HEMISPHERE ENERGY ANNOUNCES Q2 2017 FINANCIAL AND OPERATING RESULTS

TSX-V: HME

Vancouver, British Columbia, August 23, 2017 – Hemisphere Energy Corporation (TSX-V: HME) ("Hemisphere" or the "Company") announces its financial and operating results for the three and six months ended June 30, 2017.

Q2 2017 Highlights

- Achieved quarterly average production of 600 boe/d (92% oil), a 22% increase over the second quarter of 2016.
- Increased revenue by 67% to $2.4 million compared to $1.4 million for the second quarter of 2016.
- Increased operating netbacks, including gains on commodity contracts, to $20.09/boe, an increase of 55% from the second quarter of 2016.
- Generated funds flow from operations of $598,078 ($0.01/share), an increase of 274% over the second quarter of 2016.
- Constructed a pipeline at the Atlee Buffalo F pool to allow better distribution of produced water to all of the injectors at the Company's waterflood project.
- Renewed the Company's credit facility with no changes to covenants and applicable margins on borrowing costs.
- Raised $1.1 million of development flow-through equity to drill up to two additional wells in Atlee Buffalo by year-end.
- Achieved a Corporate Liability Management Ratio ("LMR") with the Alberta Energy Regulator of 4.84 at the end of the second quarter 2017.

Corporate Update

Hemisphere continued its cost effective optimization during the second quarter of 2017 by completing facility upgrades, including adding a new tank and constructing a pipeline to allow better distribution of produced water to all of the injectors within its waterflood project at the Atlee Buffalo F pool. Despite a loss in production due to maintenance turnarounds and work completed at both facilities in Jenner and Atlee Buffalo, the Company increased its average production to 600 boe/d (92% oil) during the quarter which is a 22% increase over the same period last year. Subsequent to the end of the second quarter, production through July averaged approximately 700 boe/d (95% oil). Stable production in Jenner and increasing production due to waterflood success in Atlee Buffalo have brought Hemisphere's corporate production to higher levels than have been achieved since the second quarter of 2015 despite drilling only one well since the end of 2014.

During the quarter, the Company successfully raised $1.1 million of development flow-through equity which will be used to drill up to two additional Atlee Buffalo wells to further grow reserves and production in this area by year-end. Hemisphere has spent the last two years implementing its enhanced oil recovery projects in Atlee Buffalo and currently 6.5% of the total original-oil-in-place from the Atlee Buffalo Upper Mannville F and G pools, as mapped by McDaniel and Associates Consultants Ltd. ("McDaniel") for the purposes of its independent reserve report dated effective as of December 31, 2016 (the "Reserve Report"), is currently captured on a proved reserve basis in the Reserve Report, with 8% captured on a proved plus probable basis. The Suffield Upper Mannville N2N and YYY producing waterflood pools, located 30 kilometres west of Hemisphere's Atlee Buffalo pools, are seen by management as direct analogues to this play with total oil-in-place of 44 MMbbl (as mapped by Alberta Energy Regulator in 2015) and recovery factors (based on production as of May 2017) of 14% and 23%, respectively.

Hemisphere underwent its annual credit facility review in May 2017 which was subsequently renewed with no changes to the covenants and applicable margins on borrowing costs. The Company's mid-year review is scheduled for November 30, 2017. As at June 30, 2017, the Company had $10.6 million in net debt and $10.5 million drawn on its $12.5 million 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 sustained increases in production and reserves through the year. Management believes the Company has considerable growth upside through development of these exceptional assets.

