



Dear Fellow Hemisphere Shareholders,

Well that was a better year!! 2017 was a busy and very successful time for Hemisphere Energy and we have carried that exciting momentum into 2018.

The oil and gas price environment and our production levels improved steadily throughout the year and resulted in Hemisphere having its second-best year ever in revenue at just under \$11 million, which was 76% higher than in 2016.

Late in the third quarter of last year, Hemisphere entered a new and significantly increased credit facility with Cibolo Energy Partners, a Houston based firm focused on investing in oil and gas opportunities. This transformational deal has allowed us to accelerate the development of our substantial oil assets in Southern Alberta. Due to the continued success of our Atlee Buffalo waterflood projects and execution of a six well Fall 2017 development program, Hemisphere increased:

- ✓ Annual average production rate by 25% to 659 barrels of oil equivalent per day (93% oil)
- ✓ Proved plus Probable (2P) net present value before tax, discounted at 10%, (NPV10 BT) by 77% to \$116.7 million
- ✓ Net asset value by 68% to \$1.12 per basic share.

Notably in 2017, McDaniel & Associates, our independent reserve evaluator, converted 125% of 2016 year-end Probable reserves into Proved (1P) reserves, and then recognized an increase to our 2P reserve volumes by 57% over 2016. Despite a lower overall price forecast in the reserve report, Hemisphere's NPV10 BT has increased by over 75% in both the 1P and 2P categories in 2017 when compared to 2016.

To date, Atlee Buffalo has been allocated just 12% of its estimated 66 million barrels of oil in place as 2P reserves, when offset analogue pools have produced up to 40% of their oil in place with similar enhanced oil recovery schemes. Hemisphere believes that a significant amount of waterflood expansion activity this year will help to ensure that the full value of this asset is reflected on the books in the coming years.

I'm very pleased with the tremendous growth we have accomplished over the past year. Hemisphere most definitely has the oil assets for growth, the team to deliver results, and now the access to capital required to deliver terrific economics in an improving oil price environment.

I'd like to switch gears for a moment, from Hemisphere Energy's achievements to the broader Canadian energy sector. For many years now Canadian oil companies have faced challenges with a significant downturn in commodity pricing. Global oil prices may be out of our hands, yet successful Canadian energy companies focus on what they can control: operating costs, capital allocation and expenditures, and overhead. As corporations we rely on our governments to provide us the opportunity and framework to operate in a safe, environmentally sound, and economically competitive manner compared to corporate peers in other jurisdictions. When this breaks down, we lose both domestic and foreign investors and our country suffers economically for it.

Canada has substantial oil and gas reserves with the skilled workforce to extract them economically even amongst the highest environmental regulations in the world. The royalties and taxes generated from Canada's energy industry help give us some of the best standards of living on the globe. They assist us in having national healthcare and education systems, and they provide secure, long term, and rewarding jobs. In this country we all profit from sound and environmentally responsible resource development, and as a country we should be looking to boost the value of all Canadian commodities that are sold to maximize these benefits for both current and future Canadian generations.

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Currently the most pressing issue in the Canadian oil and gas sector is pipeline capacity to access global markets from the coasts. A number of pipeline projects have been approved; however, none have moved forward due to environmental activism, political posturing, and repeated challenges in the legal system. Canada is becoming known as one of the hardest places to do business in the world because even when projects are fully vetted and approved after going through years of rigorous regulatory review, the goalposts change.

Pipeline access to the world market will help us to avoid 'giving away' our Canadian resources, royalties, and taxes to a single US market. Canada sells oil at a discount, while importing the same product at a premium in other parts of the country. These imports come from countries without equivalent strict environmental rules and regulatory bodies, and often from nations without the same human rights policies that Canada prides itself in having. I believe in the end the "rule of law" will prevail and that our political leadership will act in the interest of the entire nation, and not just for the lobbyists who oppose development while offering no meaningful alternative to the increasing global demand for energy.

I encourage everyone to discuss these Canadian issues with your friends and family. If you choose to support your Canadian energy industry, please remember that every voice counts and matters in this great country and that you can make a difference by getting involved in the debate.

I'd personally like to thank every shareholder for your support of Hemisphere over the years. Your involvement provides additional drive for the Hemisphere Team to succeed. We are one of the only junior oil and gas companies in our space to survive the downturn, and we are now bigger and stronger than ever before, with a clear path forward to significant growth and value creation.

Thank you for your continued confidence and support.

Best regards,

(Signed) "Don Simmons"

Don Simmons, P.Geol.

President & Chief Executive Officer

April 26, 2018

*Please refer to the attached Management's Discussion and Analysis for Reader Advisories regarding, among other matters, forward-looking information, non-IFRS measures, analogous information, reserves advisories and original oil in place. This Message to Shareholders should be read in conjunction with the audited annual financial statements of Hemisphere Energy Corporation together with Management's Discussion and Analysis for the year ended December 31, 2017, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and is subject to the same cautionary statements as set out therein.*