

Hemisphere Energy Declares Quarterly Dividend, Announces 2026 First Quarter Results and Provides Guidance Update

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Vancouver, May 13, 2026 - [Hemisphere Energy Corp.](#) (TSXV: HME) (OTCQX: HMENF) ("Hemisphere" or the "Company") declares a quarterly payment to shareholders, announces its financial and operating results for the first quarter ended March 31, 2026, and provides guidance update.

Quarterly Dividend

Hemisphere is pleased to announce that its Board of Directors has approved a quarterly cash dividend of \$0.025 per common share in accordance with the Company's dividend policy. The dividend will be paid on June 26, 2026 to shareholders of record as of the close of business on June 12, 2026. The dividend is designated as an eligible dividend for income tax purposes.

Including two special dividends of \$0.03 per common share paid in April and May and quarterly base dividends of \$0.025 per common share paid in February and June, Hemisphere will have paid total dividends of \$0.11 per common share in the first half of 2026.

Q1 2026 Highlights

- Attained quarterly production of 3,811 boe/d (99% heavy oil).
- Generated \$25.4 million in revenue.
- Achieved total operating and transportation costs of \$14.76/boe.
- Delivered an operating netback¹ of \$16.7 million, or \$48.60/boe.
- Realized quarterly adjusted funds flow from operations ("AFF")¹ of \$12.7 million, or \$0.13 per share.
- Generated free funds flow¹ of \$9.6 million, or \$0.10 per share.
- Distributed \$2.4 million in quarterly base dividends to shareholders during the quarter.
- Purchased and cancelled 457,600 shares for \$1.0 million under the Company's Normal Course Issuer Bid ("NCIB") at an average price of \$2.13 per share.
- Exited the first quarter with no bank debt and positive working capital¹ of \$13.9 million.
- Minimal hedging preserved exposure to significantly higher commodity prices that started in March.

(1) Operating netback, adjusted funds flow from operations (AFF), free funds flow, and working capital are non-IFRS measures, or when expressed on a per share or boe basis, non-IFRS ratio, that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Non-IFRS financial measures and ratios are not standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Refer to the section "Non-IFRS and Other Specified Financial Measures".

Selected financial and operational highlights should be read in conjunction with Hemisphere's unaudited condensed interim consolidated financial statements and related notes, and the Management's Discussion and Analysis for the three months ended March 31, 2026 which are available on SEDAR+ at www.sedarplus.ca and on Hemisphere's website at www.hemisphereenergy.ca. All amounts are expressed

in Canadian dollars unless otherwise noted.
Financial and Operating Summary

(\$000s except per unit and share amounts)	Three Months Ended March 31	
	2026	2025
FINANCIAL		
Petroleum and natural gas revenue	\$ 25,403	\$ 27,339
Operating field netback ⁽¹⁾	16,807	17,179
Operating netback ⁽¹⁾	16,665	16,994
Cash flow (used in) provided by operating activities ⁽²⁾	(5,334)) 16,181
Adjusted funds flow from operations (AFF) ⁽¹⁾	12,677	12,703
Per share, basic and diluted ⁽¹⁾	0.13	0.13
Free funds flow ⁽¹⁾	9,588	11,497
Net income	7,866	8,942
Per share, basic and diluted	0.08	0.09
Dividends	2,358	2,428
Per share, basic	0.025	0.025
NCIB share repurchases	973	1,301
Capital expenditures ⁽¹⁾	3,089	1,206
Working capital ⁽¹⁾	13,893	14,052
OPERATING		
Average daily production		
Heavy oil (bbl/d)	3,764	3,814
Natural gas (Mcf/d)	279	111
Combined (boe/d)	3,811	3,833
Oil weighting	99%	99%
Average sales prices		
Heavy oil (\$/bbl)	\$ 74.84	\$ 79.58
Natural gas (\$/Mcf)	1.92	2.05
Combined (\$/boe)	\$ 74.07	\$ 79.26
Operating netback (\$/boe)		
Petroleum and natural gas revenue	\$ 74.07	\$ 79.26
Royalties	(10.30)) (14.63)
Operating costs	(11.76)) (11.68)
Transportation costs	(3.00)) (3.15)
Operating field netback ⁽¹⁾	49.01	49.80
Realized commodity hedging loss	(0.41)) (0.53)
Operating netback ⁽¹⁾	\$ 48.60	\$ 49.27
General and administrative expense	(3.96)) (3.74)
Interest expense and foreign exchange loss	(0.33)) (0.27)
Tax expense provision	(7.34)) (8.43)
Adjusted funds flow from operations ⁽¹⁾ (\$/boe)	\$ 36.97	\$ 36.83

