HEMISPHERE ENERGY ANNOUNCES Q2 2018 FINANCIAL AND OPERATING RESULTS

TSX-V: HME

Vancouver, British Columbia, August 22, 2018 – 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, 2018.

Q2 2018 HIGHLIGHTS

- Achieved record quarterly average production of 1053 boe/d (96% oil), a 76% increase over the second quarter of 2017.
- Increased revenue by 132% to $5.6 million compared to $2.4 million for the second quarter of 2017.
- Increased operating netbacks, including losses on commodity contracts, to $24.27/boe, an increase of 21% from the second quarter of 2017.
- Generated funds flow from operations of $1.3 million ($0.01/share), an increase of 109% over the second quarter of 2017.
- Drilled the first two wells of an 11-well summer program.
- Amended credit agreement to reflect an increased commitment of US$15.0 million to the term loan, bringing the aggregate amount committed by the lender to US$30 million.
- Achieved a Corporate Liability Management Ratio ("LMR") with the Alberta Energy Regulator of 6.17 at the end of the second quarter 2018, which is within the top 13% of all licensees evaluated.

CORPORATE UPDATE

Since securing a five year term loan in September, 2017, Hemisphere has drilled 18 new wells including 12 drilled to-date in 2018. Current production of approximately 1250 boe/d (based on field estimates for the week of Aug 13-19) includes new production from three of the recent drills and is more than double that from the second quarter of 2017. Ongoing operations include drilling two more wells in Atlee Buffalo through August and early September, completing and putting on production the remainder of the summer drilling program wells by the end of the third quarter of 2018, expanding both of the Atlee F and G pool batteries to handle significantly increasing production, and preparing for further drilling operations through the winter.

Hemisphere has spent the last three years implementing its enhanced oil recovery projects in Atlee Buffalo and currently only 10% 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, 2017 (the "Reserve Report"), is captured on a proved reserve basis in the Reserve Report, with 12% captured on a proved plus probable basis. Analogue waterflood pools within two townships of the Company's Atlee Buffalo property have recovered up to 40% of original-oil-in-place through secondary and tertiary recovery schemes. Management anticipates significant reserve additions through 2018 with the level of activity achieved this year to enhance the development and establish the productivity of these pools.

Hemisphere expects to complete its capital program in 2018 with debt levels within its term loan commitment level of US$30 million, which allows for room to continue a capital program through the first quarter of 2019. Currently up to eight wells are being planned for the first quarter of 2019.

Hemisphere's corporate strategy is to achieve organic production and reserve growth in order to improve profitability and financial flexibility. With continued success of its waterflood projects, 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 its exceptional assets.

Q2 2018 FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
OPERATING				
Average daily production				
Oil (bbl/d)	**1,012**	549	**911**	539
Natural gas (Mcf/d)	**235**	296	**258**	303
NGL (bbl/d)	**2**	2	**2**	2
Combined (boe/d)	**1,053**	600	**956**	591
Oil and NGL weighting	**96%**	92%	**96%**	91%
Average sales prices				
Oil ($/bbl)	**$ 60.64**	$ 46.85	**$ 54.07**	$ 46.57
Natural gas ($/Mcf)	**1.17**	2.73	**1.67**	2.77
NGL ($/bbl)	**61.48**	46.30	**58.02**	46.64
Combined ($/boe)	**$ 58.64**	$ 44.34	**$ 52.09**	$ 44.02
Operating netback ($/boe)				
Petroleum and natural gas revenue	**$ 58.64**	$ 44.34	**$ 52.09**	$ 44.02
Royalties	**10.39**	7.19	**8.73**	6.46
Operating costs	**11.08**	16.20	**12.85**	16.79
Transportation costs	**2.95**	2.81	**2.79**	2.94
Operating field netback(1)	**34.23**	18.14	**27.73**	17.83
Realized commodity hedging (gain) loss	**9.96**	(1.96)	**8.74**	(1.37)
Operating netback(2)	$ **24.27**	$ 20.09	**$ 18.99**	$ 19.19
FINANCIAL				
Petroleum and natural gas revenue	**$ 5,618,915**	$ 2,419,666	**$ 9,012,836**	$ 4,712,412
Operating netback(2)	**2,325,836**	1,096,412	**3,284,932**	2,054,688
Funds flow from operations(3)	**1,251,089**	598,078	**1,350,810**	1,103,409
Per share, basic and diluted	**0.01**	0.01	**0.02**	0.01
Net income (loss)	**(2,253,163)**	(206,724)	**(4,642,556)**	(345,402)
Per share, basic and diluted	**(0.03)**	(0.00)	**(0.05)**	(0.00)
Capital expenditures	**2,532,877**	661,307	**5,402,941**	917,821
Net debt(4)	**23,734,580**	10,605,594	**23,734,580**	10,605,594
Bank indebtedness	**-**	10,463,948	**-**	10,463,948
Term Loan(5)	**$ 23,637,600**	$ -	**$ 23,367,600**	$ -

