TSX-V: HME

VANCOUVER, Nov. 24, 2016 /CNW/ - Hemisphere Energy Corp. (TSX-V: HME) ("Hemisphere" or the "Company") announces its financial and operating results for the three and nine months ended September 30, 2016.

Q3 2016 HIGHLIGHTS

- Drilled and placed on production Hemisphere's first producing well from the Atlee Buffalo Upper Mannville G pool at an IP90 o over 60 boe/d (100% oil).
- Averaged quarterly production of 518 boe/d (87% oil), a 5% increase over the second quarter.
- Realized an operating netback of $16.36/boe, a 26% increase over the second quarter.
- Attained aggregate funds flow from operations of $345,007, a 116% increase over the second quarter.
- Significantly decreased absolute general and administration costs by 23% from the third quarter of 2015, or 33% year-to-date versus the same period of 2015.
- Completed construction of water handling and reinjection facility for production from the Atlee Buffalo Upper Mannville F Pool.
- Closed second tranche of financing for total gross funds raised of $1.9 million.

CORPORATE UPDATE

During the third quarter of 2016, Hemisphere closed its final tranche of a private placement of a combination of common shares and CDE flow-through common shares. Total gross proceeds from the financing were $1,921,055. Hemisphere has completed all required expenditures for the flow-through funds raised in the financing in the third quarter.

Hemisphere subsequently drilled its first horizontal development well into the Atlee Buffalo Upper Mannville G pool at the end of July 2016. Total costs to drill, complete, equip and tie-in the well was $685,000 which was 10% under budget and 45% less than the average cost of the 10 Atlee Buffalo wells drilled by Hemisphere in 2014.

This well was put on production in August and has averaged just over 60 boe/d (100% oil) over its first three months online and has produced almost 70 boe/d (100% oil) during the first half of November. It continues to show stable production rates, and management expects it to be capable of greater production in the future once a planned multi-well battery is constructed in conjunction with further development of the pool. All oil production is currently being trucked directly to sales, eliminating the need for any third party processing.

In September, a water separation and reinjection facility was completed for production from the Atlee Buffalo Upper Mannville F pool, which has enabled water rates at the injectors to be increased and has eliminated all water trucking for third party disposal. The Company continues to see successful results from its three active waterflood pilots in the pool.

Hemisphere has endeavoured to keep its decommissioning liabilities to a minimum by focusing on organic growth through drilling and targeted strategic acquisitions. Changes by the Alberta Energy Regulator (AER) require a minimum corporate Liability Management Ratio (LMR) of 2.0 to be eligible for certain transactions involving the transfer of existing AER licences. As of November 2016, the Company's LMR is 4.54, which is among the top 15% of operating companies in Alberta. This ratio reflects Hemisphere's deemed assets to deemed liabilities and puts the Company in a strong position for acquiring additional assets.

Hemisphere's corporate production is currently at approximately 640 boe/d. For the remainder of 2016, the Company will continue to optimize its Atlee waterfloods and production while minimizing operating and transportation costs. Planning is underway for further development in both the Atlee F and G pools for 2017 provided the pricing environment continues to improve.

Financial and Operating Summary

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
FINANCIAL				
Petroleum and natural gas revenue	$ 1,630,105	$ 2,043,781	$ 4,014,662	$ 8,256,065
Petroleum and natural gas netback	779,966	1,094,625	1,486,898	4,876,856
Funds flow from operations[(1)]	345,007	714,502	257,387	3,292,017
Per share, basic and diluted	0.00	0.01	0.00	0.04
Net loss	(413,340)	(4,755,531)	(2,060,620)	(5,977,362)
Per share, basic and diluted	(0.00)	(0.06)	(0.03)	(0.08)
Capital expenditures, including property acquisitions	1,457,530	1,384,222	2,006,613	2,347,005
Net debt[(2)]	11,384,586	10,621,038	11,384,586	10,621,038
Bank indebtedness	$ 10,670,689	$ 9,659,252	$ 10,670,689	$ 9,659,252
OPERATING				
Average daily production				
Oil (bbl/d)	450	507	422	663
Natural gas (Mcf/d)	400	1,026	493	1,045
NGL (bbl/d)	2	1	2	2
Combined (boe/d)	518	678	506	840
Oil and NGL weighting	87%	75%	84%	79%
Average sales prices				
Oil ($/bbl)	$ 37.28	$ 38.13	$ 32.58	$ 41.32
Natural gas ($/Mcf)	2.24	2.81	1.72	2.67
NGL ($/bbl)	32.88	16.61	26.05	21.40
Combined ($/boe)	$ 34.19	$ 32.74	$ 28.94	$ 36.02
Operating netback ($/boe)				
Petroleum and natural gas revenue	$ 34.19	$ 32.74	$ 28.94	$ 36.02
Royalties	4.64	2.50	3.15	2.67
Operating costs	7.92	9.95	10.47	9.25
Transportation costs	5.27	2.76	4.60	2.83
Operating netback[(3)]	$ 16.36	$ 17.54	$ 10.72	$ 21.28

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 may not be comparable to measures used by other companies.

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

(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.

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 and/or forward-looking information (collectively, "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 management's expectations that the well drilled into the Atlee Buffalo Upper Mannville G pool at the end of July 2016 may be capable of greater production in the future once a planned multi-well battery is constructed; plans to construct such multi-well battery; the Company's plans to continue to optimize its Atlee waterfloods and production while minimizing operating and transportation costs; the Company's plans for further development in both the Atlee F and G pools for 2017 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 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 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 filed under Hemisphere's SEDAR profile at www.sedar.com)

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.

Initial Production Rates

Initial production rates disclosed herein are not determinative of the rates at which the wells will continue to produce and decline thereafter and may not necessarily be indicative of long-term performance or estimated ultimate recovery. Such rates should be considered preliminary.

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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