

# Hemisphere Energy Doubles PDP Reserve Value to \$68 Million (Discounted at 10%), and Increases 2P Reserve Value by 71% to \$198 Million (Discounted at 10%)

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TSX-V: HME

VANCOUVER, March 26, 2019 - [Hemisphere Energy Corp.](#) (TSX-V: HME) ("Hemisphere" or the "Company") is pleased to announce highlights from its independent reserves evaluation effective as at December 31, 2018 prepared by McDaniel Associates Consultants Ltd. ("McDaniel").

During 2018 Hemisphere incurred capital expenditures of approximately \$15.5 million, which included capital to drill 11 wells, three injector wells, and expand both batteries in the Atlee Buffalo area. This activity resulted in over 100% of Hemispheres year-end 2017 Proved plus Probable ("2P") reserve volumes being converted into year-end 2018 Proved ("1P") volume and production growth through 2018 is the result of new production from these wells, recognition of better overall well performance due to successful waterflood implementation over the past few years, and an increase in the total expected recovery factor from waterflood pools.

## 2018 Reserve Highlights

### 2P Reserves

- Increased net present value of future net revenue, discounted at 10%, before tax ("NPV10 BT") by 71% to \$197.9 million.
- Increased reserve volumes by 48% to 10.6 Mmboe (98% oil).
- Replaced 949% of estimated 2018 production through organic development.
- Added 3.8 Mboe of reserve volumes, at a finding and development cost ("F&D cost") of \$8.30/boe (including chargeback of future development capital ("FDC")), for a recycle ratio of 1.9.
- Achieved a two-year average F&D cost of \$7.85/boe (including changes in FDC) for a recycle ratio of 2.2.
- Increased NPV10 BT per basic share by 70% to \$2.20.
- Improved net asset value ("NAV") by 63% to \$1.83 per basic share.
- Reserve life index ("RLI") of 21.1 years based on annualized 2018 fourth quarter production, representing a low cost life asset base in early stages of development.

### 1P Reserves

- Increased NPV10 BT by 78% to \$142.4 million.
- Increased reserve volumes by 55% to 7.6 Mboe (98% oil).
- Replaced 763% of estimated 2018 production through organic development.
- Added 3.1 Mboe of reserve volumes, at an F&D cost of \$9.40/boe (including changes in FDC), for a recycle ratio of 1.9.
- Achieved a two-year average F&D cost of \$9.22/boe (including changes in FDC) for a recycle ratio of 1.9.
- Increased NPV10 BT per basic share by 77% to \$1.59.
- Improved NAV by 69% to \$1.21 per basic share.
- Reserve life index ("RLI") of 15.1 years based on annualized 2018 fourth quarter production.

The reserves data set forth below is based upon an independent reserves evaluation prepared by McDaniel dated March 2019 with an effective date of December 31, 2018 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 30, 2019. Due to rounding, certain totals in the columns may not equal the following tables. All dollar values are in Canadian dollars, unless otherwise noted.

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

|                            |           | Conventional |          |
|----------------------------|-----------|--------------|----------|
|                            | Heavy Oil | Natural Gas  | Total    |
| Reserves Category          | (Mbbbl)   | (MMcf)       | (Mboe)   |
| Proved                     |           |              |          |
| Developed Producing        | 3,174.8   | 697.7        | 3,291.1  |
| Developed Non-Producing    | 230.2     | 64.6         | 240.9    |
| Undeveloped                | 4,049.4   | 183.8        | 4,080.1  |
| Total Proved               | 7,454.4   | 946.1        | 7,612.1  |
| Probable                   | 2,953.0   | 309.1        | 3,004.5  |
| Total Proved plus Probable | 10,407.4  | 1,255.2      | 10,616.6 |

Note:

- (1) Reserves are presented as "gross reserves" which are the Company's working interest reserves before royalty deductions and without including any royalty interests.

