

Hemisphere Energy Provides Operations Update and Outlines Plans for 2020

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Vancouver, February 5, 2020 - [Hemisphere Energy Corp.](#) (TSXV: HME) ("Hemisphere" or the "Company") is pleased to provide an update on its Southern Alberta oil assets following a successful 2019.

Through 2019, Hemisphere drilled 11 horizontal oil wells in its Upper Mannville G pool, which greatly expanded development in the Company's most prolific oil pool. The summer drilling program was completed on budget and on time with all wells being brought on production by the fourth quarter. Based on field estimates, corporate production during the fourth quarter of 2019 averaged approximately 2,160 boe/d (98% heavy crude oil and 2% conventional natural gas), which represents significant growth of more than 55% over the fourth quarter of 2018. Current production, based on field estimates for January 2020, is approximately 1,990 boe/d (98% heavy crude oil and 2% conventional natural gas) despite severe winter weather and two wells waiting on workovers during the month.

Hemisphere attained this growth while keeping capital outlay within its 2019 annual funds flow from operations. Capital expenditures for 2019 were approximately \$11 million, which contributed to production growth of approximately 50% year over year. In addition, Hemisphere was able to purchase over 1.2 million shares under the Company's Normal Course Issuer Bid (NCIB) program, while still lowering its year-end net debt to approximately \$32 million. With record production levels and Western Canada Select (WCS) oil price averaging approximately \$54.30 per barrel in the fourth quarter, Hemisphere achieved an estimated operating field netback of \$31.36 per boe. Fourth quarter revenue was approximately \$9.5 million which resulted in estimated funds flow from operations of \$4.6 million. Total annual estimated funds flow from operations for the year ending December 31, 2019 was approximately \$13.3 million.

Looking ahead to the rest of 2020, Hemisphere plans to continue its strategy of growing within funds flow from operations, with a strong focus on debt and related interest cost reduction. As in previous years, the Company intends to execute the majority of its capital program in the third quarter to take advantage of construction, drilling, completion, and tie-in efficiencies due to more favourable weather conditions and longer hours of daylight. In the first half of the year, Hemisphere plans to seek regulatory approval and complete field operations for the conversion of a number of existing wellbores to water injectors that will expand the waterfloods in both the Upper Mannville F and G pools. Reservoir simulation completed by management of Hemisphere indicates that these water injection conversions should improve production and capture more reserves as well as set the pool up for further drilling later in the year. Hemisphere has also taken steps to begin preparation for enhanced tertiary recovery of its pools through polymer and surfactant flood with further evaluation work to continue throughout the year.

Hemisphere is participating in the World Outlook Financial Conference being held at the Westin Bayshore in Vancouver, British Columbia on February 7 and 8, 2020. Ashley Ramsden-Wood, Vice President of Engineering, will be making a presentation on the Company at the VIP breakfast being held on February 8 and Hemisphere will have an information booth where current and potential investors can receive a corporate update.

Please see our website at www.hemisphereenergy.ca for the company's updated corporate presentation.

About Hemisphere Energy Corporation

[Hemisphere Energy Corp.](#) is a Canadian oil and gas company focused on sustainable growth of its low risk conventional oil assets for minimal capital exposure by drilling development locations in its 100% owned assets and optimizing its waterflood projects. Hemisphere plans continued growth in production, reserves, and cash flow by focusing on existing projects and executing strategic and accretive acquisitions. Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME".

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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 estimated funds flow from operations for the fourth quarter of 2019 and for the year ending December 31, 2019; Hemisphere's plans to continue its strategy of growing within funds flow from operations, with a strong focus on debt and related interest cost reduction; Hemisphere's intention to execute the majority of its capital program in the third quarter to take advantage of construction, drilling, completion, and tie-in efficiencies due to more favourable weather conditions and longer hours of daylight; Hemisphere's plans to seek regulatory approval and complete field operations for the conversion of a number of existing wellbores to water injectors that will expand the waterfloods in both the Upper Mannville F and G pools, including the timing thereof and the resulting operational impact on Hemisphere; and Hemisphere's plans for continued growth in production, reserves, and cash flow by focusing on existing projects and executing strategic and accretive acquisitions. To the extent that the estimates of funds flow from operations, revenues and operating netback per boe set forth in this new release constitute future-oriented financial information or a financial outlook within the meaning of applicable securities laws, readers are cautioned that such information has been presented as a preliminary estimate of such metrics for their respective periods, that such information is subject to change and may not be appropriate for other purposes. See "Preliminary Information" below.

Forward-looking statements are based on a number of material factors, expectations, or assumptions of Hemisphere which have been used to develop such statements but which may prove to be incorrect. Although Hemisphere believes that the expectations reflected in such forward-looking statements 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 statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such 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 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.

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.

Preliminary Information

Hemisphere's: (i) estimated funds flow from operations for the fourth quarter of 2019; (ii) estimated funds flow from operations for the year ending December 31, 2019; (iii) operating netback per boe for the fourth quarter of 2019; and (iv) revenue for the fourth quarter of 2019 are each unaudited and are based on Hemisphere's financial and operational records as of the date hereof. The unaudited estimated funds flow from operations, revenue and operating netback per boe for such periods should be considered preliminary in nature and subject to change in connection with the audit to be completed on Hemisphere's financial statements for the year ending December 31, 2019 and the review and approval of such financial statements by Hemisphere's audit committee and board of directors.

Non-IFRS Measures

This 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; and (ii) 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 is net income or net loss. 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; and (ii) in the case of operating netback per boe, the indication of the Company's profitability relative to current commodity prices.

Hemisphere's determination of these measures may not be comparable to those measures 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 and 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. 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, 2018, which is available under the Company's SEDAR profile at www.sedar.com.

Definitions and Abbreviations

boe barrel of oil equivalent
boe/d barrel of oil equivalent per day
bbl/d barrel of oil per day

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release.

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