair value remeasurement at period end using the Black-Scholes model and assumptions as stated above.
- (vii) Determination of 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 assets based upon the estimation of recoverable quantities of proved and probable oil and gas reserves being acquired.
- (x) Provisions – exercise of significant judgment and estimates of the outcome of future events.

(e) Business Risks

Oil and gas exploration and development involve a high degree of risk whereby many properties may ultimately not be developed to a producing stage. There can be no assurance that the Company’s future exploration and development activities will result in discoveries of commercial bodies of oil and gas. Whether an oil and gas property will be commercially viable depends on numerous factors, including the particular attributes of the reserve and its proximity to infrastructure, as well as commodity prices and government regulations, including regulations relating to prices, taxes, tariffs, 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.

(f) Environmental and Climate Change Risks

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to identify the potential environmental impacts of its new projects in

the planning stage and during operations. The Company maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations.

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

(g) Future accounting pronouncements

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

Amendments to IFRS 9 "Financial instruments and IFRS 7 Financial instruments: disclosures" have been issued with the intention to clarify the date of recognition and derecognition of some financial assets and liabilities. The amendments are effective January 1, 2026, with early adoption permitted. The Company is currently evaluating the impact of these amendments on the financial statements.

Canadian Sustainability Reporting Standards (CSDS 1 and CSDS 2)

In December 2024, the Canadian Sustainability Standards Board ("CSSB"), released the final versions of the Canadian Sustainability Reporting Standards, CSDS 1 and CSDS 2 (collectively, the "Canadian Standards"). Currently the adoption of the Canadian Standards remains voluntary. These standards closely align with the ISSB's international sustainability standards IFRS S1 and IFRS S2, but include certain differences, particularly around timing of adoption. Currently the adoption of the Canadian Standards remains voluntary, while the Canadian Securities Administrators are currently evaluating how and to what extent they will be incorporated into future reporting requirements. The impact and costs to comply with these standards has not yet been quantified.

3. Financial Risk Management

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

controls to manage such risks and monitors them on an ongoing basis pertaining to market conditions and the Company's activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its payment obligations. This risk arises principally from the Company's receivables from joint operators and oil and natural gas marketers, and reclamation deposits. The credit risk associated with reclamation deposits is minimized substantially by ensuring this financial asset is placed with major financial institutions with strong investment-grade ratings by a primary ratings agency. The credit risk associated with accounts receivable is mitigated as the Company monitors monthly balances to limit the risk associated with collections. The Company does not anticipate any default. There are no balances over 90 days past due or impaired.

The maximum exposure to credit risk is as follows:

<i>(\$000s)</i>	June 30, 2025	December 31, 2024
Accounts receivable		
Marketing receivables	\$ 7,357	\$ 5,423
Trade receivables	413	3,616
Receivables from joint ventures	11	9
Reclamation deposits	116	116
	\$ 7,897	\$ 9,164

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

(b) Liquidity risk

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

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

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

At June 30, 2025, the Company had working capital (a non-IFRS measure calculated as current assets, less current liabilities, excluding the derivative financial instruments, decommissioning obligations, and lease liabilities, adjusted for any tax provision and including any bank debt) of \$13.9 million (December 31, 2024 – \$ 6.4 million). The Company funds its operations through operating cash flows and a committed \$35.0 million two-year renewable term credit facility at ATB Financial (see Note 10).

(c) Market risk

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

(i) Interest rate risk

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

(ii) Foreign currency risk

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

(iii) Commodity price risk

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

At June 30, 2025, the Company held derivative commodity price contracts as follows:

Product	Type	Volume	Price	Index	Term	As at June 30, 2025 Fair Value (\$000s)
Crude oil	Put Spread	175 bbl/d	US\$50.00(put buy)/ US\$79.55(call sell)/bbl	WTI-NYMEX	Jul. 1, 2025 – Sep. 30, 2025	(1)
Crude oil	Swap	750 bbl/d	C\$19.45	WCS Differential	Jul. 1, 2025 – Sep. 30, 2025	(414)
Crude oil	Put Spread	200 bbl/d	US\$50.00(put buy)/ US\$80.00(call sell)/bbl	WTI-NYMEX	Oct. 1, 2025 – Dec. 31, 2025	12
Crude oil	Put Spread	200 bbl/d	US\$50.00(put buy)/ US\$68.00(call sell)/bbl	WTI-NYMEX	Jan. 1, 2026 – Mar. 31, 2026	(27)
						(430)

At June 30, 2025, the commodity contracts were fair valued as a liability of \$0.4 million recorded on the statement of financial position and an unrealized gain of \$0.5 million for the three-month period and an unrealized loss of \$0.3 million for the six-month period ended June 30, 2025, respectively (June 30, 2024 – gain of \$0.1 million and loss of \$0.5 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 year.

