

VANCOUVER, March 8, 2016 /CNW/ - [Hemisphere Energy Corp.](#) (TSX-V: HME) ("Hemisphere" or the "Company") is pleased to announce highlights from its independent reserves evaluation as at December 31, 2015 prepared by McDaniel & Associates Consultants Ltd. ("McDaniel").

In 2015, Hemisphere spent \$2.4 million of development capital on its assets with specific focus on increasing fluid handling capacity in Jenner and implementing three enhanced oil recovery projects in its Atlee Buffalo oil pools in order to increase reserves without drilling any new wells. As a result of prudent capital allocation and constant emphasis on improving capital efficiencies and reducing costs, Hemisphere achieved another year of significant reserve growth adding 860.3 Mboe of Proved reserves at a finding and development cost ("F&D") of \$0.24/boe, including changes in future development capital. This year-over-year growth was primarily due to waterflood recognition in the Upper Mannville F pool in Atlee Buffalo and positive technical revisions in Jenner as a result of well performance.

Hemisphere achieved an average corporate production rate for 2015 of approximately 776 boe/d (80% oil), which is a 14% increase over 2014 despite the conversion of two producing wells to water injectors in Atlee Buffalo and minimal development capital spending.

#### 2015 Reserve Highlights

- Added 860.3 Mboe of Proved reserves, replacing 304% of estimated 2015 production at an F&D cost of \$0.24/boe, including changes in future development capital.
- Achieved a 2 year average F&D of \$10.70/boe on a Proved plus Probable basis, including changes in future development capital, for a recycle ratio of 2.6.
- Increased Proved Developed Producing reserves by 49% to 1,631.7 Mboe (92% oil), with a net present value of \$24.9 MM (NPV10 BT), a less than 3% decrease year-over-year despite a 40% reduction in the 2016 WTI price forecast.
- Increased Proved reserves by 27% to 2,785.1 Mboe (95% oil), with a net present value of \$34.3 MM (NPV10 BT).
- Increased Proved plus Probable reserves by 18% to 3,933.9 Mboe (95% oil), with a net present value of \$48.4 MM (NPV10 BT).
- On a per share basis, increased Proved reserves by 26% and Proved plus Probable reserves by 17%.
- Proved Developed Producing reserves represent 59% of total Proved reserves on a volume basis and 73% on a net present value basis (NPV10 BT).
- Proved reserves represent 71% of the total Proved plus Probable reserves on a volume basis and 71% on a net present value basis (NPV10 BT).
- Hemisphere's December 31, 2015 net asset value is calculated at \$0.56 per share despite a significant reduction in the 2016 WTI crude oil forecast price.
- Proved plus Probable reserve life index is 13.9 years based on Hemisphere's estimated 2015 average production.

#### Year-end 2015 Reserves

The reserves data set forth below is based upon an independent reserves evaluation prepared by McDaniel with an effective date of December 31, 2015 and is in accordance with definitions, standards, and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Additional reserve information as required under NI 51-101 will be included in Hemisphere's Annual Information Form which will be filed on SEDAR on or before April 29, 2016. Due to rounding, certain totals in the columns may not add in the following tables.

#### Summary of Reserves<sup>(1)</sup>

Heavy Oil Natural Gas Total

Reserves Category	(Mbbbl)	(MMcf)	(Mboe)
Proved			
Developed Producing	1,493.0	832.3	1,631.7
Developed Non-Producing	154.1	(303.1) <sup>(2)</sup>	103.6
Undeveloped	1,012.2	226.0	1,049.8
Total Proved	2,659.2	755.3	2,785.1
Probable	1,082.8	395.8	1,148.8
Total Proved Plus Probable	3,742.0	1,151.1	3,933.9

Notes:

(1) Gross reserves are working interest reserves before royalty deductions.

(2) Negative natural gas reserves are shown due to a difference in gas-oil-ratios used in the Producing and Non-Producing categories in relation to Hemisphere's waterflood program. Once the waterflood is fully implemented and provided the Non-Producing reserves become Producing reserves, Hemisphere anticipates a lower gas-oil-ratio.

