



HEMISPHERE ENERGY ANNOUNCES YEAR-END 2016 FINANCIAL AND OPERATING RESULTS

TSX-V: HME

Vancouver, British Columbia, April 19, 2017 – Hemisphere Energy Corporation (TSX-V: HME) ("Hemisphere" or the "Company") is pleased to announce its financial and operating results for the year ended December 31, 2016.

During 2016 Hemisphere focused on strategic investments to build long term shareholder value by maximizing reserve additions with minimal capital. The Company concentrated on its Atlee Buffalo property in southeastern Alberta where it expanded its waterfloods, built a processing facility in its Upper Mannville F Pool, and drilled a key development oil well in its Upper Mannville G Pool. These projects yielded significant proved plus probable reserve additions, and have positioned the Company for low risk full scale future development of the property.

2016 Annual Highlights

- Achieved 527 boe/d (86% oil) production during the year.
- Generated \$6.2 million in annual revenue.
- Realized an operating netback of \$2.3 million or \$12.16/boe for the year during a challenging commodity price environment.
- Increased Proved plus Probable reserves by 16% to 4.6 million boe (96% oil), with a net present value of \$65.9 million (NPV10 BT).
- Added 823 Mboe of Proved plus Probable reserves, replacing 427% of 2016 production.
- Increased Proved reserves by 13% to 3.1 million boe (96% oil), with a net present value of \$45.7 million (NPV10 BT).
- Added 549 Mboe of Proved reserves, replacing 285% of 2016 production.
- Initiated the third enhanced oil recovery waterflood pilot project in the Atlee Buffalo Upper Mannville F Pool.
- Drilled and placed on production Hemisphere's first producing well in the Atlee Buffalo Upper Mannville G Pool.

Fourth Quarter 2016 Highlights

- Achieved average production rate of 590 boe/d (91% oil), representing a 14% increase over the third quarter of 2016.
- Generated \$2.2 million in revenue, a 48% increase over the same quarter in 2015.
- Realized an operating netback of \$0.9 million or \$15.85/boe, representing an 87% increase on a per barrel basis over the fourth quarter of 2015.
- Completed the construction of a new oil processing and water handling facility in the Upper Mannville F Pool.

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, 2016. These reports, including the Company's Annual Information Form for the year ended December 31, 2016, are available on SEDAR at www.sedar.com and on Hemisphere's website at www.hemisphereenergy.ca. All amounts are expressed in Canadian dollars.

Financial and Operating Summary

	Three Months Ended December 31		Year Ended December 31	
	2016	2015	2016	2015
FINANCIAL				
Petroleum and natural gas revenue	\$ 2,206,835	\$ 1,493,313	\$ 6,221,497	\$ 9,749,377
Petroleum and natural gas netback	860,849	458,240	2,347,747	5,335,096
Funds flow from operations ⁽¹⁾	273,181	(103,531)	530,567	3,188,485
Per share, basic and diluted	0.00	0.00	0.01	0.04
Net loss	(620,027)	(2,333,468)	(2,680,647)	(8,310,831)
Per share, basic and diluted	(0.01)	(0.03)	(0.03)	(0.11)
Capital expenditures, including property acquisitions	715,762	739,141	2,722,376	3,086,147
Net debt ⁽²⁾	11,827,170	11,446,110	11,827,170	11,446,110
Bank indebtedness	\$ 11,247,537	\$ 10,828,040	\$ 11,247,537	\$ 10,828,040
Operating				
Average daily production				
Oil (bbl/d)	534	440	450	607
Natural gas (Mcf/d)	330	879	452	1,003
NGL (bbl/d)	1	2	2	2
Combined (boe/d)	590	588	527	776
Oil and NGL weighting	91%	75%	86%	78%
Average sales prices				
Oil (\$/bbl)	\$ 42.91	\$ 31.99	\$ 35.67	\$ 39.61
Natural gas (\$/Mcf)	3.05	2.41	1.96	2.61
NGL (\$/bbl)	46.32	20.81	29.08	21.28
Combined (\$/boe)	\$ 40.63	\$ 27.59	\$ 32.23	\$ 34.41
Operating netback (\$/boe)				
Petroleum and natural gas revenue	\$ 40.63	\$ 27.59	\$ 32.23	\$ 34.41
Royalties	4.64	3.00	3.57	2.73
Operating costs	17.52	13.50	12.46	10.06
Transportation costs	2.61	2.62	4.04	2.79
Operating netback ⁽³⁾	\$ 15.85	\$ 8.47	\$ 12.16	\$ 18.83