5. Revenue

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

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

The Company's production revenues were primarily generated from its core area of the Mannville oil play in Atlee Buffalo, southeast Alberta. The Company's customers are oil and natural gas marketers and joint operations partners in the oil and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by management's policies and practices related to credit risk as discussed in Note 3(a). As at June 30, 2025, production revenue sold to customers was comprised of two marketers which account for \$7.3 million of the accounts receivable balance.

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

(\$000s)	Three Months Ended June 30			Six Months Ended June 30	
	2025	2024		2025	2024
Heavy crude oil	\$ 24,380	\$ 28,927	\$	\$ 51,699	\$ 49,860
Conventional natural gas	15	11		35	39
Total	\$ 24,395	\$ 28,938	\$	\$ 51,734	\$ 49,899

6. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the Company's exploration projects, which are pending the determination of proved and probable oil and gas reserves. A transfer from exploration and evaluation assets to property and equipment is made when reserves are assigned, or the exploration project has been completed. For the six months ended June 30, 2025, the Company recognized exploration and evaluation expense of \$72 thousand (December 31, 2024 - \$93 thousand).

Cost	
(\$000s)	
Balance at December 31, 2023	\$ 2,161
Additions	10,461
Exploration and evaluation expense	(165)
Transfer to property and equipment	(9,068)
Balance at December 31, 2024	\$ 3,389
Additions	364
Exploration and evaluation expense	(72)
Balance at June 30, 2025	\$ 3,681

At June 30, 2025, the Company performed an assessment of potential impairment indicators on its exploration and evaluation assets, and management determined that no impairment test was required.

7. Property and Equipment

Cost <i>(\$000s)</i>	Petroleum and Natural Gas	Right of Use and Other Assets	Total
Balance at December 31, 2023	\$ 152,497	\$ 5,511	\$ 158,008
Additions right-of-use assets	-	1,337	1,337
Additions property and equipment	11,391	-	11,391
Decrease in decommissioning obligations (Note 8)	(544)	-	(544)
Transfer from exploration and evaluation assets (Note 6)	9,068	-	9,068
Balance at December 31, 2024	\$ 172,412	\$ 6,848	\$ 179,260
Additions right-of-use assets	-	68	68
Additions property and equipment	3,033	-	3,033
Capitalized share-based compensation	230	-	230
Balance at June 30, 2025	\$ 175,675	\$ 6,916	\$ 182,591
Accumulated Depletion, Depreciation, Amortization and Impairment Losses			
Balance at December 31, 2023	\$ 81,932	\$ 1,934	\$ 83,866
Depletion and depreciation for the year	9,294	952	10,246
Balance at December 31, 2024	\$ 91,226	\$ 2,886	\$ 94,112
Depletion and depreciation for the period	5,328	532	5,860
Balance at June 30, 2025	\$ 96,554	\$ 3,418	\$ 99,972
Net Book Value			
December 31, 2024	\$ 81,186	\$ 3,962	\$ 85,148
June 30, 2025	\$ 79,121	\$ 3,498	\$ 82,619

The Company's additions for property and equipment included capitalized general and administrative expenses of \$683 thousand and capitalized share-based compensation of \$230 thousand for the six months ended June 30, 2025 (year ended December 31, 2024 - \$1.5 million and \$nil, respectively).

The calculation of depletion at June 30, 2025 includes estimated future development costs of \$40.2 million (year ended December 31, 2024 - \$40.2 million) associated with the development of the Company's Proved plus Probable reserves.

At June 30, 2025, the Company performed an assessment of potential impairment or reversal indicators on each of its Cash Generating Units ("CGU"), and management determined that there were no indicators of impairment or reversal identified. As such, no impairment test on its petroleum and natural gas assets was required.

At December 31, 2024, the Company performed an assessment of potential impairment or reversal indicators on each of its CGU, and management determined that there were no indicators of impairment or reversal identified. As such, no impairment test on its petroleum and natural gas assets was required.