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

|                                | Net Present Value of Future Net Revenue, Before Tax<br>(M\$, except per share amount) |           |           |
|--------------------------------|---|-----------|-----------|
|                                | Discounted at (% per Year)  |           |           |
| Reserves Category              | 0%  | 5%        | 10%       |
| Proved                         |   |           |           |
| Developed Producing            | 98,392.3  | 80,818.2  | 68,416.6  |
| Developed Non-Producing        | 5,048.8   | 3,728.2   | 2,890.5   |
| Undeveloped                    | 115,670.2   | 89,949.3  | 71,049.9  |
| Total Proved                   | 219,111.3   | 174,495.7 | 142,357.1 |
| Probable                       | 106,578.6   | 75,010.3  | 55,575.9  |
| Total Proved plus Probable     | 325,689.9   | 249,506.0 | 197,933.0 |
| Per basic share <sup>(3)</sup> |   |           |           |
| Proved                         | \$2.44  | \$1.94    | \$1.59    |
| Proved plus Probable           | \$3.63  | \$2.78    | \$2.20    |

## Notes:

- (1) Based on McDaniel January 1, 2019 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 89,793,302 issued and outstanding shares of the Company as of December 31, 2018.

## 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 1P and 2P reserves (using forecast prices and costs only).

|                         | Forecast Prices and Costs |                                  |
|-------------------------|---------------------------|----------------------------------|
| Year                    | Proved<br>(M\$)           | Proved plus<br>Probable<br>(M\$) |
| 2019                    | 13,768                    | 15,158                           |
| 2020                    | 19,453                    | 23,578                           |
| 2021                    | 9,243                     | 12,083                           |
| Total Undiscounted      | 42,464                    | 50,819                           |
| Total Discounted at 10% | 37,030                    | 44,243                           |

2018 Finding and Development Costs and Recycle Ratios<sup>(1)(2)</sup>

|   | 2018     |                         | 2018 and 2017  |                         |
|---|----------|-------------------------|----------------|-------------------------|
|   |          |                         | 2-Year Average |                         |
|   | Proved   | Proved plus<br>Probable | Proved         | Proved plus<br>Probable |
| F&D Costs <sup>(3)</sup>                                    |          |                         |                |                         |
| Exploration and development capital (M\$) <sup>(4)(5)</sup> | 15,537.4 | 15,537.4                | 23,840.1       | 23,840.1                |
| Total change in FDC (M\$)                                   | 13,564.0 | 16,395.0                | 23,339.6       | 28,769.4                |
| Total F&D capital, including change in FDC (M\$)            | 29,101.4 | 31,932.4                | 47,179.7       | 52,609.5                |
| Reserve additions, including revisions (Mboe)               | 3,095.0  | 3,847.4                 | 5,117.1        | 6,698.4                 |
| F&D costs, including FDC (\$/boe)                           | 9.40     | 8.30                    | 9.22           | 7.85                    |
| Recycle Ratio <sup>(6)</sup>                                | 1.7      | 1.9                     | 1.9            | 2.2                     |

Notes:

- (1) All financial information included in this news release is per Hemisphere's preliminary unaudited financial statements for the year ended December 31, 2018 which have not yet been approved by the Company's audit committee or board of directors 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, 2018 and the review and approval of same with the Company's audit committee and board of directors.
- (2) See "Oil and Gas Advisories" and "Oil and Gas Metrics".
- (3) F&D 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. Finding and development costs take into account reserves revisions during the year on a per boe basis and estimated 2018 production of 1111 boe/d.
- (4) 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 reserve additions for that year.
- (5) The capital expenditures also exclude capitalized administration costs.
- (6) Recycle ratio is calculated as operating netback divided by F&D costs. Operating netback is calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) per barrel of oil equivalent. Operating field netback is calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs per barrel of oil equivalent. The Company's estimated operating netback in 2018 was \$15.54/boe (unaudited) and the combined two-year average for 2018 and 2017 was \$17.36/boe (unaudited).

