

Hemisphere Energy Announces 2020 Fourth Quarter and Year-End Financial and Operating Results

29.04.2021 | [Newsfile](#)

Vancouver, April 28, 2021 - [Hemisphere Energy Corp.](#) ("Hemisphere" or the "Company") is pleased to provide its financial and operating results for the fourth quarter and year ended December 31, 2020.

For Hemisphere, 2020 was a year of strengthening the balance sheet by cutting capital, reducing costs, maintaining year over year production rates, and paying down nearly 25% of its previously outstanding year-end debt.

Despite spending only \$1.7 million in capital during the year, the Company grew its Proved and Proved plus Probable reserves by 18% and 22%, respectively. While oil prices were down substantially through much of 2020 due to COVID-19, Hemisphere achieved adjusted funds flow from operations of \$9.3 million, or \$0.11 per basic share. This allowed the Company to improve its leverage metrics, strategically execute its Normal Course Issuer Bid (NCIB) program, and prepare for an exciting year of development in 2021.

The first quarter of 2021 has been positive for Hemisphere. Oil prices have rebounded significantly from 2020 and initial production response from water injector conversions done in the fourth quarter has been encouraging. Since completing a facility turnaround in early April, corporate production is currently averaging over 1,900 boe/d (99% heavy crude oil, based on field estimates between April 10th to 26th, 2021). This correlates to an increase of 25% as compared to production from the fourth quarter.

2020 Highlights

- Attained annual average production of 1,706 boe/d (99% heavy oil and 1% natural gas), a 2% increase over 2019.
- Generated annual revenue of \$18.7 million.
- Recorded operating netback of \$14.5 million.
- Achieved \$9.3 million of adjusted funds flow from operations, or \$0.11/basic share.
- Reduced operating and transportation costs to \$9.94/boe, a 20% decrease over 2019.
- Increased Proved (1P) reserve volumes by 18% to 11.7 MMboe (99% heavy oil and 1% natural gas), with NPV10 BT of future net revenue valued at \$170 million.
- Increased Proved plus Probable (2P) reserve volumes by 22% to 14.9 MMboe (98% heavy oil and 2% natural gas), with NPV10 BT of future net revenue valued at \$211 million.
- Purchased 2,120,000 shares at an average price of \$0.125 under the Company's NCIB program.
- Realized hedging gains of \$3.7 million.

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, 2020. These reports, including the Company's Annual Information Form for the year ended December 31, 2020, are available on SEDAR at www.sedar.com and on Hemisphere's website at www.hemisphereenergy.ca. All amounts are expressed in Canadian dollars unless otherwise noted.

Financial and Operating Summary

	Three Months Ended December 31		Year Ended December 31	
	2020	2019	2020	2019
FINANCIAL				
Petroleum and natural gas revenue	\$5,354,596	\$9,472,078	\$18,660,257	\$31,511,084

Operating field netback ⁽¹⁾	2,931,465	6,284,329	10,745,098	20,123,062
Operating netback ⁽²⁾	3,559,811	6,118,678	14,459,691	18,719,149
Cash flow provided by operating activities	2,127,640	3,519,506	9,389,702	10,451,804
Adjusted funds flow from operations ⁽³⁾	2,380,051	4,324,443	9,294,933	13,043,481
Per share, basic and diluted ⁽³⁾	0.03	0.05	0.11	0.15
Net income (loss)	(1,501,079)	(2,888,075)	(415,908)	1,577,810
Per share, basic and diluted	(0.02)	(0.03)	(0.00)	0.02
Capital expenditures	618,048	968,711	1,685,422	10,947,329
Net debt ⁽⁴⁾	24,429,191	31,982,764	24,429,191	31,982,764
Gross Term loan ⁽⁵⁾	\$ 26,096,500	\$ 34,418,200	26,096,500	\$ 34,418,200
OPERATING				
Average daily production				
Heavy Oil (bbl/d)	1,507	2,101	1,692	1,607
Natural gas (Mcf/d)	88	381	88	342
NGL (bbl/d)	-	2	-	1
Combined (boe/d)	1,522	2,166	1,706	1,665
Oil and NGL weighting	99%	97%	99%	97%
Average sales prices				
Heavy Oil (\$/bbl)	\$ 38.47	\$ 48.57	\$ 30.03	\$ 53.30
Natural gas (\$/Mcf)	2.51	2.21	2.14	1.87
NGL (\$/bbl)	-	38.64	68.84	42.05
Combined (\$/boe)	\$ 38.24	\$ 47.53	\$ 29.88	\$ 51.85
Operating netback (\$/boe)				
Petroleum and natural gas revenue	\$ 38.24	\$ 47.53	\$ 29.88	\$ 51.85
Royalties	(4.27)	(4.97)	(2.73)	(6.38)
Operating costs	(10.49)	(8.36)	(7.41)	(9.81)
Transportation costs	(2.55)	(2.67)	(2.53)	(2.55)
Operating field netback ⁽¹⁾	20.94	31.53	17.21	33.11
Realized commodity hedging loss	4.49	(0.83)	5.95	(2.31)
Operating netback ⁽²⁾	\$ 25.43	\$ 30.70	\$ 23.16	\$ 30.80