8. Decommissioning Obligations

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

The Company estimates the total undiscounted and uninflated amount of cash flows required to settle its decommissioning obligations as at June 30, 2025 is \$8.1 million (December 31, 2024 - \$8.1 million), and

\$13.6 million with inflation (December 31, 2024 - \$13.6 million). These payments are expected to be made over the next 37 years.

The discount factor, being the risk-free rate related to the liability, is 3.30% (December 31, 2024 – 3.30%). Inflation of 2.00% (December 31, 2024 – 2.00%) has also been factored into the calculation of amounts in the table below. The Company also has \$116 thousand (December 31, 2024 - \$116 thousand) in various reclamation bonds for its properties held by the Alberta Energy Regulator and British Columbia Ministry of Energy, Mines and Petroleum Resources.

<i>(\$000s)</i>	Three Months Ended		Year Ended	
	June 30, 2025		December 31, 2024	
Decommissioning obligations at beginning of period	\$	5,998	\$	6,616
Increase in estimated future obligations		-		1,076
Change in estimate		-		(1,620)
Payment of decommissioning obligations		(37)		(272)
Accretion expense		99		198
Decommissioning obligations at end of period	\$	6,060	\$	5,998
Current portion		158		158
Long-term portion		5,902		5,840

9. Finance Expense - net

<i>(\$000s)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Finance expense - net:				
Loan interest	\$ 141	\$ 106	\$ 254	\$ 239
Lease interest	60	52	124	105
Interest income	(151)	(5)	(262)	(70)
Accretion of decommissioning liabilities	50	50	99	99
Total	\$ 100	\$ 203	\$ 215	\$ 373

10. Bank Debt

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

The Credit Facility had a renewed term date of May 31, 2025. Following the completion of its annual bank review, the term date was extended to May 31, 2026. The facility is extendible at the new term date and on an annual basis for an additional 365 days upon request of the Company. The Credit Facility is secured by a floating charge debenture and a general security agreement on the assets of the Company.

At June 30, 2025, the Company had drawn \$nil on the Credit Facility. There are standard reporting covenants under the Credit Facility and a financial covenant for the Company to maintain working capital above a ratio of 1.00 to 1.00. Working capital for the covenant is defined as current assets, less current liabilities, excluding the derivative financial instruments, plus the undrawn amount available under the Credit Facility. The Company met these standard reporting covenants as well as the financial covenant, with a working capital ratio of 3.36 to 1.00 as at June 30, 2025.

Under the Credit Facility, advances can be drawn as prime rate loans and bear interest at the bank's prime lending rate plus interest rates between 2.50% and 3.50%. Advances may also be drawn as guaranteed

notes/banker's acceptances and letters of credit, subject to Canadian interest benchmark rates plus margins ranging from 3.50% to 4.50%. Standby fees are charged on the undrawn portion of the Credit Facility at rates ranging from 0.875% to 1.125%. These interest rates, fees and margins vary based on adjusted debt to earnings metrics determined at each quarter-end for the preceding 12 months.

The next semi-annual renewal of the available lending limit of the Credit Facility is scheduled for review by November 30, 2025 and is based on the Lender's interpretation of the Company's reserves and future commodity prices. There can be no assurance that the amount or terms of the Credit Facility will not be adjusted at the next semi-annual review. Should the Lender reduce the Credit Facility's borrowing base below the amount drawn at the time of the redetermination, the Company would have 45 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the redetermined borrowing base. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is compliant with all covenants, representations, and warranties.

11. Lease Liabilities

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

The following table summarizes lease liabilities at June 30, 2025:

<i>(\$000s)</i>	
Balance at December 31, 2023	\$ 3,404
Lease additions (Note 7)	1,338
Interest expense	239
Lease payments	(1,185)
Balance at December 31, 2024	\$ 3,796
Lease additions (Note 7)	68
Interest expense	124
Lease payments	(571)
Balance at June 30, 2025	\$ 3,417
Current portion	\$ 947
Long-term portion	2,470

12. Share Capital

(a) Authorized

Unlimited number of common shares without par value.

Issued and outstanding

As at June 30, 2025 and December 31, 2024, the Company had the following common shares issued and outstanding:

Common Shares	Shares	Value (\$000s)
Balance at December 31, 2023	99,340,339	\$ 63,164
Shares repurchased and cancelled (NCIB)	(3,372,800)	(5,461)
Tax on NCIB repurchase	-	(78)
Shares issued for stock option exercises	1,422,196	1,270
Transfer on stock option exercise	-	1,270
Balance at December 31, 2024	97,389,735	\$ 60,165
Shares repurchased and cancelled (NCIB)	(2,024,500)	(3,641)
Shares issued for stock option exercises	532,643	143
Transfer on stock option exercise	-	475
Balance at June 30, 2025	95,897,878	\$ 57,142

In the six months ended June 30, 2025, the Company purchased and cancelled 2,024,500 shares under the NCIB for \$3.6 million at an average cost of \$1.78 per share.