Selected financial and operational highlights should be read in conjunction with Hemisphere's interim condensed financial statements and related Management's Discussion and Analysis for the three and six months ended June 30, 2017. These reports 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 June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Financial				
Petroleum and natural gas revenue	**$ 2,419,666**	$ 1,448,722	**$ 4,712,412**	$ 2,384,557
Operating netback[(1)]	**1,096,412**	580,876	**2,054,688**	706,932
Funds flow from operations[(2)]	**598,078**	159,894	**1,103,409**	(87,620)
Per share, basic and diluted	**0.01**	0.00	**0.01**	(0.00)
Net income (loss)	**(204,496)**	(580,725)	**(343,174)**	(1,647,281)
Per share, basic and diluted	**(0.00)**	(0.01)	**(0.00)**	(0.02)
Capital expenditures	**616,625**	204,407	**873,139**	549,083
Net debt[(3)]	**10,605,594**	11,062,899	**10,605,594**	11,062,899
Bank indebtedness	**$ 10,463,949**	$ 10,983,696	**$ 10,463,949**	$ 10,983,696
Operating				
Average daily production				
Oil (bbl/d)	**549**	407	**539**	408
Natural gas (Mcf/d)	**296**	499	**303**	540
NGL (bbl/d)	**2**	2	**2**	2
Combined (boe/d)	**600**	492	**591**	500
Oil and NGL weighting	**92%**	83%	**91%**	82%
Average sales prices				
Oil ($/bbl)	**$ 46.85**	$ 37.59	**$ 46.57**	$ 29.97
Natural gas ($/Mcf)	**2.73**	1.13	**2.77**	1.52
NGL ($/bbl)	**46.30**	26.73	**46.64**	23.16
Combined ($/boe)	**$ 44.34**	$ 32.34	**$ 44.02**	$ 26.19
Operating netback ($/boe)				
Petroleum and natural gas revenue	**$ 44.34**	$ 32.34	**$ 44.02**	$ 26.19
Royalties	**7.19**	2.38	**6.46**	2.37
Operating costs	**16.20**	12.18	**16.79**	11.81
Transportation costs	**2.81**	4.81	**2.94**	4.25
Operating field netback[(4)]	**18.14**	12.97	**17.83**	7.76
Realized commodity hedging gain (loss)	**1.96**	-	**1.37**	-
Operating netback[(1)]	**$ 20.09**	$ 12.97	**$ 19.19**	$ 7.76

Notes:

(1) Operating netback is a non-IFRS measure calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) per barrel of oil equivalent. Operating netback per boe is a non-IFRS measure calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) per barrel of oil equivalent per barrel of oil equivalent.

(2) *Funds flow from operations is a non-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.*

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 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 additional Atlee Buffalo wells by the end of December 31, 2016; Hemisphere's corporate strategy of achieving organic production and reserve growth while preserving financial flexibility; the Company's expectations for sustained increases 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 defer 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.

Oil and Gas Advisories

All reserve references in this news release are "gross" or "Company interest reserves". Such reserves are the Company's total working interest reserves before the deduction of any royalties and without including any royalty interests of the Company. As of December 31, 2016, the Company did not have any royalty interests.

The information concerning Upper Mannville N2N and YYY analogue pools may be considered to be "analogous information" within the meaning of applicable securities laws. Such information was obtained by Hemisphere management from various public sources including information available to Hemisphere through AccuMap. Management believes such information is analogous to the Atlee Buffalo Upper Mannville F and G pools in which Hemisphere has an interest and is relevant as it may help to demonstrate the reaction of such pools to waterflood stimulations. Hemisphere is unable to confirm whether the analogous information was prepared by a qualified reserves evaluator or auditor or in accordance with the COGE Handbook and therefore, the reader is cautioned that the data relied upon by Hemisphere may be in error and/or may not be analogous to the oil pools in which Hemisphere holds an interest.

Total Original Oil In Place ("OOIP") is used by Hemisphere in this press release as an equivalent to Discovered Petroleum Initially-In-Place ("DPIIP"). DPIIP, as defined in the Canadian Oil and Gas Evaluations Handbook (COGEH), is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DPIIP includes production, reserves and contingent resources; the remaining portion of DPIIP is unrecoverable. The OOIP/DPIIP set forth in this news release has been provided for the sole purpose of highlighting the recovery factors used by Hemisphere's independent engineers in attributing reserves to Hemisphere effective as of December 31, 2016 in the Reserve Report. It should not be assumed that any portion of the OOIP/DPIIP set forth in the news release is recoverable other than the portion which has been attributed reserves by Hemisphere's independent engineers. There is uncertainty that it will be commercially viable to produce any portion of the OOIP/DPIIP other than the portion that is attributed reserves.

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.

The Reserve Report has been prepared in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the COGE Handbook by a "qualified reserves evaluator" (as defined in NI 51-101).

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 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 and financial position 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.

Definitions and Abbreviations

bbl	*barrel*	*Mcf*	*thousand cubic feet*
bbl/d	*barrels per day*	*Mcf/d*	*thousand cubic feet per day*
MMbbl	*million barrels*	*$/Mcf*	*dollar per thousand cubic feet*
$/bbl	*dollar per barrel*	*NGL*	*natural gas liquids*
boe	*barrel of oil equivalent*	*IFRS*	*International Financial Reporting Standards*
boe/d	*barrel of oil equivalent per day*		
$/boe	*dollar per barrel of oil equivalent*		

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