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TSX Venture Exchange  
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## Hemisphere Energy Reports Third Quarter 2011 Results

**Vancouver BC, January 31, 2012.** Hemisphere Energy Corporation (TSXV: HME) has released the financial and operating results for the three and nine months ended November 30, 2011. Selected financial and operational information is set out below and should be read in conjunction with Hemisphere Energy's quarterly financial statements, complete with the notes to the financial statements and related MD&A (management discussion and analysis), which are available on SEDAR as well as the company's website.

### Third Quarter Accomplishments

- Achieved record average production rate of 208 barrels of oil equivalent per day (77% oil), an increase of 197% over the second quarter of 2011.
- Generated net income of \$596,509 or \$0.02 per share in the third quarter 2011 as compared to a loss of \$283,860 or (\$0.01) per share in the same quarter of 2010.
- Generated funds flow from operating activities of \$699,536 as compared to a shortfall of \$100,197 in the same quarter of 2010.
- Reduced production operating expenses by 30% to \$10.77 per barrel of oil equivalent in the third quarter of 2011 from \$15.43 per barrel of oil equivalent in the second quarter 2011.
- Successfully drilled 2 gross (2 net) wells in the third quarter of 2011.
- Drilled and completed the Company's second horizontal well in the Jenner area targeting oil-bearing sandstones of Glauconitic formation. This well production tested 156 barrels of oil per day over a three day period.
- Drilled a vertical exploration well in Jenner targeting oil bearing sands in the Mannville group.
- Secured credit facilities of \$950,000 with Canadian Western Bank, which remain undrawn.

### Highlights - Financial

	Three months ended Nov 30,		Nine months ended Nov 30,	
	2011	2010	2011	2010
Petroleum and natural gas revenue	\$ 1,273,655	\$ 68,940	\$ 1,827,044	\$ 208,959
Petroleum and natural gas netback	\$ 890,541	\$ 19,340	\$ 1,146,357	\$ 49,787
Funds flow from operating activities	\$ 699,536	\$ (100,197)	\$ 608,407	\$ (329,470)
Net income / (loss)	\$ 596,509	\$ (283,860)	\$ 212,161	\$ (748,415)
Per share, basic and diluted	\$ 0.02	\$ (0.01)	\$ 0.01	\$ (0.04)
Capital expenditures	\$ 1,888,266	\$ 43,360	\$ 4,467,490	\$ 474,872
Working Capital	\$ 1,538,869	\$ 728,491	\$ 1,538,869	\$ 728,491

<u>Highlights - Production</u>	Three months ended Nov 30,		Nine months ended Nov 30,	
	2011	2010	2011	2010
<u>Average daily production</u>				
Crude oil (bbl/d)	160	-	72	-
Natural gas (mcf/d)	264	192	240	186
NGLs (bbl/d)	4	2	3	2
Barrels of oil equivalent (boe/d, 6:1)	208	34	115	33
Crude oil production (%)	77%	0%	62%	0%
<u>Average sales prices</u>				
Crude oil (\$/bbl)	\$ 79.17	\$ -	\$ 78.07	\$ -
Natural gas (\$/mcf)	\$ 3.81	\$ 3.43	\$ 3.56	\$ 3.65
NGLs (\$/bbl)	\$ 86.91	\$ 38.56	\$ 69.72	\$ 38.63
Barrels of oil equivalent (\$/boe, 6:1)	\$ 67.39	\$ 22.04	\$ 58.02	\$ 23.15
<u>Operating netback (\$/boe)</u>				
Petroleum and natural gas revenue	\$ 67.39	\$ 22.04	\$ 58.02	\$ 23.15
Royalties	\$ 9.50	\$ 1.79	\$ 8.10	\$ 2.52
Production and operating expenses	\$ 10.77	\$ 14.07	\$ 13.52	\$ 15.12
Operating netback	\$ 47.12	\$ 6.18	\$ 36.40	\$ 5.51

## Corporate Update

- Production rate for December 2011 averaged 321 barrels of oil equivalent per day (86% oil).
- Tied-in the second horizontal well in Jenner in early December 2011.
- Drilled, completed and tied-in the Company's third horizontal well in Jenner, which had an initial production rate of 207 barrels of oil per day over a three day period in early January 2012.
- Completed, equipped and placed on production a vertical exploration well in January 2012.
- Installed a free-water knock out and preparing to install a water injection pump to increase water handling capacity.
- Entered into a farm-in agreement in the Jenner area.
- Closed an \$8.6 million brokered private placement on January 27, 2012.
- Closed an acquisition in Jenner on January 27, 2012 for \$6 million, which included 8.5 sections of land, production facilities and two wells, which had an average combined production rate of 98 barrels of oil per day in December 2011.

Hemisphere Energy is focused on adding value per share by increasing production, reserves and cash flow through identifying and developing low to medium risk drilling opportunities and executing on strategic acquisitions and farm-ins.

For further information on Hemisphere Energy Corporation, visit our website or call Don Simmons, President and CEO at (604) 685-9255.

## HEMISPHERE ENERGY CORPORATION



Don Simmons – P.GeoL  
President & CEO

Note: A boe means barrel-of-oil-equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value at the wellhead.

### **Forward-looking Statements**

*This news release contains "forward-looking statements" that are based on Hemisphere's current expectations, estimates, forecasts and projections. These forward-looking statements 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, and other expectations, intention and plans that are not historical fact. The words "estimates", "projects", "expects", "intends", "believes", "plans", or their negatives or other comparable words and phrases are intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Many of these factors are beyond the control of Hemisphere. Consequently, all forward-looking statements made in this news release are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by Hemisphere will be realized. For the reasons set forth above, investors should not place undue reliance on such forward-looking statements. Hemisphere disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.*

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