(b) Share-Based Compensation

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

<i>(\$000s)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Stock options vested	\$ 8	\$ 6	\$ 16	\$ 13
RSUs granted ¹	772	-	772	-
Capitalized costs ¹	(230)	-	(230)	-
Total share-based payments	\$ 550	\$ 6	\$ 558	\$ 13

Note:

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

Stock options

The Company has a stock option plan in place and is authorized to grant stock options to officers, directors, employees and consultants whereby the aggregate number of shares reserved for issuance may not exceed 10% of the issued shares at the time of grant and 5% of the issued shares to each optionee. Stock options are non-transferable and have a maximum term of ten years. Stock options terminate no later than 90 days upon termination of employment or employment contract and one year in the case of retirement, death or disability. The grant price is determined using the closing price of the Company's shares from the day prior to the grant.

Details of the Company's stock options as at June 30, 2025 are as follows:

Exercise Price	Grant Date	Expiry Date	Balance Outstanding Dec. 31, 2024	Changes in the Period			Balance Outstanding Jun. 30, 2025	Balance Exercisable Jun. 30, 2025
				Granted	Exercised	Expired/ Cancelled		
\$0.12	17-Jun-20	17-Jun-25	310,000	-	(310,000)	-	-	-
\$0.91	17-Dec-21	17-Dec-31	1,000,600	-	(132,000)	-	868,600	868,600
\$1.41	17-Mar-22	17-Mar-32	50,000	-	-	-	50,000	50,000
\$1.27	10-May-22	10-May-32	75,000	-	(75,000)	-	-	-
\$1.30	14-Dec-22	14-Dec-32	2,750,000	-	(200,000)	-	2,550,000	2,550,000
\$1.25	11-Sep-23	11-Sep-33	50,000	-	-	-	50,000	50,000
\$1.27	15-Dec-23	15-Dec-28	1,738,000	-	(116,000)	-	1,622,000	1,622,000
\$1.84	13-Dec-24	13-Dec-29	48,000	-	-	-	48,000	24,000
			6,021,600	-	(833,000)	-	5,188,600	5,164,600
Weighted-average exercise price per share			\$1.17	-	\$0.36	-	\$1.23	\$1.23

Share-based payments are non-cash expenses which reflect the estimated value of stock options issued to directors, employees, and consultants of the Company. For the six months ended June 30, 2025, the Company recorded \$16 thousand in share-based costs for vested stock options, compared to \$12 thousand for the same period in 2024.

Restricted Share Units

In December 2024, Hemisphere's Board of Directors approved a new Restricted Share Unit Plan ("RSU Plan") as an additional form of share-based compensation which allows them to grant Restricted Share Units ("RSUs") to directors, officers, employees and consultants of the Company. The aggregate number of common shares reserved for issuance under the RSU Plan is in combination with the shares reserved for issuance under the Company's Stock Option Plan and may not exceed 10% of the issued and outstanding shares of the Company. One-third of the granted RSUs will vest on each of the first, second and third anniversaries from the date of grant, unless otherwise determined by the Board of Directors of the Company. Awards are adjusted for dividends declared, with an adjustment to the notional number of common shares underlying each RSU for each dividend record date following the issue date of the RSU. The adjustment ratio for the awards was set a 1.0 at issuance of the RSUs, and has been adjusted to 1.06 as at June 30, 2025 for the subsequent dividends declared.

On December 13, 2024, the Board of Directors conditionally awarded 1,221,000 RSUs to directors, officers, employees and consultants of the Company that will expire on December 15, 2027. The RSU Plan and awarded RSUs were approved by the shareholders at the Company's Annual General and Special Meeting on June 2, 2025. The RSU Plan allows for cash settlement of the RSUs and accordingly the Company has recorded share-based compensation liabilities for the RSUs.

Details of the RSUs as at June 30, 2025 are as follows:

RSU Units	
Units granted on December 13, 2024	1,221,000
Balance at June 30, 2025	1,221,000

RSU Liability	
Balance at beginning of the period	\$ -
Issuance value	749
Increase in liability/fair value adjustment ⁽¹⁾	23
Balance at June 30, 2025	\$ 772
Current portion	\$ 422
Long-term portion	350

Note:

1) Includes dividend adjustment.