Summary of McDaniel Pricing as of January 1, 2019

The following table is McDaniel's forecast pricing and foreign exchange rates as at January 1, 2019 which were used in the preparation of McDaniel's reserve evaluation. Overall, McDaniel's forecast of WTI and WCS pricing is down an average of approximately 2% and 1%, respectively, from the January 1, 2018 outlook over the same 15 year period, with a downward change of approximately 17% in the WCS forecast in 2019 specifically.

|            | Oil                        |                                |  | Natural Gas                   |           |                            |
|------------|----------------------------|--------------------------------|--|-------------------------------|-----------|----------------------------|
| Year       | WTI<br>Crude Oil           | Edmonton<br>Light<br>Crude Oil | Western<br>Canadian<br>Select<br>Crude Oil | Alberta<br>AECO Spot<br>Price | Inflation | US/Cdn<br>Exchange<br>Rate |
|            | (\$US/bbl)                 | (\$Cdn/bbl)                    | (\$Cdn/bbl)                                | (\$Cdn/MMBtu)                 | (%)       | (\$US/\$Cdn)               |
| 2019       | 56.50                      | 63.30                          | 47.50                                      | 1.85                          | 0         | 0.750                      |
| 2020       | 63.80                      | 74.30                          | 58.00                                      | 2.20                          | 2.0       | 0.775                      |
| 2021       | 67.60                      | 78.50                          | 64.40                                      | 2.55                          | 2.0       | 0.800                      |
| 2022       | 71.60                      | 83.40                          | 68.40                                      | 3.05                          | 2.0       | 0.800                      |
| 2023       | 73.10                      | 85.10                          | 69.80                                      | 3.20                          | 2.0       | 0.800                      |
| 2024       | 74.50                      | 86.80                          | 71.20                                      | 3.30                          | 2.0       | 0.800                      |
| 2025       | 76.00                      | 88.50                          | 72.60                                      | 3.35                          | 2.0       | 0.800                      |
| 2026       | 77.50                      | 90.30                          | 74.00                                      | 3.40                          | 2.0       | 0.800                      |
| 2027       | 79.10                      | 92.10                          | 75.50                                      | 3.45                          | 2.0       | 0.800                      |
| 2028       | 80.70                      | 94.00                          | 77.10                                      | 3.55                          | 2.0       | 0.800                      |
| 2029       | 82.30                      | 95.80                          | 78.60                                      | 3.60                          | 2.0       | 0.800                      |
| 2030       | 83.90                      | 97.70                          | 80.10                                      | 3.70                          | 2.0       | 0.800                      |
| 2031       | 85.60                      | 99.70                          | 81.80                                      | 3.75                          | 2.0       | 0.800                      |
| 2032       | 87.30                      | 101.70                         | 83.40                                      | 3.80                          | 2.0       | 0.800                      |
| 2033       | 89.10                      | 103.80                         | 85.10                                      | 3.90                          | 2.0       | 0.800                      |
| Thereafter | Escalation Rate of 2%/year |                                |  |                               | 2.0       | 0.800                      |

Reserve Life Index ("RLI")

|                            | As at December 31   |                     |
|----------------------------|---------------------|---------------------|
|                            | 2018 <sup>(1)</sup> | 2017 <sup>(2)</sup> |
| Proved Developed Producing | 6.5                 | 6.7                 |
| Proved                     | 15.1                | 17.5                |
| Proved plus Probable       | 21.1                | 25.5                |

## Notes:

- (1) Calculated as the applicable reserves volume divided by Hemisphere's annualized 2018 fourth quarter production of 1378 boe/d.
- (2) Calculated as the applicable reserves volume divided by Hemisphere's annualized 2017 fourth quarter production of 770 boe/d.

Net Asset Value ("NAV")<sup>(1)</sup>

|                                   | As at December 31       |                      |                      |                      |
|-----------------------------------|-------------------------|----------------------|----------------------|----------------------|
|                                   | 2018                    |                      | 2017                 |                      |
|                                   | Proved                  | Proved plus Probable | Proved               | Proved plus Probable |
| (M\$ except share amounts)        | Proved                  |                      | Proved               |                      |
| NPV10 BT                          | 142,357                 | 197,933              | 80,419               | 116,673              |
| Undeveloped Land & Seismic        | 1,723 <sup>(2)</sup>    |                      | 2,287 <sup>(3)</sup> |                      |
| Net Debt                          | (35,561) <sup>(4)</sup> |                      | (18,558)             |                      |
| Shares Outstanding (basic)        | 89,793,302              |                      | 89,793,302           |                      |
| Net Asset Value per share (basic) | \$1.21                  | \$1.83               | \$0.71               | \$1.12               |

## Notes:

- (1) Based on McDaniel January 1, 2019 forecast pricing.
- (2) Based on an internal evaluation by management of Hemisphere as of December 31, 2018 with an average value of \$50 per acre for 23,424 undeveloped net acres, and \$0.55 MM for seismic.
- (3) Based on an internal evaluation by management of Hemisphere as of December 31, 2017 with an average value of \$50 per acre for 34,703 undeveloped net acres, and \$0.55 MM for seismic.
- (4) All financial information as at December 31, 2018 is per Hemisphere's preliminary unaudited financial statements for the year ended December 31, 2018 which has not yet been approved by the Company's audit committee or board of directors 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, 2018 and the review and approval of same with the Company's audit committee and board of directors.

