



## HEMISPHERE ENERGY CORPORATION ANNOUNCES FIRST QUARTER FINANCIAL AND OPERATING RESULTS

TSX-V: HME

July 25, 2012 - Hemisphere Energy Corporation (“Hemisphere” or the “Company”) (TSX-V: HME) is pleased to announce its financial and operating results for the first quarter ended May 31, 2012. Selected financial and operational highlights are shown below and should be read in conjunction with the Company’s interim financial statements and related management’s discussion and analysis which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on Hemisphere’s website at [www.hemisphereenergy.ca](http://www.hemisphereenergy.ca). All amounts are expressed in Canadian dollars.

### First Quarter Achievements and Highlights

- Increased average production to 418 barrels of oil equivalent per day (“boe/d”) with a 92% oil and natural gas liquids (“NGL”) weighting, representing the Company’s sixth consecutive quarter of production growth.
- Increased funds flow from operating activities to \$1,068,509 or \$0.02 per share for the quarter as compared to a shortfall of \$87,166 for the same quarter last year.
- Increased petroleum and natural gas netback to \$35.52 per barrel of oil equivalent (“boe”) for the quarter from \$15.71 per boe for the same quarter last year.
- Reduced operating costs by \$5.58 per boe to \$16.09 per boe over the same quarter last year.
- Drilled, completed and placed on production one successful horizontal oil well in Jenner, Alberta.
- Upgraded existing facilities at Jenner by adding a new water disposal pump and a heated free-water-knockout separator for greater fluid handling capacity and reduction of operating costs.

### Financial and Operating Summary

Highlights – Financial	Three months ended May 31	
	2012	2011
Petroleum and natural gas revenue	\$ 2,421,663	\$ 255,863
Petroleum and natural gas netback	\$ 1,367,473	\$ 88,970
Funds flow from operating activities	\$ 1,068,509	\$ (87,166)
Per share, basic	\$ 0.02	\$ (0.00)
Per share, diluted	\$ 0.02	\$ (0.00)
Net income (loss)	\$ 305,905	\$ (308,764)
Per share, basic and diluted	\$ 0.01	\$ (0.01)
Capital expenditures	\$ 1,891,157	\$ 1,155,690
Working capital	\$ 626,293	\$ 2,363,945

Highlights – Operating	Three months ended May 31	
	2012	2011
<b>Average daily production</b>		
Crude oil (bbl/d)	383	23
Natural gas (mcf/d)	187	216
NGL (bbl/d)	4	2
Barrels of oil equivalent (boe/d, 6:1)	418	62
Crude oil production (%)	92%	37%
<b>Average sales prices</b>		
Crude oil (\$/bbl)	\$ 67.08	\$ 68.89
Natural gas (\$/mcf)	\$ 1.74	\$ 3.56
NGL (\$/bbl)	\$ 71.44	\$ 79.68
Barrels of oil equivalent (boe/d, 6:1)	\$ 62.90	\$ 45.21
<b>Operating netback (\$/boe)</b>		
Petroleum and natural gas revenue	\$ 62.90	\$ 45.21
Royalties	\$ 11.29	\$ 7.83
Production and operating expenses	\$ 16.09	\$ 21.67
Operating netback	\$ 35.52	\$ 15.71
<b>Common shares</b>		
Common shares outstanding, end of period	50,417,554	30,059,827
Warrants outstanding, end of period	9,314,123	7,523,077
Stock options outstanding, end of period	4,320,000	2,805,000
Weighted-average basic shares outstanding	50,407,348	27,469,200
Weighted-average diluted shares outstanding	52,033,929	27,469,200

### Subsequent Achievements

- Commenced process of acquiring 3D seismic data in the Jenner area as part of the Company's seismic option and farm-in agreement announced in June 2012 with potential to earn a maximum of 6.5 sections.
- Commenced summer horizontal drilling program at Jenner targeting oil-bearing sandstones of the Glauconitic formation.

### Annual General and Special Meeting of Shareholders

Hemisphere's Annual General and Special Meeting of Shareholders is being held at 10:00 am Pacific Daylight Time on August 17, 2012 in the third floor boardroom of Computershare Investor Services Inc., 510 Burrard Street, Vancouver, British Columbia.

### About Hemisphere Energy Corporation

Hemisphere Energy Corporation is a junior exploration and production company focused on developing core areas that provide low to medium risk drilling opportunities to increase production, reserves and cash flow. Hemisphere's continued growth plan is through drilling existing prospects and executing strategic acquisitions and farm-ins. Hemisphere trades on the TSX Venture Exchange 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. 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.*

*Barrels 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.*

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