

# Hemisphere Energy Announces Q2 2014 Financial and Operating Results

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug 27, 2014) - [Hemisphere Energy Corp.](#) (TSX VENTURE:HME) ("Hemisphere" or the "Company") is pleased to announce its financial and operating results for the three and six months ended June 30, 2014.

## Q2 2014 Achievements and Financial Highlights

- Achieved quarterly average production of 553 boe/d (82% oil and NGL), a 36% increase over the second quarter in 2013.
- Generated a record \$3.8 million in petroleum and natural gas revenue.
- Increased funds flow from operating activities by 83% to \$1.6 million or \$0.02 per share over the comparable quarter in 2013.
- Achieved net income of \$830,322 or \$0.01 per share.
- Increased operating netback to \$39.98/boe, an improvement of \$5.55/boe over the comparable quarter of 2013 and \$3.15/boe over the first quarter of 2014.
- Decreased operating and transportation expenses by 10% to \$20.08/boe over the first quarter of 2014.
- Closed a bought-deal equity financing for gross proceeds of \$10 million at a price of \$0.75 with net proceeds being used to accelerate the Company's capital program focused on development in Atlee Buffalo and Jenner.
- Installed a solution gas compressor at the Company's main production facility in Jenner to increase volume through-put.

## Subsequent Achievements

- Closed an acquisition in the Atlee Buffalo area which included an 85% working interest in 1.75 sections (1,120 acres) of land adjacent to the Company's existing land base.
- Successfully executed the largest drilling program in the Company's history, with five horizontal wells in the Atlee Buffalo area.
- Based on field estimates, over the first three weeks of August 2014 production was approximately 670 boe/d (83% oil), which includes two of the five new wells drilled in the summer drilling program.

Selected financial and operational highlights should be read in conjunction with Hemisphere's condensed interim Financial Statements and related Management's Discussion and Analysis for the three and six months ended June 30, 2014. These reports are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on Hemisphere's website at [www.hemisphereenergy.ca](http://www.hemisphereenergy.ca). All amounts are expressed in Canadian dollars.

## Financial and Operating Summary

Financial	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Petroleum and natural gas revenue	\$ 3,799,461	\$ 2,375,912	\$ 7,363,497	\$ 4,449,530
Petroleum and natural gas netback	2,011,113	1,274,744	3,889,115	2,390,301
Funds flow from operating activities <sup>(1)</sup>	1,550,661	847,459	3,058,768	1,639,026
Per share, basic and diluted	0.02	0.02	0.05	0.03
Net income	830,322	241,029	1,678,231	375,454
Per share, basic and diluted	0.01	0.00	0.03	0.01
Capital expenditures, including acquisitions	3,515,191	772,651	7,882,507	2,405,789
Net debt <sup>(2)</sup>	(1,911,603 )	(4,643,327 )	(1,911,603 )	(4,643,327 )
Bank indebtedness	-	4,377,500	-	4,377,500

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013

Average daily production				
Oil (bbl/d)	454	335	471	353
Natural gas (Mcf/d)	584	412	529	322
NGL (bbl/d)	2	3	1	4
Combined (boe/d)	553	407	560	410
Oil and NGL weighting	82 %	83 %	84 %	87 %
Average sales prices				
Oil (\$/bbl)	\$ 85.72	\$ 72.99	\$ 81.17	\$ 65.74
Natural gas (\$/Mcf)	4.64	3.55	4.54	3.50
NGL (\$/bbl)	68.24	62.55	68.24	69.21
Combined (\$/boe)	\$ 75.47	\$ 64.18	\$ 72.66	\$ 59.91
Operating netback (\$/boe)				
Petroleum and natural gas revenue	\$ 75.47	\$ 64.18	\$ 72.66	\$ 59.91
Royalties	15.41	10.87	13.10	9.39
Operating costs	16.70	15.62	17.90	15.29
Transportation costs	3.38	3.26	3.27	3.05
Operating netback	\$ 39.98	\$ 34.44	\$ 38.39	\$ 32.18

Note:

- (1) Funds flow from operating activities represents net income or loss before depletion, depreciation and accretion, share-based payments, impairment and any deferred tax adjustment
- (2) Net debt is calculated as current assets minus current liabilities including bank indebtedness and excluding flow-through share premium

## About Hemisphere Energy Corporation

Hemisphere is a producing oil and gas company focused on developing core areas that provide low to medium risk drilling opportunities to increase production, reserves and cash flow. Hemisphere's continued growth plan is through drilling existing prospects and executing strategic acquisitions and farm-ins. Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME".

## Forward-looking Statements

*This news release contains "forward-looking statements" that are based on Hemisphere's current expectations, estimates, forecasts and projections. These forward-looking statements include statements regarding Hemisphere's outlook for our future operations, plans and timing for the commencement or advancement of exploration and development activities on our properties, and other expectations, intention and plans that are not historical fact. The words "estimates", "projects", "expects", "intends", "believes", "plans", or their negatives or other comparable words and phrases are intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Many of these factors are beyond the control of Hemisphere. Consequently, all forward-looking statements made in this news release are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by Hemisphere will be realized. For the reasons set forth above, investors should not place undue reliance on such forward-looking statements. Hemisphere disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.*

*A barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

## Definitions and abbreviations

bbl	barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	Mcf/d	thousand cubic feet per day
\$/bbl	dollar per barrel	\$/Mcf	dollar per thousand cubic feet
boe	barrel of oil equivalent		
boe/d	barrel of oil equivalent per day		
\$/boe	dollar per barrel of oil equivalent	NGL	natural gas liquids

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**news release.**

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