## Corporate Outlook

Additions to the Company's independently prepared reserve evaluation were achieved in 2018 due to the recognition of significant development activity and successful waterflood response in the Atlee Buffalo area. Of the 71 MMbbl OOIP mapped by McDaniel across both of these pools, overall aggregate recovery factors of 13% (1P) to 17% (2P) are reflected in McDaniel's reserve report as at December 31, 2018. Last year, as at December 31, 2017, recovery factors of just 10% (1P) to 12% (2P) were reflected in McDaniel's reserve report of the same assets.

- Analogues to Hemisphere's Atlee Buffalo pools include the nearby Upper Mannville N2N and YYY pools. These pools have been producing under waterflood since the late 1990's and have already recovered 16% and 24%, respectively, of the Energy mapped oil in place. After 20 years of waterflood, these pools produced through the fourth quarter of 2018 approximately 55% and 32% of peak pool oil rates, respectively, and have maintained relatively flat production over the last five years. Management expects these analogue pools to reach recovery factors much higher than those already booked and in turn anticipates continued increases to McDaniel's booked recovery factors for the Upper Mannville F and G pools with further development of the pools through 2019.
- Reserves have been booked in the Atlee Buffalo F pool at a total pool recovery factor of approximately 16% (1P) of McDaniel's mapped 31 MMbbl OOIP. There are currently 13 producing wells in the pool, including four producing as of December 31, 2018 and one additional well that had been booked as non-producing as of December 31, 2018.
- Reserves have been booked in the Atlee Buffalo G pool at a total pool recovery factor of approximately 11% (1P) of McDaniel's mapped 40 MMbbl OOIP. There are currently nine producing wells in the pool, including seven producing as of December 31, 2018 and two additional wells that had been booked as non-producing as of December 31, 2018.
- 31 Proved and seven Probable Atlee Buffalo drilling locations have been attributed reserves in McDaniel's reserve report as of December 31, 2018.

In 2019, Hemisphere plans to deploy capital of approximately \$15 million to drill up to 16 wells in order to further expand these waterfloods and optimize both Atlee Buffalo pools. Horizontal drilling, slotted liners, and waterflood have proven to be extremely successful in the growth of production from 60 boe/d at the time when the Atlee Buffalo assets were acquired by the Company to approximately 1400 boe/d to date. The Company expects to see meaningful growth in production and reserves through the year with continued development of its core property.

Hemisphere is also very proud to highlight that its Liability Management Rating (LMR) with the Alberta Energy Regulator (AER) is at 8.85 as of March 2, 2019, which is within the top 10% of all companies evaluated by the AER. Total corporate decommissioning liabilities are estimated at \$7.5 million on existing properties, with \$3.1 million of those liabilities accounted for in the reserve report. With the recent Supreme Court of Canada ruling on the Redwater case regarding the responsibility for abandonment and reclamation liabilities, Hemisphere believes that having a strong LMR is a critical component of being a successful Canadian oil and gas company.

#### 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 focusing on existing assets with significant growth potential 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 of Hemisphere's oil and gas reserves and the estimated net present values of the future net revenues of such reserves; Hemisphere's estimated 2018 average corporate production rate; the anticipation by Hemisphere for the recovery factors for the N2N and YYY pools reaching recovery factors that are higher than currently estimated and that McDaniel's booked recovery factors for the Upper Mannville F and G pools will continue to increase with further development of the these pools through 2019; the anticipation for continued increases to McDaniel's booked recovery factors for the Upper Mannville F and G pools with further development of the pools through 2019; Hemisphere's plans to deploy capital of approximately \$15 million to drill up to 16 wells in order to further expand its waterfloods and optimize both Atlee Buffalo pools in 2019; Hemisphere's expectation that it will see meaningful growth in production and reserves through the year with continued development of its core properties; Hemisphere's belief that having a strong LMR is a critical component of being a successful Canadian oil and gas company; and the Company's anticipated filing date for its annual information form for the year ending December 31, 2018.