Summary of Net Present Value of Future Net Revenue<sup>(1)(2)</sup>

Net Present Value of Future Net Revenue, Before Tax

(M\$, except per share amount)

Discounted at (% per Year)

Reserves Category	0%	5%	10%
Proved			
Developed Producing	37,946.7	30,285.5	24,909.6
Developed Non-Producing	3,773.7	2,933.5	2,315.7
Undeveloped	14,597.4	10,208.2	7,089.6
Total Proved	56,317.7	43,427.2	34,314.9
Probable	34,167.8	21,212.5	14,109.7
Total Proved Plus Probable	90,485.6	64,639.7	48,424.5
Per basic share <sup>(3)</sup>	\$1.19	\$0.85	\$0.64

Notes:

(1) Based on McDaniel December 31, 2015 forecast prices.

(2) The net present value of future net revenue does not represent the fair market value of Hemisphere's reserves.

(3) Based on there being 75,803,498 issued and outstanding shares as of December 31, 2015.

Future Development Costs ("FDC")

The following summarizes the development costs deducted in the estimation of the net present value of the future net revenue attributable to Proved reserves and Proved plus Probable reserves (using forecast prices and costs only).

Forecast Prices and Costs

Proved plus

Proved Probable

Year	Reserves (M\$)	Reserves (M\$)
2016	2,350	2,350
2017	4,700	4,751
2018	9,540	11,163
Total Undiscounted	16,590	18,264
Discounted at 10%	14,147	15,457

2015 Finding and Development Costs and Recycle Ratios<sup>(1)</sup>

	2015	2 year Totals/Average		
		Proved	Proved	
		plus	Proved	plus
		Probable	Probable	
F&D Costs, including FDC				
Exploration and development capital (M\$) <sup>(2)(3)</sup>	2,448.3	2,448.3	22,667.8	22,667.8
Total change in FDC (M\$)	(2,241.0)	(4,819.0)	5,938.0	2,486.0
Total F&D capital, including change in FDC (M\$)	207.3	(2,370.7)	28,605.8	25,153.8
Reserve additions, including revisions (Mboe)	860.3	857.7	2,013.1	2,350.0
F&D costs, including FDC (\$/boe) <sup>(4)</sup>	0.24	N/A	14.21	10.70
Recycle Ratio <sup>(5)</sup>	79.5	N/A	1.9	2.6
FD&A Costs, including FDC				
Exploration, development and acquisition capital (M\$) <sup>(2)(3)</sup>	2,698.3	2,698.3	23,552.5	23,552.5
Total change in FDC (M\$)	(2,241.0)	(4,819.0)	5,938.0	2,486.0
Total F&D capital, including change in FDC (M\$)	457.3	(2,120.7)	29,490.5	26,038.5
Reserve additions, including revisions and acquisitions(Mboe)	875.3	879.7	2,045.1	2,393.0
F&D costs, including FDC (\$/boe) <sup>(4)</sup>	0.52	N/A	14.42	10.88
Recycle Ratio <sup>(5)</sup>	36.7	N/A	1.9	2.5

Notes:

- (1) All financial information is per Hemisphere's preliminary unaudited financial statements for the year ended December 31, 2015 and therefore represents management's estimates. Readers are advised that these financial estimates may be subject to change as a result of the completion of the independent audit on Hemisphere's financial statements for the year ended December 31, 2015.
- (2) The aggregate of the exploration and development (or exploration, development, and acquisition if applicable) costs incurred in the financial year and change during that year in estimated future development costs generally will not reflect total finding and development (or exploration, development, and acquisition if applicable) costs related to reserve additions for that year.
- (3) The capital expenditures also exclude capitalized administration costs.
- (4) 2015 F&D (and FD&A) costs in the Proved plus Probable category may not be meaningful for readers as the reduction in future development costs from 2014 to 2015 exceeded actual capital spent.
- (5) Recycle ratio is calculated as operating netback divided by F&D (or FD&A) costs. Operating netback is calculated as revenue minus royalties, operating expenses, and transportation expenses. The Company's estimated operating netback in 2015 was \$19.16/boe (unaudited) and the combined two-year average for 2014 and 2015 was \$27.61/boe (unaudited).

