

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Corporation:

Hemisphere Energy Corporation ("Hemisphere" or the "Company")
Suite 501, 905 West Pender Street
Vancouver, BC V6C 1L6

2. Date of Material Change:

June 7, 2022

3. News Release:

On June 7, 2022, a news release was issued and disseminated through the facilities of a recognized newswire service.

4. Summary of Material Change:

On June 7, 2022, Hemisphere announced that board of directors of the Company had approved a variable dividend policy targeting approximately 30% of Hemisphere's annual free funds flow¹ to be paid quarterly. Accordingly, the first ever quarterly cash dividend paid to Hemisphere shareholders will be \$0.025/share on June 30, 2022, to shareholders of record as of the close of business on June 15, 2022.

5. Full Description of Material Change:

On June 7, 2022, Hemisphere announced that board of directors of the Company had approved a variable dividend policy targeting approximately 30% of Hemisphere's annual free funds flow to be paid quarterly. Accordingly, the first ever quarterly cash dividend paid to Hemisphere shareholders will be \$0.025/share on June 30, 2022, to shareholders of record as of the close of business on June 15, 2022. The dividend is designated as an "eligible dividend" for income tax purposes.

Further quarterly payments of this variable dividend will be subject to board approval, and be conditional on continued production performance, commodity price environment, and compliance with the terms of the Company's credit facility. The remaining 70% of free funds flow may be used for additional spending on Hemisphere's Normal Course Issuer Bid (NCIB) and/or other special dividends, in addition to possible strategic acquisitions and accelerated investments in the Company's long-term development program.

5.2 Disclosure for Restructuring Transactions:

N/A

¹ Non-GAAP financial measure that is not a standardized financial measure under International Financial Reporting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. See "Non-IFRS and Other Financial Measures" in the Q1 2022 MD&A for information relating to this non-GAAP financial measure, which information is incorporated by reference into this material change report.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102:

N/A

7. Omitted Information:

N/A

8. Executive Officer:

The name and business telephone number of an executive officer of the Company who is knowledgeable about the material change and who can be contacted is:

Don Simmons
 President and Chief Executive Officer
 (604) 638-6213

9. Date of Report:

June 7, 2022

Forward-Looking Statements:

Certain statements included in this material change report 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 material change report includes forward-looking statements including the payment and record date for Hemisphere's first quarterly dividend, that further quarterly payments of this variable dividend will be subject to board approval and be conditional on continued production performance and commodity price environment; and that Hemisphere's remaining 70% of free funds flow may include additional spending on Hemisphere's Normal Course Issuer Bid (NCIB) and/or other special dividends, in addition to possible strategic acquisitions and accelerated investments in the Company's long-term development program.

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: the length of time that oil and gas operations will be impaired by the outbreak of Covid-19; the current and go-forward oil price environment; that Hemisphere will continue to conduct its operations in a manner consistent with past operations; that 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 impacts of inflation and increases to costs; 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 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 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 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, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.