

Form 51-102F3
Material Change Report

Item 1: *Name and Address of Company*

Hemisphere Energy Corporation (the "Company")
Suite 2000, 1055 West Hastings Street
Vancouver, British Columbia V6E 2E9

Item 2: *Date of Material Change*

September 15, 2017.

Item 3: *News Release*

The Company issued a news release on September 15, 2017 which was disseminated through the facilities of Cision and received by the securities commissions in the jurisdictions in which the Company is a reporting issuer, and is available on SEDAR.

Item 4: *Summary of Material Change*

On September 15, 2017, the Company announced that it had entered into a new credit facility (the "New Credit Facility") with Cibolo Energy Partners, LP and certain of its affiliates (collectively, "Cibolo"), to accelerate the development of its southern Alberta Atlee Buffalo waterflood oil assets. Consequently, the Company repaid and terminated its existing credit facility with its Canadian bank (the "Former Credit Facility").

Item 5: *Full Description of Material Change*

5.1 *Full Description of Material Change*

The Company has entered into a first lien senior secured credit agreement with Cibolo providing for a multi-draw, non-revolving term loan facility of a maximum aggregate principal amount of up to US\$35.0 million, with an initial commitment amount of US\$15.0 million. This represents an approximate 50% increase in currently available credit to Hemisphere as compared to its Former Credit Facility. Hemisphere has made an initial draw of US\$10.0 million of the initial US\$15.0 million commitment under the New Credit Facility. Additional commitments are subject to further approval by Cibolo. The interest rate for the New Credit Facility is the three-month United States dollar London Interbank Offered Rate ("LIBOR") with a LIBOR floor of 1%, plus 7.50% payable quarterly, for a five-year term with a maturity date of September 15, 2022. Additionally, the New Credit Facility requires the Company to maintain certain hedging arrangements for approximately 55% of the Company's proved developed producing reserves volumes for the term of the New Credit Facility. A copy of the New Credit Facility has been filed on the Company's SEDAR profile at www.sedar.com.

The New Credit Facility has been used to fully repay the outstanding indebtedness under the Former Credit Facility and is also intended to be used to expand the Company's development in the Atlee Buffalo area. Hemisphere's Board of Directors and Cibolo have approved a development plan under

which Hemisphere intends to make capital expenditures of up to \$7.6 million in the remainder of 2017. These expenditures include plans to drill seven additional wells in the Atlee Buffalo property area, expand its F pool facility and construct a new water separation and re-injection facility in the G pool.

In conjunction with the New Credit Facility, the Company has issued 13,750,000 warrants (the "Warrants") to Cibolo. Each Warrant entitles Cibolo to purchase one common share of Hemisphere at an exercise price of \$0.28 prior to September 15, 2022. The exercise price of the Warrants represents a 40% premium to the 30-day volume weighted average price ("VWAP") of Hemisphere's common shares at market close on September 14, 2017. The Warrants are subject to a forced exercise clause which applies upon the 30-day VWAP of the common shares equaling or exceeding \$1.40 per share. The Warrants are non-transferable and are subject to a four-month hold period from the date of issuance.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6: Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7: Omitted Information

No significant facts remain confidential and no information has been omitted in this report.

Item 8: Executive Officer

Name of Executive Officer: Don Simmons
President & Chief Executive Officer

Telephone Number: (604) 685-9255

Item 9: Date of Report

September 22, 2017.

Forward-looking Statements

This material change report 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 planned use of proceeds for the New Credit Facility and the timing thereof; the Company's capital expenditure plans for the remainder of 2017; the Company's development plans for the Atlee Buffalo property area; 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; 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 material change report 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 differ 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 material change report and in Hemisphere's Annual Information Form).

The forward-looking information and statements contained in this material change report speak only as of the date of this material change report, 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.