Summary of McDaniel Pricing as of January 1, 2016

The following table is McDaniel's forecast pricing and foreign exchange rates as at January 1, 2016 which were used in the preparation of McDaniel's reserve evaluation.

Year	Oil		Natural Gas		Price	Inflation Rate
	WTI	Western	Edmonton Canadian	Alberta		
	Crude Oil	Crude Oil	Crude Oil	Crude Oil		
	(\$US/bbl)	(\$Cdn/bbl)	(\$Cdn/bbl)	(\$Cdn/MMBtu)	(%)	(\$US/\$Cdn)
2016	45.00	56.60	46.40	2.70	2.0	0.730
2017	53.60	66.40	54.40	3.20	2.0	0.750
2018	62.40	72.80	59.70	3.55	2.0	0.800
2019	69.00	80.90	66.30	3.85	2.0	0.800
2020	73.10	83.20	68.20	3.95	2.0	0.825
2021	77.30	88.20	72.30	4.20	2.0	0.825
2022	81.60	93.30	76.50	4.45	2.0	0.825
2023	86.20	98.70	80.90	4.70	2.0	0.825
2024	87.90	100.70	82.60	4.80	2.0	0.825
2025	89.60	102.60	84.10	4.90	2.0	0.825
2026	91.40	104.70	85.90	5.00	2.0	0.825
2027	93.30	106.90	87.70	5.10	2.0	0.825
2028	95.10	108.90	89.30	5.20	2.0	0.825
2029	97.00	111.10	91.10	5.30	2.0	0.825
2030	99.00	113.40	93.00	5.40	2.0	0.825
Thereafter	Escalation Rate of 2%/year				2.0	0.825

#### Reserve Life Index ("RLI")

As at December 31

2015<sup>(1)</sup> 2014<sup>(2)</sup>

Proved	9.8	8.8
Proved plus Probable	13.9	13.4

#### Notes:

(1) Based on Hemisphere's estimated 2015 average production of 776 boe/d.

(2) Based on Hemisphere's 2014 average production of 683 boe/d.

## Net Asset Value ("NAV")

Based on McDaniel January 1, 2016 forecast pricing, Hemisphere's net asset value as of December 31, 2015 is estimated to be \$0.56 per share, calculated as follows:

(M\$ except per share amounts)	2015
Proved plus Probable Reserves (NPV10 BT)	48,424
Undeveloped Land & Seismic <sup>(1)</sup>	5,360
Estimated Net Debt (unaudited) <sup>(2)</sup>	(11,429)
Shares Outstanding (basic)	75,803
Estimated Net Asset Value per share (basic)	\$0.56

### Notes:

(1) Based on an internal evaluation by management of Hemisphere as of December 31, 2015

(2) All financial information is per Hemisphere's preliminary unaudited financial statements for the year ended December 31, 2015 and therefore represents management's estimates. Readers are advised that these financial estimates may be subject to changes as a result of the completion of the independent audit on Hemisphere's financial statements for the year ended December 31, 2015.

## Corporate Outlook

Significant additions in Proved Developed Producing reserves were achieved this year in Atlee Buffalo due to recognition of an initial waterflood response at the Upper Mannville F pool.

- Current reserves have been booked using total pool recovery factors of approximately 9.6% (Proved) to 11.7% (Proved plus Probable) of McDaniel's mapped 28 MMbbl original oil in place.
- Nearby producing analogue pools (Upper Mannville N2N and YYY) have already recovered 10% and 26% of oil in place under waterflood; Based on management's analysis of current performance, there is significant potential for an increase in ultimate recovery factors at both pools.
- Compared to the N2N pool, the number of water injectors per producer is anticipated by Hemisphere to be substantially higher within Hemisphere's development plan, and as a result recovery factors are also anticipated by Hemisphere to be higher with all other variables remaining equal.

