



HEMISPHERE ENERGY ANNOUNCES Q1 2017 FINANCIAL AND OPERATING RESULTS

TSX-V: HME

Vancouver, British Columbia, May 25, 2017 – Hemisphere Energy Corporation (TSX-V: HME) ("Hemisphere" or the "Company") announces its financial and operating results for the three months ended March 31, 2017.

Q1 2017 Highlights

- Achieved quarterly production average of 583 boe/d (91% oil), a 15% increase over the first quarter of 2016.
- Increased revenue by 145% to \$2.3 million compared to the first quarter of 2016.
- Increased operating netbacks, which includes gains on commodity contracts, to \$18.26/boe, an increase of 570% from the first quarter of 2016.
- Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) (excluding unrealized gain/loss on financial instruments) were \$652,000.
- Increased funds flow from operations to \$505,331, for an increase of 85% over the fourth quarter of 2016.
- Corporate Liability Management Ratio (LMR) with the Alberta Energy Regulator was 4.59 at the end of the first quarter 2017.
- Renewed \$12.5 million credit facility with no changes to covenants and applicable margins on borrowing costs.

Corporate Update

During the first quarter of 2017, Hemisphere continued to be conservative in its capital spending while focusing on preparation of development plans in its core producing properties. With all four waterflood pilot projects successfully underway in Atlee Buffalo, the Company raised \$1.1 million of development flow-through equity in April 2017 in order to drill up to two wells in the third quarter to expand production and reserves in the Upper Mannville G pool. Available cashflow will be used for installation of additional facilities at the G pool, which is currently producing at a rate limited by pump and tank sizes.

With the completion of a turnaround in Jenner in early May and the recent addition of a pipeline in Atlee Buffalo to help reinject more water, corporate production has reached approximately 650 boe/d (93% oil), based on field estimates, in the last week. A number of optimization candidates have also been identified to increase pump sizes in the near future.

The Company's annual review for its demand operating credit facility has been completed and the borrowing base has been reaffirmed at \$12.5 million. The facility is secured by a general security agreement and a floating charge on all lands of the Company and bears an interest at the bank's prime rate plus 2.5%, as well as a standby charge for any undrawn funds. Current corporate net debt is estimated at \$10.2 million with approximately \$9.9 million drawn on the credit facility.

Hemisphere's corporate strategy is to continue to achieve organic production and reserve growth while preserving financial flexibility. With continued success of its waterfloods and planned capital expenditures the Company expects to see growth in production and reserves through the year. Economics in the Atlee Buffalo waterflood play are strong at current strip pricing and management believes the Company has considerable growth upside through development of these exceptional assets.

Financial and Operating Summary

Financial	Three Months Ended March 31	
	2017	2016
Petroleum and natural gas revenue	\$ 2,292,746	\$ 935,834
Operating netback ⁽¹⁾	958,276	126,056
Funds flow from operations ⁽²⁾	505,330	(247,514)
Per share, basic and diluted	0.01	(0.00)
Net income (loss)	(138,678)	(1,066,556)
Per share, basic and diluted	(0.00)	(0.01)
Capital expenditures, including property acquisitions	256,513	344,676
Net debt ⁽³⁾	11,578,352	12,038,298
Bank indebtedness	\$ 11,622,930	\$ 11,533,660
Operating		
Average daily production		
Oil (bbl/d)	530	409
Natural gas (Mcf/d)	309	581
NGL (bbl/d)	2	2
Combined (boe/d)	583	508
Oil and NGL weighting	91%	81%
Average sales prices		
Oil (\$/bbl)	\$ 46.29	\$ 22.39
Natural gas (\$/Mcf)	2.80	1.86
NGL (\$/bbl)	46.97	19.21
Combined (\$/boe)	\$ 43.68	\$ 20.24
Operating netback (\$/boe)		
Petroleum and natural gas revenue	\$ 43.68	\$ 20.24
Royalties	5.70	2.36
Operating costs	17.41	11.45
Transportation costs	3.07	3.70
Operating field netback ⁽⁴⁾	\$ 17.51	\$ 2.73
Realized commodity hedging gain (loss)	0.75	-
Operating Netback ⁽¹⁾	\$ 18.26	\$ 2.73

Notes:

- (1) Operating netback is a non-IFRS measure calculated as the operating field netback plus the Company's realized commodity hedging gain (loss).
- (2) Funds flow from operations is an additional 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.
- (3) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including bank indebtedness and excluding fair value of financial instruments and any flow-through share premium.
- (4) Operating field netback per boe 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.

Annual General and Special Meeting of Shareholders

Hemisphere's Annual General and Special Meeting of Shareholders is being held in the Pender Room of Oceanic Plaza, 1035 West Pender Street, Vancouver, British Columbia on Wednesday, June 14, 2017 at 9:30 a.m. (Pacific Daylight Time).

About Hemisphere Energy Corporation

Hemisphere Energy Corporation 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".

For further information, please visit our website at www.hemisphereenergy.ca to see our corporate presentation or contact:

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Forward-looking Statements

This news release contains "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 Hemisphere's outlook for our future operations, plans, and timing for the commencement or advancement of exploration and development activities on our properties; Hemisphere's plans to drill up to two wells into the Atlee Buffalo Upper Mannville G pool in the third quarter; Hemisphere's use of available cashflow to be used for installation of additional facilities at the G pool; the Company's plans to increase pump sizes in the near future; Hemisphere's corporate strategy of achieving organic production and reserve growth while preserving financial flexibility; the Company's expectations for growth in production and reserves through the year with the continued success of its waterfloods and planned capital expenditures; Management's belief that the Company has considerable growth upside through development of their assets, 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 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.

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, operating netback per boe and operating field netback per boe, which are a non-IFRS measures. 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, operating field netback 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, 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. 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, 2016, which is available under the Company's SEDAR profile at www.sedar.com.

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		

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