

Form 62-103F1

Required Disclosure under the Early Warning Requirements

Item 1 – Security and Reporting Issuer

- 1.1 *State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.*

This report relates to common share purchase warrants (the “**Warrants**”)

Hemisphere Energy Corporation (the “**Issuer**”)
Suite 2000, 1055 West Hastings St.
Vancouver, British Columbia V6E 2E9

- 1.2 *State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.*

Issuance of 13,750,000 Warrants on September 15, 2017 in connection with the entry between Cibolo HME (as defined herein) and the Issuer of a first lien senior secured credit agreement providing for a multi-draw, non-revolving term loan facility of a maximum aggregate principal amount of US\$35 million, with an initial commitment amount of US\$15 million (the “**Credit Facility Transaction**”).

Item 2 – Identity of the Acquiror

- 2.1 *State the name and address of the acquiror.*

Cibolo Energy HME, LLC (“**Cibolo HME**”)
1455 West Loop South STE 230
Houston, Texas 77027

Cibolo is a limited liability corporation formed under the laws of Delaware.

- 2.2 *State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.*

On September 15, 2017, in connection with the Credit Facility Transaction, the Issuer issued 13,750,000 Warrants to Cibolo HME, each entitling Cibolo HME to acquire one common share in the capital of the Issuer (the “**Common Shares**”) at an exercise price of \$0.28 prior to September 15, 2022.

- 2.3 *State the names of any joint actors.*

Cibolo Energy Partners I, L.P. and Cibolo Energy Coinvestment II, LLC
(together with Cibolo HME, “**Cibolo**”).

Item 3 – Interest in Securities of the Reporting Issuer

- 3.1 *State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror's securityholding percentage in the class of securities.*

Cibolo HME acquired 13,750,000 Warrants of the Issuer. Before completion of the Credit Facility Transaction, Cibolo did not own or control any securities of the Issuer. If the Warrants were exercised immediately, Cibolo HME would own Common Shares representing approximately 13.28% of the Issuer's issued and outstanding Common Shares (calculated based on the number of Common Shares issued and on September 15, 2017 being 89,793,302 Common Shares) on a pro forma basis.

- 3.2 *State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.*

Cibolo HME acquired 13,750,000 Warrants of the Issuer.

- 3.3 *If the transaction involved a securities lending arrangement, state that fact.*

Not applicable.

- 3.4 *State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.*

Before completion of the Credit Facility Transaction, Cibolo did not own or control any securities of the Issuer. If the Warrants were exercised immediately, Cibolo HME would own Common Shares representing approximately 13.28% of the Issuer's issued and outstanding Common Shares (calculated based on the number of Common Shares issued and on September 15, 2017 being 89,793,302 Common Shares) on a pro forma basis.

- 3.5 *State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which*

- (a) *the acquiror, either alone or together with any joint actors, has ownership and control,*

All securities referred to in paragraph 3.4, above, are owned and controlled by Cibolo.

(b) *the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and*

Not applicable.

(c) *the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.*

Not applicable.

3.6 *If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.*

Not applicable.

3.7 *If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.*

Not applicable.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

3.8 *If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.*

Not applicable.

Item 4 – Consideration Paid

4.1 *State the value, in Canadian dollars, of any consideration paid or received per security and in total.*

The Warrants were issued in connection with Cibolo HME entering into the Credit Facility Transaction. The Warrants entitle Cibolo HME to purchase one Common Share 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 the Common Shares at market close on September 14, 2017.

- 4.2 *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.*

See paragraph 4.1, above.

- 4.3 *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.*

See paragraph 4.1 above.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following: (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer; (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries; (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries; (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board; (e) a material change in the present capitalization or dividend policy of the reporting issuer; (f) a material change in the reporting issuer's business or corporate structure; (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company; (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace; (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada; (j) a solicitation of proxies from securityholders; and (k) an action similar to any of those enumerated above.

The Warrants acquired will be held for investment purposes. Cibolo may, depending on market and other conditions, increase or decrease its beneficial ownership of the Issuer’s securities, whether in the open market, by privately negotiated agreements or otherwise, subject to a number of factors, including general market conditions and other available investment and business opportunities. Cibolo’s determination to exercise the Warrants or not will depend upon the market price of the Common Shares, market and other conditions, availability of funds, evaluation of alternative investments and other factors.

The Warrants acquired by Cibolo HME are subject to a statutory hold period expiring on January 15, 2018.

Pursuant to the warrant certificate governing the Warrants (the “**Warrant Certificate**”), Cibolo HME has agreed not to exercise all or any such portion of the Warrants in the event that immediately following such exercise, after giving effect to any Common Shares held by Cibolo HME at such time, Cibolo HME would hold 10% or more of the outstanding Common Shares until such time as Cibolo HME, and any other person as may be required by the TSX Venture Exchange (“**TSX-V**”) in connection with the exercise of Warrants, has provided a duly completed Form 2A – *Personal Information Form*, or if applicable, a Form 2C1 – *Declaration* (in each case, a “**PIF**”), to the TSX-V and received notice from the Issuer or the TSX-V that the TSX-V has completed a review of such PIF(s) to the satisfaction of the TSX-V. Pursuant to the Warrant Certificate, the Warrants are subject to a forced exercise clause which applies upon the 30-day VWAP equaling or exceeding \$1.40 per Common Share.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 - Certification

The acquiror must certify that the information in this report is true and complete in every respect. In the case of an agent, the certification is based on the agent’s best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his or her authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated this 18th day of September, 2017.

CIBOLO ENERGY HME, LLC

By: (Signed) “Justin Teltschik”
Name: Justin Teltschik
Title: Manager