The estimates of Hemisphere's reserves and the recovery factors 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 "gross" or "Company interest reserves". Such reserves are the Company's total working interest reserves before the deduction of any royalties and without including any royalty interests of the Company.

It should not be assumed that the net present value of the estimated net revenues presented in this news release represent 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 in this news release on a before tax basis.

"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.

Original Oil In Place ("OOIP") is used by Hemisphere in this news 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, 2018. 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.

#### Analogous Information

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, 2018 from various public sources including information available to Hemisphere through AccuMap. Management believes such information is analogous to the Atlee Buffalo Upper Mannville F and G 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.

#### Oil and Gas Metrics

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

"Finding and development costs" or "F&D costs" are calculated as the sum of development capital plus the change in future development capital ("FDC") for the period divided by the change in reserves that are characterized as development for the period. 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 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 calculated as the operating netback divided by the F&D cost per boe for the year.

"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 news release, should not be relied upon for investment or other purposes.

#### Drilling Locations

This news release discloses drilling locations in two categories: (i) proved locations; (ii) probable locations. Proved locations and probable locations, which are sometimes collectively referred to as "booked locations", are derived from the Company's most recent independent reserves evaluation as prepared by McDaniel and effective as of December 31, 2018 and account for drilling locations that have associated proved or probable reserves, as applicable. The drilling locations on which the Company actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results and other factors.

#### Financial Information

All financial information included in this news release is per Hemisphere's preliminary unaudited financial statements for the year ended December 31, 2018 which have not yet been approved by the Company's audit committee or board of directors 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, 2018 and the review and approval of same with the Company's audit committee and board of directors. All amounts are expressed in Canadian dollars unless otherwise noted.

#### Non-IFRS Measures

The news 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) net debt; and (ii) operating netback, operating netback per boe and operating field netback. 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 operating field netback and operating netback, are cash flow from operating activities and 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 operating netback, operating netback per boe and operating field netback, the indication of the Company's profitability relative to current commodity prices; and (ii) in the case of net debt, the capital structure and financial position of the Company.

Hemisphere's determination of these measures may not be comparable to that reported by other companies. Net debt is calculated as the total of the Company's bank debt and current liabilities, less current assets. Operating netback is calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) per barrel of oil equivalent. Operating netback per boe is calculated as operating netback divided by the applicable barrels of oil equivalent of production. Operating field netback is calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs. The Company has provided additional information on how these measures are calculated in the Management's Discussion and Analysis for the year ended December 31, 2017 and for the three and nine month period ended September 30, 2018, which are available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### Definitions and Abbreviations

|       |  |          |   |
|-------|--|----------|---|
| bbl   | barrel                                 | \$US     | United States dollar  |
| Mbbl  | thousands of barrels                   | \$Cdn    | Canadian dollar   |
| MMbbl | millions of barrels                    | M\$      | thousand dollars  |
| boe   | barrel of oil equivalent               | MM       | million   |
| boe/d | barrel of oil equivalent per day       | NPV10 BT | Net Present Value of future net revenue, discounted at 10%, b |
| Mboe  | thousands of barrels of oil equivalent | WTI      | West Texas Intermediate                                       |
| MMboe | millions of barrels of oil equivalent  | WCS      | Western Canadian Select                                       |
| MMcf  | million cubic feet                     | AECO     | Alberta Energy Company  |
| MMbtu | million British Thermal Unit           | FDC      | Future Development Costs                                      |
|       |  | F&D      | Finding and Development Costs                                 |

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SOURCE [Hemisphere Energy Corp.](#)

## Contact

please visit the Company's website at [www.hemisphereenergy.ca](http://www.hemisphereenergy.ca) to view its corporate presentation or contact: Don Simmons, President & Chief Executive Officer, Telephone: (604) 685-9255, Email: [info@hemisphereenergy.ca](mailto:info@hemisphereenergy.ca)

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