Notes:

(1) 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 on an absolute and per barrel of oil equivalent basis.

(2) Operating netback is a non-IFRS measure calculated as the operating field netback plus the Company's realized commodity hedging gain (loss) on an absolute and per barrel of oil equivalent basis.

(3) 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.

(4) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including term loan or bank indebtedness and excluding fair value of financial instruments and any flow-through share premium.

(5) Gross term loan amount including foreign exchange

About Hemisphere Energy Corporation

Hemisphere Energy Corporation is a producing oil and gas company focused on developing low risk conventional oil assets for minimal capital exposure through developing known pools of oil and optimizing waterflood projects. 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

Certain statements included in this news release constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular, but without limiting the generality of the foregoing, this news release includes forward-looking 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 two more wells in Atlee Buffalo through August and early September, complete and put on production the remainder of the summer drilling program wells by the end of the third quarter, and expand both of the Atlee F and G pool batteries to handle significantly increasing production; Hemisphere's anticipation for significant reserve additions through 2018; Hemisphere's expectation of completing its capital program in 2018 with debt levels within its term loan commitment level of US$30 million, which allows for room to continue a capital program through the first quarter of 2019; Hemisphere's plans to drill up to eight wells in the first quarter of 2019; Hemisphere's corporate strategy to achieve organic production and reserve growth in order to improve profitability and financial flexibility; the Company's expectation of sustained increases in production and reserves through the year; management's belief that the Company has considerable growth upside through development of its exceptional assets; Hemisphere's plans for continual growth in production, reserves, and cash flow by drilling existing projects and executing strategic acquisitions; and other expectations, intentions, and plans that are not historical fact. In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future

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 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, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS Measures

The press release contains terms that are non-IFRS measures and 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; (ii) net debt; and (iii) operating netback, operating netback per boe and operating field netback per boe. 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 is cash provided by operating activities and cash flow from operating activities and in the case of operating field netback and operating netback are net income or net loss. 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, 2017, 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.

Short-term production rates disclosed herein are not determinative of the rates at which the wells will continue to produce and decline thereafter and may not necessarily be indicative of the long term performance or estimated ultimate recovery.

Original Oil In Place ("OOIP") is used by Hemisphere in this news 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, 2017. 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.*

The information concerning the oil pools (the "Analogous Pools") located within two townships of Hemisphere's lands and disclosed in this press release may be considered to be "analogous information" within the meaning of applicable securities laws. The information concerning the Analogous Pools was obtained by Hemisphere management on August 21, 2018 from various public sources including information available to Hemisphere through AccuMap. Management believes such information is analogous to the Upper Mannville F and G pools in which Hemisphere has an interest at the Atlee Buffalo property area and is relevant as it may help to demonstrate the reaction of such pools (in which Hemisphere has an interest) 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 whether such evaluator or auditor was independent 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.

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*	*WTI*	*West Texas Intermediate Oil price*
WCS	*Western Canada Select Oil Price*		

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.