Notes:

(1) Non-IFRS financial measure that is not a standardized financial measure under IFRS Accounting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Non-IFRS and Other Financial Measures".

(2) This includes the Company's payment of current tax liabilities in February 2026 related to taxes previously deferred under the new corporate partnership structure effective January 2, 2024.

COMMON SHARES	May 12, 2026	March 31, 2026	December 31, 2025
Common shares outstanding	94,387,109	94,327,904	94,481,702
Stock options outstanding	4,252,600	4,420,600	5,145,600
Total fully diluted shares outstanding	98,639,709	98,748,504	99,627,302

During the first quarter, Hemisphere's Atlee Buffalo polymer flood projects had good run time and stable production, providing strong base cash flow for the Company. Capital expenditures in the quarter were \$3 million, which included the drilling of one well in Atlee Buffalo and minor facilities upgrades.

At Hemisphere's Marsden pilot polymer flood, the Company noted that injectivity in one of its injectors

dropped off significantly in the second half of 2025. In December, changes were made to the downhole design of that injector, which has resulted in higher injection rates. Management believes this increased injection will help accelerate voidage replacement to rebuild reservoir pressure, and is committed to the ongoing assessment of its pilot program over the course of the year.

Guidance Update

With a higher oil price environment continuing into the second quarter of the year, Hemisphere is providing an update to the price sensitivities of its 2026 Guidance initially announced on January 28, 2026. The Company is currently reviewing capital expenditure plans for the second half of the year and will provide an update at a later date should there be a change in planned spending.

2026 Corporate Guidance ^(1,5)		Original	Updated	Sensitivity
		US\$60/bbl WTI	US\$80/bbl WTI	US\$100/bbl WTI
Annual production (99% heavy oil)	boe/d	3,900		
Adjusted Funds Flow (AFF) ⁽²⁾	\$ million	40	57	78
AFF per basic share ^(2,3)	\$/share	0.42	0.60	0.83
Capital Expenditures ⁽²⁾ & ARO ⁽⁴⁾	\$ million	12		
Free Funds Flow (FFF) ⁽²⁾	\$ million	28	45	66
FFF per basic share ^(2,3)	\$/share	0.29	0.47	0.70
Base Dividend per basic share ⁽³⁾	\$/share	0.10	0.10	0.10

Notes:

(1) See assumptions in "Forward Looking Information and Statements", "Forward Looking Financial Information", and "2026 Corporate Guidance Assumptions". Certain assumptions set forth under "2026 Corporation Guidance Assumptions" have been updated from the assumptions set forth in the January 28, 2026 corporate guidance update, and also reflect, where applicable, the new price sensitivities set forth above.

(2) AFF, Capital Expenditures, and FFF (including per share amounts) are non-IFRS financial measures that are forward looking and do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. AFF per basic share and FFF per basic share are non-IFRS financial ratios that are forward looking and do not have any standardized meaning under IFRS and therefore may not be comparable to similar ratios presented by other entities and include non-IFRS financial measure components of AFF and FFF. See "Non-IFRS Measures".

(3) Using a 2026 weighted average of 94.6 million basic shares issued and outstanding.

(4) Includes \$0.4 million of asset retirement obligations ("ARO").

(5) Amounts do not include potential future purchases through the Company's NCIB program or other discretionary uses of available funds.

Outlook

Hemisphere's low-decline assets, positive working capital, strong balance sheet, and fully unhedged oil position will allow the Company to capitalize on the current oil price environment while continuing to prioritize shareholder returns and per-share production and reserves growth.

