

VANCOUVER, April 26, 2016 /CNW/ - [Hemisphere Energy Corp.](#) (TSX-V: HME) ("Hemisphere" or the "Company") is pleased to announce its financial and operating results for the year ended December 31, 2015.

Through 2015 Hemisphere focused on reducing administration and operating costs while at the same time developing its assets to maximize reserve additions with minimal capital. The Company successfully concentrated on its core properties in southeastern Alberta where three enhanced oil recovery pilot projects were implemented in Atlee Buffalo and additional fluid handling capacity was installed in Jenner. These projects yielded significant proved reserve additions at a low finding and development cost of \$0.24/boe including changes in future development costs.

2015 Highlights

- Achieved 776 boe/d (78% oil) production during the year, a record annual production rate for the Company.
- Generated \$3.2 million (\$0.04/share) in funds flow from operations, a 54% decrease from 2014 due to significantly lower realized oil prices.
- Realized an \$18.83/boe operating netback for the year during a challenging commodity price environment.
- Reduced annual:
 - G&A costs to \$6.00/boe, a 32% decrease from 2014.
 - Operating costs to \$10.06/boe, a 29% decrease from 2014.
 - Transportation costs to \$2.79/boe, a 16% decrease from 2014.
- Increased proved developed producing reserves by 49% to 1.6 million boe (91% oil), with a net present value of \$24.9 million (NPV10 BT).
- Increased proved reserves by 27% to 2.8 million boe (95% oil), with a net present value of \$34.3 million (NPV10 BT).
- Increased proved plus probable reserves by 18% to 3.9 million boe (95% oil), with a net present value of \$48.4 million (NPV10 BT).
- Initiated three enhanced oil recovery waterflood pilot projects in Atlee Buffalo.
- Completed the construction of a new pipeline in Jenner to increase water disposal capacity at an existing disposal well.
- Completed a strategic tuck-in acquisition of the remaining 15% working interest in 1.75 sections (1,120 acres) of land in Atlee Buffalo for \$250,000 to bring the Company's total working interest to 100%.
- Purchased 4.5 sections of land in southeast Alberta, including 2.0 sections in Jenner and 2.5 sections of key lands in Atlee Buffalo to bring the Company's ownership to 100% over its Upper Mannville F and G pools.

Selected financial and operational highlights should be read in conjunction with Hemisphere's audited annual financial statements and related Management's Discussion and Analysis for the year ended December 31, 2015. These reports, including the Company's Annual Information Form for the year ended December 31, 2015, 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

Year Ended December 31

Financial	2015	2014
Petroleum and natural gas revenue	\$9,749,377	\$16,635,279
Petroleum and natural gas netback	5,335,096	9,275,653
Funds flow from operations ⁽¹⁾	3,188,485	6,863,919
Per share, basic and diluted	0.04	0.10
Loss before tax ⁽²⁾	(6,668,915)	(1,907,495)
Net loss	(8,310,831)	(1,667,807)
Per share, basic and diluted	(0.11)	(0.02)
Capital expenditures, including property acquisitions	3,086,147	21,316,366
Net debt ⁽¹⁾	11,446,110	11,644,609
Bank indebtedness	10,828,040	7,184,147
Operating		
Average daily production		
Oil (bbl/d)	607	583
Natural gas (Mcf/d)	1,003	593
NGL (bbl/d)	2	2
Combined (boe/d)	776	683
Oil and NGL weighting	78%	86%
Average sales prices		
Oil (\$/bbl)	\$39.61	\$73.87
Natural gas (\$/Mcf)	2.61	4.08
NGL (\$/bbl)	21.28	54.85
Combined (\$/boe)	\$34.41	\$66.68
Operating netback (\$/boe)		
Petroleum and natural gas revenue	\$34.41	\$66.68
Royalties	2.73	12.05
Operating costs	10.06	14.10
Transportation costs	2.79	3.34
Operating netback ⁽¹⁾	\$18.83	\$37.19

Notes:

(1) See Non-IFRS and Additional IFRS Measures.

(2) The Company does not anticipate its deferred tax asset will be realized in the near future; as a result the Company has provided for it in the amount of \$1,641,916 for the year ended December 31, 2015.

