TSX-V: HME

VANCOUVER, May 30, 2016 /CNW/ - Hemisphere Energy Corp. (TSX-V: HME) ("Hemisphere" or the "Company") announces its financial and operating results for the three months ended March 31, 2016.

Q1 2016 Highlights

- Achieved quarterly production averaging 508 boe/d (81% oil).
- Realized a $2.73/boe operating netback with a challenging commodity price environment and an average WTI price of $33.45 ($US/bbl).
- Reduced operating costs to $11.45/boe, a 15% decrease from the fourth quarter of 2015, due to the voluntary shut-in of higher cost wells and the implementation of strict cost control measures.
- Significantly reduced general and administration costs to $5.42/boe, a decrease of 34% from the fourth quarter of 2015.
- Announced the achievement of over 300% proved reserves replacement at a 2015 Finding and Development Cost of $0.24/boe (including changes in future development capital), due mainly to recognition of significant recoverable reserves in the Atlee Buffalo Upper Mannville F pool based on positive waterflood response in the reservoir.

Corporate Update

During the first quarter of 2016, Hemisphere successfully continued its conservative approach to capital spending. With the decline in oil prices and uncertainty in long term price forecasts, Hemisphere focused on operating cost efficiencies and progression of development plans in its core producing properties. The Company converted a third producing well in the Atlee Buffalo Upper Mannville F pool to an injector and is now undergoing pressure maintenance at all planned waterflood pilots in the pool.

Since April, oil prices have gradually improved, differentials have narrowed, and exchange rates have remained high. With these positive impacts to realized oil prices, Hemisphere is adjusting its focus from capital preservation to strategic capital investment in projects that will add production, increase reserves, and achieve long-term shareholder value and growth for the Company as oil prices continue to strengthen.

With all three designed waterflood pilot projects completed in the Atlee Buffalo F pool, the Company is now planning to construct a water handling facility in Atlee Buffalo. Hemisphere also has plans to drill at least one well into the Atlee Buffalo Upper Mannville G pool before year-end in order to prove the productivity of the reservoir. Historical oil production has resulted in a 3% recovery factor to date and less than a 4% recovery factor is reflected in current reserve bookings. The pool has been undergoing injection since November 2015 in order to re-energize the reservoir prior to production.

Hemisphere Energy's annual review for its demand operating credit facility has been completed and the borrowing base has been set at $12.5 million. The facility is secured by a general security agreement and a floating charge on all lands of the Company and bears an interest at the bank's prime rate plus 2.5%, as well as a standby charge for any undrawn funds.

Hemisphere's corporate strategy is to continue to achieve organic reserve growth year-over-year while managing its balance sheet by limiting capital expenditures during this time of unstable commodity prices. The Company expects to see growth in production and reserves through the year with the continued success of its waterfloods and planned capital expenditures. When oil prices recover and stabilize, the Company is prepared to accelerate development activity accordingly.

Financial and Operating Summary

	Three Months Ended March 31	
Financial	2016	2015
Petroleum and natural gas revenue	$ 935,834	$ 2,928,264
Petroleum and natural gas netback	126,056	1,827,986
Funds flow from operations[1]	(247,514)	1,256,533
Per share, basic and diluted	0.00	0.02
Net income (loss)	(1,066,556)	(646,345)
Per share, basic and diluted	(0.01)	(0.01)
Capital expenditures, including property acquisitions	344,676	133,289
Net debt[2]	12,038,298	10,420,007
Bank indebtedness	$ 11,533,660	$ 9,973,336
Operating		
Average daily production		
Oil (bbl/d)	409	832
Natural gas (Mcf/d)	581	960
NGL (bbl/d)	2	3
Combined (boe/d)	508	995
Oil and NGL weighting	81%	84%
Average sales prices		
Oil ($/bbl)	$ 22.39	$ 36.01
Natural gas ($/Mcf)	1.86	2.64
NGL ($/bbl)	19.21	21.56
Combined ($/boe)	$ 20.24	$ 32.71
Operating netback ($/boe)		
Petroleum and natural gas revenue	$ 20.24	$ 32.71
Royalties	2.36	2.70
Operating costs	11.45	6.80
Transportation costs	3.70	2.79
Operating netback[3]	$ 2.73	$ 20.42

Notes:

(1) Funds flow from operations is an additional IFRS measure that represents cash generated by operating activities, before changes in non-cash working capital and may not be comparable to measures used by other companies. See "Non-IFRS and Additional IFRS Measures".

(2) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including bank indebtedness and excluding flow-through share premium. See "Non-IFRS and Additional IFRS Measures".

(3) 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. See "Non-IFRS and Additional IFRS Measures".

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; Hemisphere's plans to drill at least one well into the Atlee Buffalo Upper Mannville G pool before year-end in order to prove the productivity of the reservoir; Hemisphere's corporate strategy of achieving organic reserve growth year-over-year while managing its balance sheet by limiting its capital expenditures 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; and Hemisphere's plans to accelerate development activity in the event that oil prices substantially recover and other expectations, intentions, 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 defer 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.

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	IFRS	International Financial Reporting Standards
$/boe	dollar per barrel of oil equivalent	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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