Annual General and Special Meeting of Shareholders

Hemisphere's Annual General and Special Meeting of Shareholders will be held at 10:00 am (Pacific Time) on June 10, 2026 in the Walker Room of the Terminal City Club located at 837 West Hastings Street, Vancouver, British Columbia.

About Hemisphere Energy Corporation

Hemisphere is a dividend-paying Canadian oil company focused on maximizing value-per-share growth with the sustainable development of its high netback, low decline conventional heavy oil assets through polymer flood enhanced oil 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 including that a dividend will be paid June 26, 2026 to shareholders of record as of the close of business on June 12, 2026 and aggregate dividend payments for the first half of 2026; that the Company will provide an update at a later date should there be a change in planned spending; that management believes this increased injection will help accelerate voidage replacement to rebuild reservoir pressure and that it is committed to the ongoing assessment of its pilot program over the course of the year; and that the nature Hemisphere's low-decline assets, positive working capital, strong balance sheet, and fully unhedged oil position will allow the company to capitalize on the current oil price environment while continuing to prioritize shareholder returns and per-share production and reserves growth.

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 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.

Forward Looking Financial Information

This news release, including in respect of Company's guidance for 2026, may contain future oriented financial information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's activities and results. The FOFI has been prepared based on a number of assumptions including the assumptions discussed and disclosed below under "2026 Corporate Guidance Assumptions" and "Forward Looking Statements" above and that the Company is cash taxable in 2026. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits the Company will derive therefrom. The Company has included the FOFI in order to provide readers with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law. There is no significant difference between any non-GAAP financial measure that is forward-looking information and the equivalent historical non-GAAP financial measures.

2026 Corporate Guidance Assumptions

Annual average production of 3,900 boe/d (99% heavy crude oil), with each of US\$60/bbl WTI, US\$80/bbl WTI, and US\$100/bbl WTI, paired with WCS Differential of US\$15.00/bbl and quality adjustment of \$4.00/bbl, and \$Cdn to \$US exchange rate of 0.73; operating and transportation costs of \$15.00/boe; net G&A costs of \$3.48/boe; Royalties on gross revenue of 16% at US\$60/bbl WTI, 20% at US\$80/bbl WTI and 22% at US\$100/bbl WTI; tax costs of \$5.54/boe at US\$60/bbl WTI, \$9.26/boe at US\$80/bbl WTI, and \$13.90/boe at US\$100/bbl WTI.

Non-IFRS and Other Financial Measures

This news release contains the terms adjusted funds flow from operations, free funds flow, capital expenditures, operating field netback, operating netback, and working capital/net debt, which are considered "non-IFRS financial measures" and any of these measures calculated on a per boe basis, which are considered "non-IFRS financial ratios". These terms do not have a standardized meaning prescribed by IFRS. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income (loss) or cashflow from operations determined in accordance with IFRS and these measures should not be considered more meaningful than IFRS measures in evaluating the Company's performance.

a) Adjusted funds flow from operations ("AFF") (Non-IFRS Financial Measure and Ratio if calculated on a per share or boe basis): The Company considers AFF to be a key measure that indicates the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt. AFF is a measure that represents cash flow generated by operating activities, before changes in non-cash working capital and adjusted for decommissioning expenditures and may not be comparable to measures used by other companies. The most directly comparable IFRS measure for AFF is cash provided by operating activities. AFF per share is calculated using the same weighted-average number of shares outstanding as in the case of the earnings per share calculation for the period.

A reconciliation of AFF to cash (used in) provided by operating activities is presented as follows:

(\$000s, except per share amounts)	Three Months Ended March 31	
	2026	2025
Cash (used in) provided by operating activities ⁽¹⁾	\$ (5,334) \$ 16,181
Change in non-cash working capital	17,998	(3,503)
Adjust: Decommissioning obligation expenditures	13	25
Adjusted funds flow from operations	\$ 12,677	\$ 12,703
Per share, basic and diluted	\$ 0.13	\$ 0.13

Note:

(1) This includes the Company's payment of current taxes due in February 2026 related to taxes previously deferred under the new corporate partnership structure effective January 2, 2024.

b) Free funds flow ("FFF") (Non-IFRS Financial Measure): Calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Management believes that free funds flow provides a useful measure to determine Hemisphere's ability to improve returns and to manage the long-term value of the business.