	As at	
Share Information	December 31, 2015	December 31, 2014
Common shares outstanding	75,803,498	75,368,498
Stock options outstanding	5,995,000	5,970,000
Weighted-average shares outstanding		
Basic and diluted	75,758,868	70,075,412

2016 Outlook

In the first quarter of 2016, Hemisphere converted a third producing well in the Upper Mannville F Pool to an injector well and has now commenced water injection. A response has now been observed in three Hemisphere producers offsetting the first two injectors in the pool and oil rates are increasing at those wells.

Hemisphere has plans to drill at least one well into the Atlee Buffalo Upper Mannville G pool in order to prove the productivity of the oil pool. Historical oil production has resulted in less than a 3% recovery factor to date. The pool has been undergoing injection since November 2015 in order to re-energize the reservoir prior to production.

Hemisphere's corporate strategy is to continue to achieve organic reserve growth year-over-year while managing its balance sheet by limiting capital expenditures to within its cash flow during this time of commodity price weakness. The Company expects to see growth in production and reserves through the year with the continued success of its waterfloods and planned capital expenditures of less than \$1.5 million. Should oil prices substantially recover and stabilize, the Company intends to accelerate development activity accordingly.

Annual General and Special Meeting of Shareholders

Hemisphere's Annual General and Special Meeting of Shareholders is being held in the Pender Room of Oceanic Plaza, 1035 West Pender Street, Vancouver, British Columbia on Friday, June 10, 2016 at 9:00 a.m. (Pacific Daylight Time).

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. The words "estimates", "projects", "expects", "intends", "believes", "plans", or their negatives or other comparable words and phrases are intended to identify forward-looking statements and 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, statements regarding Hemisphere's plans to drill at least one well into the Atlee Buffalo Upper Mannville G pool in order to prove the productivity of the oil pool; Hemisphere's corporate strategy of achieving organic reserve growth year-over-year while managing its balance sheet by limiting its capital spending to within its cash flow during this time of commodity price weakness; the Company's expectation to see growth in production and reserves through the year with the continued success of its waterfloods and planned capital expenditures of less than \$1.5 million; and Hemisphere's plans to accelerate development activity in the event that oil prices substantially recover and other expectations, intention and plans that are not historical fact.

Forward-looking statements 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.

Non-IFRS and Additional IFRS Measures

The press release contains terms commonly used in the oil and gas industry which are not defined by or calculated in accordance with International Financial Reporting Standards ("IFRS"), such as: (i) funds flow from operations, which is an additional IFRS measure; (ii) net debt, which is a non-IFRS measure; and (iii) operating netback, which is a non-IFRS measure. These terms should not be considered an alternative to, or more meaningful than the comparable IFRS measures (as determined in accordance with IFRS) which in the case of funds flow from operations and operating netback, are cash provided by operating activities and cash flow from operating activities or net income or net loss, respectively. There is no IFRS measure that is reasonably comparable to net debt. These measures are commonly used in the oil and gas industry and by Hemisphere to provide shareholders and potential investors with additional information regarding: (i) in the case of funds flow from operations, the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt; (ii) in the case of operating netback, the indication of the Company's profitability relative to current commodity prices; and (iii) in the case of net debt, the capital structure of the Company.

Hemisphere's determination of these measures may not be comparable to that reported by other companies. Funds flow from operations is calculated as cash generated by operating activities, before changes in non-cash working capital; operating netback is calculated as the Company's oil and gas sales, less royalties, operating expenses, and transportation costs per barrel of oil equivalent; and net debt is calculated as current assets minus current liabilities including bank indebtedness and excluding flow-through premium. The Company has provided information on how these measures are calculated in the Management's Discussion and Analysis for the year ended December 31, 2015, which is available under the Company's SEDAR profile at www.sedar.com.

Oil and Gas Advisories

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. 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.

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 upon which such estimates are made will be attained and variances could be material. The reserve estimates of Hemisphere's crude oil, natural gas liquids and natural gas reserves and any estimated recovery factors 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.

"Finding and development costs" are calculated as the sum of development capital plus the change in future development capital for the period divided by the change in reserves that are characterized as development for the period, and are used by

management to provide readers with measures of the Company's efficiency in finding and developing reserves. Finding and development 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 change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year. "Finding and development costs" does 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 additions.

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	NGL	natural gas liquids
boe/d	barrel of oil equivalent per day	NPV10 BT	Net Present Value discounted at 10%, before tax
\$/boe	dollar per barrel of oil equivalent	IFRS	International Financial Reporting Standards
		G&A	General and Administrative Costs

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.](#)

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