Notes:

- (1) Funds flow from operations is an additional IFRS measure that represents cash generated by operating activities, before changes in non-cash working capital and decommissioning expenditures and may not be comparable to measures used by other companies.
- (2) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including bank indebtedness and excluding flow-through share premium.
- (3) Operating netback 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.

Share Information	As at	
	December 31, 2016	December 31, 2015
Common shares outstanding	85,745,102	75,803,498
Stock options outstanding	4,385,000	5,995,000
Weighted-average shares outstanding		
Basic and diluted	80,672,032	75,758,868

Outlook

Hemisphere has built a high quality, oil weighted asset base with low cost, low risk, fast payout, and high growth attributes. The depressed oil price over the past two years has made it a challenge to grow production and cashflow so Hemisphere instead focused on delivering long term shareholder value by strategically investing in asset consolidation, implementing enhanced oil recovery projects, and prioritizing drilling to maximize reserve growth per dollar spent.

To date in 2017 oil prices have improved and as such, Hemisphere is shifting its focus back to value-creating growth through low risk expansion of proven projects. The Company has a number of development drilling opportunities in its southeast Alberta asset base in both the Atlee Buffalo and Jenner properties that have enticing economics even in the current price environment. Through the remainder of 2017 and into 2018 Hemisphere plans to expand development of these exciting assets.

In the first quarter of 2017 Hemisphere's production averaged approximately 570 boe/d (92% oil) and it ended the quarter with an estimated \$11.5 million in net debt. Additionally, the Company executed two oil hedge contracts. The first was for 100 bbl/d from January 1, 2017 to June 30, 2017 at a price of \$72.15 CAD, and the second was for 100 bbl/d from February 1, 2017 to July 31, 2017 at a price of \$69.50 CAD.

The management and directors of Hemisphere Energy would like to thank shareholders for their continued support and commitment over the past year, and look forward to building value in the year ahead.

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, 2016 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".

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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 regarding the Company's plan to shift its operational focus back to growth as a result of improved commodity prices and the Company's plans to develop its assets at Atlee Buffalo and Jenner through the remainder of 2017 and into 2018.

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, which is a non-IFRS measure. 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 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, 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 netback is calculated as the Company's oil and gas sales, less royalties, operating expenses, and transportation costs per barrel of oil equivalent; and net debt is calculated as current assets minus current liabilities including bank indebtedness and excluding flow-through premium. The Company has provided 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

All estimated reserve volumes and the estimated net present values of the future net revenues of such reserve estimates are as attributed by McDaniel Associates & Consultants Ltd., the Company's independent reserve evaluators. In its report dated effective as of December 31, 2016 and prepared in accordance with the COGE Handbook and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

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

<i>bbl</i>	<i>Barrel</i>	<i>Mcf</i>	<i>thousand cubic feet</i>
<i>bbl/d</i>	<i>barrels per day</i>	<i>Mcf/d</i>	<i>thousand cubic feet per day</i>
<i>\$/bbl</i>	<i>dollar per barrel</i>	<i>\$/Mcf</i>	<i>dollar per thousand cubic feet</i>
<i>boe</i>	<i>barrel of oil equivalent</i>	<i>NGL</i>	<i>natural gas liquids</i>
<i>boe/d</i>	<i>barrel of oil equivalent per day</i>	<i>NPV10 BT</i>	<i>Net Present Value discounted at 10%, before tax</i>
<i>\$/boe</i>	<i>dollar per barrel of oil equivalent</i>	<i>IFRS</i>	<i>International Financial Reporting Standards</i>
		<i>G&A</i>	<i>General and Administrative Costs</i>

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.