(c) Income per share

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Income for the period (\$000s)	\$ 7,053	\$ 10,387	\$ 15,995	\$ 17,165
Weighted-average number of common shares outstanding, basic	96,741,897	98,004,852	96,799,733	98,405,490
Dilutive stock options	1,595,237	1,953,112	1,644,771	1,598,626
Weighted-average number of common shares outstanding, diluted	98,337,134	99,957,964	98,444,503	100,004,116
Income per share, basic	\$ 0.07	\$ 0.11	\$ 0.17	\$ 0.17
Income per share, diluted	\$ 0.07	\$ 0.10	\$ 0.16	\$ 0.17

In computing the weighted-average shares outstanding for the three and six months ended June 30, 2025, the Company included 1,595,237 and 1,644,771 dilutive stock options, respectively. For the comparable three- and six-month periods in 2024, the Company included 1,644,771 and 1,598,626 dilutive stock options, respectively.

(d) Dividends

During the six months ended June 30, 2025, the Company paid the following dividends to shareholders in accordance with the Company's dividend policy:

Dividend type	Record date	Shares outstanding ⁽¹⁾	Payment date	Dividend price per share	Dividends paid (\$000s)
Quarterly Base	Feb. 12, 2025	97,112,082	Feb. 26, 2025	\$0.025	\$2,428
Special	Apr. 17, 2025	96,786,752	Apr. 28, 2025	\$0.030	\$2,903
Quarterly Base	Jun. 19, 2025	95,897,878	Jun. 30, 2025	\$0.025	\$2,397
Total					\$7,729

Note:

(1) As at record date.

13. Commitments

(\$000s)	2025	2026	2027	2028	2029	Total
Office & equipment leases	\$ 37	34	5	-	-	76
Surface leases	27	27	26	26	23	129
Production equipment leases	499	1,020	980	927	31	3,457
	\$ 563	1,081	1,011	953	54	3,662

14. Supplemental Cash Flow Information

(\$000s)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Provided by (used in):				
Accounts receivable	\$ 637	\$ (1,127)	\$ 1,267	\$ (3,511)
Prepaid expenses	(167)	156	(411)	(749)
Accounts payable and accrued liabilities	(1,331)	(2,501)	(3,380)	695
Current tax provision	2,360	-	5,267	(7,224)
Total changes in non-cash working capital	\$ 1,499	\$ (3,743)	\$ 2,743	\$ (10,789)
Provided by (used in):				
Operating activities	\$ 1,597	\$ (1,544)	\$ 5,100	\$ (10,825)
Investing activities	(98)	(1,929)	(2,357)	36
Total changes in non-cash working capital	\$ 1,499	\$ (3,473)	\$ 2,743	\$ (10,789)

15. Subsequent Events

- a) Subsequent to June 30, 2025, the Company issued 30,624 shares from the exercises of 75,000 stock options priced at \$0.91 per share, on cashless exercises.
- b) Subsequent to quarter-end, the Company has purchased and cancelled an additional 760,300 shares under the NCIB for \$1.4 million at an average cost of \$1.88 per share.
- c) On July 8, 2025, the Company announced the renewal of its NCIB, to purchase and cancel, from time to time, up to 7,934,731 common shares of the Company from July 14, 2025 until July 13, 2026.
- d) On July 15, 2025, the Company's Board of Directors approved a special dividend of \$0.03 per share to the Company's shareholders of record on July 31, 2025 for payment on August 15, 2025.
- e) On August 13, 2025, the Company's Board of Directors approved a quarterly dividend of \$0.025 per share to the Company's shareholders of record on August 29, 2025 for payment on September 12, 2025.



Hemisphere

ENERGY

OFFICERS

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

Dorlyn Evancic, CPA, CGA
Chief Financial Officer

Ian Duncan, P.Eng.
Chief Operating Officer

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

Andrew Arthur, P.Geol.
Vice President, Exploration

BANKER

Alberta Treasury Branches
Calgary, Alberta

AUDITOR

KPMG LLP
Calgary, Alberta

TRANSFER AGENT

Computershare Investor Services Inc.
Vancouver, British Columbia

BOARD OF DIRECTORS

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

Frank Borowicz, KC, 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⁾

(1) Member of Audit Committee

(2) Member of Compensation/Nominating and Corporate Governance Committee

(3) Member of Reserves Committee

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