



**HEMISPHERE ENERGY ANNOUNCES CLOSING OF ITS PRIVATE PLACEMENT OF
COMMON SHARES AND CDE FLOW-THROUGH COMMON SHARES
FOR TOTAL GROSS PROCEEDS OF \$1.9 MILLION AND ITS
PLANS TO DRILL ATLEE DEVELOPMENT WELL**

TSX-V: HME

Vancouver, British Columbia, July 12, 2016 – Hemisphere Energy Corporation ("Hemisphere" or the "Company") (TSX-V: HME) is pleased to announce the closing of the final tranche of its non-brokered private placement offering (the "Offering"). In connection with the closing of the final tranche, Hemisphere issued 527,000 flow-through shares ("Flow-Through Shares") at a price of \$0.21 per share, which were issued on a Canadian Development Expense flow-through basis pursuant to the provisions of the *Income Tax Act* (Canada), and 4,047,104 common shares of Hemisphere ("Common Shares") at a price of \$0.19 per share, for gross proceeds to the Company of \$879,620. The aggregate funds raised by Hemisphere under the first and second closings of the Offering totaled \$ 1,921,055.

Hemisphere intends to use the proceeds from the Flow-Through Shares to drill a development well in its Atlee Buffalo Upper Mannville G oil pool, which is expected to be drilled in late July. Hemisphere has a 100% working interest in the Upper Mannville G pool, which is currently being re-energized through waterflood but has no producing wells at this time. The Upper Mannville G pool has previously produced approximately 1.2 million barrels of oil, representing 3% of the original oil in place as mapped by McDaniel & Associates Consultants Ltd. ("McDaniel"), Hemisphere's independent reserve evaluators. The Company's December 31, 2015 reserve report by McDaniel attributed proved plus probable reserves to Hemisphere of less than 1% of the original oil in place for this reservoir. Management anticipates that successful drilling results at this well could lead to the assignment of several additional drilling locations.

Hemisphere also plans to use the proceeds from the Common Shares to finance the addition of water handling and injection equipment to its existing battery in the Atlee Buffalo Upper Mannville F oil pool where the Company has successfully implemented three waterflood pilot projects. This facility will allow Hemisphere to increase injection and production rates while reducing operating costs associated with produced water.

The Offering is subject to the final approval of the TSX Venture Exchange. All securities issued under the Offering will be subject to a statutory four-month and one day hold period. While the Offering was conducted on a non-brokered basis, the Company intends to pay cash finder's fees, subject to TSX-V acceptance, and in accordance with the rules and policies of the TSX-V, of up to 6% of the proceeds sold by such finders. Such finders included Canaccord Genuity Corp., Cornerstone Advisors Pty Ltd., Echelon Wealth Partners Inc., Haywood Securities Inc., Mackie Research Capital Corporation, Raymond James Ltd., and Richardson GMP Ltd.

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 lands 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 dated June 2016 or contact:

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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 use of proceeds of the Offering including Hemisphere's plans to drill a development well in its Atlee Buffalo Upper Mannville G oil pool, Hemisphere's plans to finance the addition of water handling and injection equipment to its existing battery in the Atlee Buffalo Upper Mannville F pool, the potential reduction of operating costs, the potential to realize additional drilling locations, the Company's intention to pay finder's fees and other expectations, intentions 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. Forward-looking statements are based on a number of factors and assumptions which have been used to develop such information 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 cannot give assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this press release, assumptions have been made regarding and are implicit in, among other things: the ability of Hemisphere to incur and renounce Canadian Development Expense and that all necessary and regulatory approvals will be obtained for the Offering. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

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.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

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.