Notes:

(1) Operating field netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties, operating expenses, and transportation costs on an absolute and per barrel of oil equivalent. See "Non-IFRS Measures" below.

(2) Operating netback is a non-IFRS measure calculated as the operating field netback plus the Company's realized commodity hedging gain/(loss) on an absolute and per barrel of oil equivalent. See "Non-IFRS Measures" below.

(3) Adjusted funds flow from operations is a non-IFRS measure that represents cash generated by operating activities, before changes in non-cash working capital and adjusted for any decommissioning expenditures, and may not be comparable to measures used by other companies. See "Non-IFRS Measures" below.

(4) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including term loan or bank indebtedness and excluding fair value of financial instruments and lease and warrant liabilities. See "Non-IFRS Measures" below.

(5) Gross term loan is calculated as the total USD draws on the term loan translated to Canadian Dollars at the period end exchange rate.

	As at December 31	
	2020	2019
RESERVES		
Proved (Mboe) ⁽¹⁾	11,679.7	9,911.8
Proved plus Probable (Mboe) ⁽¹⁾	14,921.2	12,195.7
SHARE INFORMATION		
Common shares outstanding	86,782,302	88,902,302
Stock options outstanding	8,429,000	8,184,000
Warrants outstanding	13,750,000	13,750,000
Fully diluted shares outstanding	108,961,302	110,836,302
Weighted-average shares outstanding - basic	88,161,583	89,662,316
Weighted-average shares outstanding - diluted	88,161,583	90,362,590

Notes:

(1) Reserves as attributed by the Company's independent reserves evaluator, McDaniel & Associates Consultants Ltd., in its report dated March 5, 2021 and effective as of December 31, 2020, prepared in accordance with the COGE Handbook and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

About Hemisphere Energy Corporation

Hemisphere is a Canadian oil company focused on sustainable growth of its high netback, low decline conventional heavy oil assets through water and polymer flood enhanced recovery methods. Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME" and on the OTCQX Venture Marketplace under the symbol "HMENF".

For further information, please visit the Company's website at www.hemisphereenergy.ca to view its corporate presentation or contact:

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Forward-looking Statements

Certain statements included in this news release constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular, but without limiting the generality of the foregoing, this news release includes forward-looking statements regarding Hemisphere's expectations of an exciting year of development in 2021. In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

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: the length of time that oil and gas operations will be impaired by the outbreak of Covid-19; the current and go-forward oil price environment; that Hemisphere will continue to conduct its operations in a manner consistent with past operations; that 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 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 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 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, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS Measures

This news release contains terms that are non-IFRS measures and 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) adjusted funds flow from operations; (ii) net debt; and (iii) operating netback, operating netback per boe and operating field netback per boe. 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 is cash provided by operating activities and cash flow from operating activities and in the case of operating field netback and operating netback are net income or net loss. 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 adjusted 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, operating netback per boe and operating field netback per boe 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. Adjusted funds flow from operations is calculated as cash generated by operating activities, before changes in non-cash working capital; operating field netback is calculated as the Company's oil and gas sales, less royalties, operating expenses, and transportation costs; operating field netback per boe is calculated as operating field netback divided by production for the applicable period on a per barrel of oil equivalent basis; operating netback and operating netback per boe adjusts operating field netback and operating field netback per boe, respectively, for any realized gains or losses on commodity hedges and net debt is calculated as current assets minus current liabilities including bank indebtedness and excluding fair value of financial instruments and any flow-through share premium. 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, 2020, which is available under the Company's SEDAR profile at www.sedar.com.

Oil and Gas Advisories

All estimated reserve volumes and the estimated net present values of the future net revenues of such reserve estimates included in this news release are as attributed by McDaniel Associates & Consultants Ltd., the Company's independent reserve evaluators in its report dated effective as of December 31, 2019 and prepared in accordance with the COGE Handbook and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

Any references in this news release to initial production rates (including as a result of recent waterflood

activities) are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.

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 of the reserves presented in this news release represent 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.

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
WCS	Western Canadian Select	G&A	General and Administrative Costs
US\$	United States Dollar		

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