In the first quarter of 2016, Hemisphere converted a third producing well in the Upper Mannville F Pool to an injector and is awaiting AER approval before commencing water injection. Internal reservoir simulations by Hemisphere show recoveries higher than those currently booked. With continued success of Hemisphere's waterflood through the year it is anticipated that recovery factors used for reserves booking purposes will eventually increase as more production data becomes available. Should commodity pricing improve, Hemisphere is positioned to accelerate its booked reserves development program which includes 4 additional producer-injector pairs.

The Atlee Buffalo Upper Mannville G pool currently has a reservoir pressure lower than the F pool and is being re-pressured at an injector that was converted in 2015. At this time, the pool has no producing wells and as such only two Proved reserve locations were booked at year-end reflecting a total recovery factor of less than 4% of McDaniel's mapped 38 MMbbl original oil in place. Hemisphere is committed to proving the economic viability of this waterflood so that additional reserves can be recognized this year.

In 2016, Hemisphere's corporate strategy is to achieve organic growth year-over-year while managing its balance sheet by staying within cash flow during this time of commodity price weakness. The Company expects to see growth in production and reserves through the year with continued success of its early stage waterflood pools, and to have minimal capital requirements in 2016 which include drilling at least one producing well within the Upper Mannville G pool.

## 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 certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: the volumes and estimated value of Hemisphere's oil and gas reserves; the anticipation of additional injector wells for the N2N pool and the anticipated higher recoveries therefrom; the anticipation that recovery factors used for reserves booking purposes will eventually increase as more production data becomes available to Hemisphere; Hemisphere's expectation that it will see growth in production and reserves through the year with continued success of its early stage waterflood pools, and to have minimal capital requirements in 2016; and the potential for increased ultimate recovery factors from the Upper Mannville N2N and YYY pools.

The recovery and reserve estimates of Hemisphere's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. In addition, forward-looking statements or information are based on a number of material factors, expectations or assumptions of Hemisphere which have been used to develop such statements and information but which may prove to be incorrect. Although Hemisphere believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Hemisphere can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: that Hemisphere will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities are consistent with past operations; the quality of the reservoirs in which Hemisphere operates and continued performance from existing wells; the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Hemisphere's reserve volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund Hemisphere's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Hemisphere operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Hemisphere to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Hemisphere has an interest in to operate the field in a safe, efficient and effective manner; the ability of Hemisphere to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Hemisphere to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Hemisphere operates; and the ability of Hemisphere to successfully market its oil and natural gas products.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Hemisphere's products, the early stage of development of some of the evaluated areas and zones; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Hemisphere or by third party operators of Hemisphere's properties, increased debt levels or debt service requirements; inaccurate estimation of Hemisphere's oil and gas reserve volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in Hemisphere's public disclosure documents, (including, without limitation, those risks identified in this news release and in Hemisphere's Annual Information Form).

The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Hemisphere does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

## Oil and Gas Advisories

All reserve references in this news release are "Company interest reserves". Company interest reserves are the Company's total working interest reserves before the deduction of any royalties and without including any royalty interests of the Company. As of December 31, 2015, the Company did not have any royalty interests.

It should not be assumed that the net present value of the estimated net revenues presented in the tables above represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Hemisphere's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.

All future net revenues are estimated using forecast prices, arising from the anticipated development and production of our reserves, net of the associated royalties, operating costs, development costs and abandonment and reclamation costs and are stated prior to provision for interest and general and administrative expenses. Future net revenues have been presented on a before tax basis.

