Hemisphere Energy oil production and Q2 results positive

As expected, Second Quarter 2017 financial results released August 23, 2017, were similar to the First Quarter, with some notable positive exceptions.

Quarterly average production of 600 boe/d was up modestly from the First Quarter 2017 average of 584 boe/d (barrel of oil equivalent per day), but up more than 20% over the Second Quarter 2016 report. Hemisphere Energy Corporation (TSXV: HME) recently reported estimated field production for July was approximately 700 boe/d, up 20% over the Second Quarter 2017 average, so look for more good news from the company's Third Quarter 2017 results to be released in November.

With the benchmark WTI average oil price down in the quarter (US$ 48.27/bbl) compared to the First Quarter (US$51.90/bbl), Hemisphere did very well to maintain average realized oil prices and in fact saw a slight increase in their oil prices from C$46.29/bbl to C$46.85/bbl. The company also increased realized hedging gains from C$0.75/bbl in the First Quarter to C$1.96/bbl in this quarter – every little bit helps!

With higher production, higher prices and better hedging gains, the net result is that revenues were up slightly quarter over quarter as was cash flow and operating netbacks, even with modest increases in royalties paid. All good news.

Operationally, the company made further strides to further potential reductions in operating costs as the Atlee-Buffalo F pool water pipeline was completed, allowing for a better distribution of produced water to all of the company's water injectors at the waterflood project. This consumed approximately C$0.5 million of the C$0.66 million spent in the

Second Quarter, but is a long term investment in the company’s key asset and improves efficiency.

And more positives to note – despite capital expenditures slightly in excess of cash flow in the quarter, the company was able to fund these expenditures in part as a result of selling just over 4.0 million shares and raising C$1.1 million in flow-through equity in the quarter. In addition, the company received its’ annual credit facility review in May, resulting in no changes to the C$12.5 million bank facility nor covenants etc. Current bank debt is approximately C$10.5 million, down slightly from the end of the First Quarter 2017.

All in all, shareholders should be pretty happy with this quarter and the near-term future. Despite the current unstable global oil price environment, the company continues to make progress with good assets and good results from efficiency gains and cost controls. With further drilling targets that have upside potential as well as ongoing development of existing assets, management of the company believes that Hemisphere has considerable growth upside.