

VANCOUVER, Nov. 26, 2015 /CNW/ - [Hemisphere Energy Corp.](#) (TSX-V: HME) ("Hemisphere" or the "Company") is pleased to announce its financial and operating results for the three and nine months ended September 30, 2015.

Q3 2015 Highlights

- Averaged 678 boe/d (75% oil and NGL) production during the quarter, a 6% decrease from the third quarter of 2014 as a result of converting two producing wells in Atlee Buffalo to water injectors, having downtime at the Jenner facilities to perform upgrades, and experiencing natural declines in the Company's oil production.
- Generated \$0.7 million (\$0.01/share) in funds flow from operations, a 46% decrease from the second quarter of 2015 due to lower realized oil prices and decreased production.
- Recognized a non-cash impairment charge to property, plant, and equipment of \$3.0 million and a non-cash reduction in the Company's deferred tax asset of \$1.2 million, both due to lower estimated future commodity prices.
- Generated a \$17.54/boe operating netback, a 31% decrease from the second quarter of 2015 due to lower commodity prices.
- Reduced operating costs to \$9.95/boe, a 12% and 14% decrease from the third quarter of 2014 and second quarter of 2015, respectively, primarily due to cost cutting measures and operational efficiencies in the field.
- Reduced transportation costs to \$2.76/boe from \$3.02/boe during the third quarter of 2014 as a result of the Company's voluntary shut-in of high water-cut wells requiring transportation to processing facilities.
- Reduced general and administrative expenses to \$4.38/boe, a 42% decrease from the third quarter of 2014, despite lower production.
- Spent \$1.4 million in capital expenditures during the quarter to implement three waterflood pilot projects in Atlee Buffalo.
- Commenced one of three waterflood pilots in Atlee Buffalo.
- Acquired an additional 4.5 sections of core land in southern Alberta through Crown landsales, including 2.0 sections in Jenner and 2.5 key sections in Atlee Buffalo that bring the Company's ownership to 100% in both the Upper Mannville F and G pools.
- Renewed existing \$15.0 million credit facility in the Company's annual review.

Subsequent Achievements

- Received regulatory approvals and commenced injection in remaining two waterfloods in Atlee Buffalo.
- Completed construction of a new pipeline in Jenner to increase water disposal capacity at an existing disposal well.

Corporate Update

Hemisphere has remained focused on cost reductions in the third quarter of 2015, resulting in overall decreases to its general and administrative expenses by 42% to \$4.38/boe, operating costs by 12% to \$9.95/boe, and transportation costs by 9% to \$2.76/boe since the third quarter of 2014. The Company will continue to reduce costs where possible in the fourth quarter and into 2016 to maximize operating netback and cash flow during the low pricing environment.

During the nine months ended September 30, 2015, Hemisphere reduced its net debt by \$1.0 million and took a conservative approach to spending by strategically investing \$2.3 million in capital projects. The majority of the development capital was spent during the third quarter on three waterfloods in the Upper Mannville F and G pools in Atlee Buffalo. These costs included the conversion of five wells into three injectors and two water source wells, as well as the construction of a water source pipeline for the pool waterflood. The remaining development capital was spent in Jenner to complete a facility turnaround, optimize an injection pump for a 30% capacity increase, and internally coat one of its vessels to extend its life. The Company also spent approximately \$75,000 during the third quarter of 2015 to purchase 4.5 sections of land in southern Alberta through Crown landsales.

Going forward Hemisphere will continue to evaluate all future capital investments based on project payouts, rates of return, and capital efficiency metrics. The Company strives to provide long-term stability to its shareholders through its reliable assets which hold significant oil in place, have substantial reserve and production upside through enhanced oil recovery, and include a large inventory of undrilled development locations which position Hemisphere for organic growth as the oil market recovers.

Selected financial and operational highlights should be read in conjunction with Hemisphere's interim condensed financial statements and related Management's Discussion and Analysis for the three and nine months ended September 30, 2015. These reports are available on SEDAR at www.sedar.com and on Hemisphere's website at www.hemisphereenergy.ca. All amounts are expressed in Canadian dollars.

Financial and Operating Summary

Three Months Ended September 30 Nine Months Ended September 30

2015 2014 2015 2014

FINANCIAL

Petroleum and natural gas revenue	\$ 2,043,781	\$ 4,703,496	\$ 8,256,065	\$ 12,066,993
Petroleum and natural gas netback	1,094,625	2,852,204	4,876,857	6,741,319
Funds flow from operations ⁽¹⁾	711,203	2,279,843	3,274,418	5,338,611
Per share, basic and diluted	0.01	0.03	0.04	0.08
Income (loss) before tax ⁽²⁾	(3,518,717)	720,312	(4,335,446)	1,900,796
Net income (loss)	(4,755,531)	720,312	(5,977,362)	1,900,796
Per share, basic and diluted	(0.06)	0.01	(0.08)	0.03
Capital expenditures, including	1,384,223		2,347,006	
property acquisitions		6,502,651		14,385,158
Net debt ⁽³⁾	10,621,038	6,049,362	10,621,038	6,049,362
Bank indebtedness	\$ 9,659,252	\$ 2,200,000	\$ 9,659,252	\$ 2,200,000

OPERATING

Average daily production

Oil (bbl/d)	507	624	663	522
Natural gas (Mcf/d)	1,026	594	1,045	551
NGL (bbl/d)	1	2	2	1
Combined (boe/d)	678	725	840	616
Oil and NGL weighting	75%	86%	79%	85%

Average sales prices

Oil (\$/bbl)	\$ 38.13	\$ 77.97	\$ 41.32	\$ 79.88
Natural gas (\$/Mcf)	2.81	3.97	2.67	4.33
NGL (\$/bbl)	16.61	59.86	21.40	63.61
Combined (\$/boe)	\$ 32.74	\$ 70.52	\$ 36.02	\$ 71.81

Operating netback (\$/boe)

Petroleum and natural gas revenue	\$ 32.74	\$ 70.52	\$ 36.02	\$ 71.81
Royalties	2.50	13.39	2.67	13.23
Operating costs	9.95	11.31	9.25	15.28
Transportation costs	2.76	3.02	2.83	3.17
Operating netback ⁽⁴⁾	\$ 17.54	\$ 42.79	\$ 21.28	\$ 40.13

Notes:

- (1) Funds flow from operations is a non-IFRS measure that represents cash generated by operating activities, before changes in non-cash working capital and decommissioning expenditures, and may not be comparable to measures used by other companies.
- (2) The Company does not anticipate its deferred tax asset will be realized in the near future; as a result it has provided for it in the amount of \$1,236,816 and \$1,641,916 for the three and nine months ended September 30, 2015, respectively.
- (3) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including bank indebtedness and excluding flow-through share premium.
- (4) Operating netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs per barrel of oil equivalent.

About Hemisphere Energy Corporation

[Hemisphere Energy Corp.](#) is a producing oil and gas company focused on developing conventional oil assets with low risk drilling opportunities. Hemisphere plans continual growth in production, reserves and cash flow by drilling existing projects and executing strategic acquisitions. Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME".

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

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SOURCE [Hemisphere Energy Corp.](#)

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