The information concerning Upper Mannville N2N and YYY analogue pools may be considered to be "analogous information" within the meaning of applicable securities laws. Such information was obtained by Hemisphere management throughout the year ended December 31, 2015 from various public sources including information available to Hemisphere through AccuMap. Management believes such information is analogous to the Upper Mannville N2N and YYY pools in which Hemisphere has an interest and is relevant as it may help to demonstrate the reaction of such pools to waterflood stimulations. Hemisphere is unable to confirm whether the analogous information was prepared by a qualified reserves evaluator or auditor or in accordance with the COGE Handbook and therefore, the reader is cautioned that the data relied upon by Hemisphere may be in error and/or may not be analogous to the oil pools in which Hemisphere holds an interest.

"Boe" means barrel of oil equivalent on the basis of 6 mcf of natural gas to 1 bbl of oil. Boe's 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. In addition, given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

This news release contains metrics commonly used in the oil and natural gas industry, such as "recycle ratio", "operating netback", "finding and development ("F&D") costs", "finding, development and acquisition ("FD&A") costs", "reserve life index ("RLI")", "development capital", and "acquisition capital". These terms do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons.

"Finding and development costs" are calculated as the sum of development capital plus the change in FDC for the period divided by the change in reserves that are characterized as development for the period and "finding development and acquisition costs" are calculated as the sum of development capital plus acquisition capital plus the change in FDC for the period divided by the change in total reserves for the period.

Both finding and development costs and finding development and acquisition costs take into account reserves revisions during the year on a per boe basis. The aggregate of the exploration and development costs incurred in the financial year and changes during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

"Development capital" means the aggregate exploration and development costs incurred in the financial year on reserves that are categorized as development. Development capital excludes capitalized administration costs.

"Recycle ratio" is measured by dividing the operating netback by F&D or FD&A cost per boe for the year.

"Operating netback" is calculated using production revenues including realized hedging gains and losses on commodity contracts minus royalties, operating and transportation expenses calculated on a per boe basis.

"Reserve life index" is calculated as total company interest reserves divided by annual production, for the year indicated.

Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

Original Oil In Place ("OOIP") is used by Hemisphere in this press release as an equivalent to Discovered Petroleum Initially-In-Place ("DPIIP"). DPIIP, as defined in the Canadian Oil and Gas Evaluations Handbook (COGEH), is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DPIIP includes production, reserves and contingent resources; the remaining portion of DPIIP is unrecoverable. The OOIP/DPIIP set forth in this news release has been provided for the sole purpose of highlighting the recovery factors used by Hemisphere's independent engineers in attributing reserves to Hemisphere effective as of December 31, 2015. It should not be assumed that any portion of the OOIP/DPIIP set forth in the news release is recoverable other than the portion which has been attributed reserves by Hemisphere's independent engineers. There is uncertainty that it will be commercially viable to produce any portion of the OOIP/DPIIP other than the portion that is attributed reserves.

## Financial Information

All financial information included in this news release is per Hemisphere's preliminary unaudited financial statements for the year ended December 31, 2015 and therefore represents management's estimates. Readers are advised that these financial

estimates may be subject to change as a result of the completion of the independent audit on Hemisphere's financial statements for the year ended December 31, 2015. All amounts are expressed in Canadian dollars unless otherwise noted.

#### Non-IFRS Measures

Net debt is a non-IFRS measure calculated as current assets minus current liabilities including bank indebtedness and excluding flow-through share premium. 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.

#### Definitions and abbreviations

bbl	barrel	M\$	thousand dollars
Mbbl	thousands of barrels	MM	million
MMbbl	millions of barrels	NPV10 BT	Net Present Value discounted at 10%, before tax
boe	barrel of oil equivalent	WTI	West Texas Intermediate
Mboe	thousands of barrels of oil equivalent		
MMcf	million cubic feet		

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

SOURCE [Hemisphere Energy Corp.](#)

#### Contact

Don Simmons, President & Chief Executive Officer, Telephone: (604) 685-9255, Email: [info@hemisphereenergy.ca](mailto:info@hemisphereenergy.ca); Scott Koyich, Investor Relations, Telephone: (403) 619-2200, Email: [scott@briscocapital.com](mailto:scott@briscocapital.com), Website: [www.hemisphereenergy.ca](http://www.hemisphereenergy.ca)