(\$000s, except per share amounts)	Three Months Ended March 31	
	2026	2025
Adjusted funds flow from operations	\$ 12,677	\$ 12,703
Capital expenditures	(3,089)	(1,206)
Free funds flow	\$ 9,588	\$ 11,497
Per share, basic and diluted	\$ 0.10	\$ 0.12

c) Capital Expenditures (Non-IFRS Financial Measure): Management uses the term "capital expenditures" as a measure of capital investment in exploration and production assets, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable IFRS measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures is set forth below:

(\$000s)	Three Months Ended March 31	
	2026	2025
Cash used in investing activities	\$ 2,473	\$ 3,465
Change in non-cash working capital	616	(2,259)
Capital expenditures	\$ 3,089	\$ 1,206

d) Operating field netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis): A benchmark used in the oil and natural gas industry and a key indicator of profitability relative to current commodity prices. Operating field netback is calculated as oil and gas sales, less royalties, operating expenses, and transportation costs on an absolute and per barrel of oil equivalent basis. These terms should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income or loss as determined in accordance with IFRS as an indicator of the Company's performance.

e) Operating netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis): Calculated as the operating field netback plus the Company's realized gain (loss) on derivative financial instruments on an absolute and per barrel of oil equivalent basis.

f) Working Capital/Net debt (Non-IFRS Financial Measure): Closely monitored by the Company to ensure that its capital structure is maintained by a strong balance sheet to fund the future growth of the Company. Working capital/Net debt is used in this document in the context of liquidity and is calculated as the total of the Company's current assets, less current liabilities, excluding derivative financial instruments, decommissioning obligations, lease liabilities, and tax provisions, and including any bank debt. There is no IFRS measure that is reasonably comparable to working capital/net debt.

The following table outlines the Company calculation of working capital:

(\$000s)	As at March 31, 2026	As at December 31, 2025
Current assets ⁽¹⁾	\$ 21,167	\$ 27,775
Current liabilities ⁽¹⁾	(7,274)	(19,223)
Working capital	\$ 13,893	\$ 8,552

Note:

(1) Excluding fair value of financial instruments, decommissioning obligations, and lease liabilities.

g) Supplementary Financial Measures and Non-IFRS Ratios

"Adjusted Funds Flow from operations per basic share" is comprised of funds from operations divided by basic weighted average common shares.

"Adjusted Funds Flow from operations per diluted share" is comprised of funds from operations divided by diluted weighted average common shares.

"Annual Free Funds Flow" is comprised of free funds flow from the current three-month period multiplied by four.

"Operating expense per boe" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total production.

"Realized heavy oil price" is comprised of heavy crude oil commodity sales from production, as determined in accordance with IFRS, divided by the Company's crude oil production.

"Realized natural gas price" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas production.

"Realized combined price" is comprised of total commodity sales from production, as determined in accordance with IFRS, divided by the Company's total production.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total production.

"Transportation costs per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total production.

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, 2025 and the interim period ended March 31, 2026, which are available under the Company's SEDAR+ profile at www.sedarplus.ca.

Oil and Gas Advisories

Any references in this news release to initial production rates (including as a result of recent water or polymer flood 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.

Definitions and Abbreviations

bbl	Barrel	US\$	United States Dollar
bbl/d	barrels per day	Cdn\$	Canadian Dollar
\$/bbl	dollar per barrel	WTI	West Texas Intermediate
Mcf	thousand cubic feet	WCS	Western Canadian Select

Mcf/d thousand cubic feet per day G&A General and administrative
\$/Mcf dollar per thousand cubic feet IFRS International Financial Reporting Standards
boe barrel of oil equivalent
boe/d barrel of oil equivalent per day
\$/boe dollar per barrel of oil equivalent

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