Management's Discussion and Analysis

For the Three Months Ended May 31, 2012

(Expressed in Canadian dollars)

The following discussion and analysis of the current financial position and results of operations of Hemisphere Energy Corporation ("Hemisphere" or the "Company") for the three months ended May 31, 2012 should be read in conjunction with the May 31, 2012 interim financial statements and the related notes. These documents are available at www.sedar.com. The effective date of this report is July 19, 2012.

The information in this report is based on the unaudited condensed interim financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including IAS 34 "*Interim Financial Reporting*", as issued by the International Accounting Standards Board ("IASB").

FORWARD-LOOKING STATEMEMENTS

This document 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 outlook for our future operations, plans and timing for the commencement or advancement of exploration and development activities on our properties, and other expectations, intention 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. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Many of these factors are beyond the control of Hemisphere. Consequently, all forward-looking statements made in this document are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by Hemisphere will be realized. For the reasons set forth above, investors should not place undue reliance on such forward-looking statements. Hemisphere disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.

BOE CONVERSIONS

Within this document, petroleum and natural gas volumes and reserves are converted to a common unit of measure, referred to as a barrel of oil equivalent ("boe"), using a ratio of 6,000 cubic feet of natural gas to one barrel of oil. Use of the term boe may be misleading, particularly if used in isolation. The conversion ratio is based on an energy equivalent method and does not necessarily represent a value equivalency at the wellhead.

NON-IFRS MEASUREMENTS

This document contains the terms "funds flow from operating activities" and "operating netback" that are not recognized measures under IFRS. The Company's management considers these to be key measures that demonstrate the Company's ability to generate the funds flow necessary to support future growth through capital investment and to repay debt, if any. Funds flow from operating activities represents net loss before depletion, depreciation and accretion, share-based payments and future income tax. Operating netback is a benchmark used in the oil and natural gas industry and represents the profit margin associated with the production and sale of oil and natural gas sales, following the deduction of royalties, operating expenses and transportation costs. These terms should not be considered an alternative to, or more meaningful than cash flow from operating activities or net income as determined in accordance with IFRS as an indicator of the Company's performance.

BUSINESS OVERVIEW

Hemisphere produces oil from its Jenner property in southeast Alberta, natural gas from its Sylvan Lake property in central Alberta and liquid-rich natural gas from its Trutch property in northeastern British Columbia. The Company is headquartered in Vancouver, British Columbia and is traded on the TSX Venture Exchange under the symbol "HME".

Jenner (Southeast Alberta)

The Jenner property, operated by Hemisphere, is accessible year-round and is located east of the city of Brooks in southeastern Alberta. Hemisphere has a working interest in approximately 8,000 net acres (3,200 ha) and has continued to build a land position in the Jenner area through crown land sales and strategic acquisitions and farm-ins.

On January 27, 2012, the Company closed a property acquisition in the Jenner area, as originally announced on December 8, 2011. The acquisition consisted of 8.5 net sections (5,380 acres) of land and operated oil production in the Jenner area directly adjacent to the Company's existing operations, with a significant portion of the land being covered with 3D seismic.

On April 18, 2012, the Company announced it drilled, completed and equipped an additional horizontal well targeting oil in the Glauconitic formation, which was part of the commitment obligations of the farm-in agreement announced on January 25, 2012. The new well had an average initial production rate over a 120 hour period of approximately 206 bopd and a 7% water cut. Hemisphere is currently evaluating its option to drill a second well to earn additional lands.

On June 19, 2012, the Company announced it entered into a seismic option and farm-in agreement to acquire 3D seismic data on or before August 15, 2012. Hemisphere will then have the option to drill a test well on or before November 15, 2012, subject to surface access, rig availability and regulatory approval. Under the terms of the Agreement, Hemisphere will pay 100% of all seismic costs and 100% of any drilling, completion and tie-in costs to earn 100% of the earned lands before payout, subject to a convertible overriding royalty. Once initial obligations are fulfilled, Hemisphere will have the option to acquire additional 3D seismic and drill additional wells to earn into a maximum of 6.5 sections of land in the Jenner area.

On July 10, 2012, the Company announced the commencement of its summer drilling and 3D seismic acquisition programs within the Jenner area. Hemisphere plans to drill up to three horizontal development wells and has begun the process of acquiring 3D seismic data over prospective lands as a part of the Company's seismic option and farm-in agreement as originally announced on June 19, 2012.

Within the quarter the Company also completed significant facility upgrades including the installation of a free water knock out vessel which will increase capacity for future production growth. The Company also installed a water injection pump which will help to decrease operation expenses for the transportation of water.

The Company continues to evaluate the oil development opportunities on the property on an ongoing basis.

Trutch (Northeast British Columbia)

Hemisphere has working interests varying from 30% to 100% in approximately 22,837 net acres (~9,246 ha) of the Trutch property which is located approximately 200 kilometres northwest of Fort St. John in British Columbia. Competitors to the southeast of the Trutch area have been actively exploring and developing the prolific Tommy Lakes Halfway gas field for a number of years.

Hemisphere currently has an interest in five Halfway gas wells in Trutch and recognizes multi-zone potential in the area.

Sylvan Lake (Central Alberta)

Hemisphere has working interests varying from 15% to 100% in approximately 290 net acres (~120 ha) in the Sylvan Lake property. The Sylvan Lake property consists of multi-well natural gas production from numerous channel sands of the Edmonton Group and provides the Company with stable reserves and additional low-risk drilling locations.

RESULTS OF OPERATIONS

Comparison of the Three Months ended May 31, 2012 and May 31, 2011

The Company reported net income for the three months ended May 31, 2012 of $305,905 or earnings of $0.01 per share compared to a net loss of $308,764, or a loss of $0.01 per share for the three months ended May 31, 2011.

The Company generated funds flow from operating activities of $1,068,509 or $0.02 per share for the three months ended May 31, 2012, compared to negative funds flow of $87,166 or $0.00 per share for the three months ended May 31, 2011. This represents an improvement of $1,155,675 in cash flow for the three months ended May 31, 2012.

A synopsis of the revenues and related expenses incurred in the past three months are discussed below.

Oil and Natural Gas Revenues

During the three months ended May 31, 2012, the Company had an average production rate of 418 boe/d (May 31, 2011 – 62 boe/d).

The Company generated total gross revenues of $2,421,663 for the three months ended May 31, 2012, for an increase of $2,165,800 (May 31, 2011 - $255,863). This increase is due to the drilling and development of new wells and production acquisitions in the Jenner area. The production revenue for the period consisted of $2,365,087 in oil, $30,008 in natural gas and $26,568 in natural gas liquids ("NGL").

Revenues	Amount	Units	$/unit	boe/d	Amount	Units
	Three Months Ended May 31, 2012				**Three Months Ended May 31, 2011**	
NGL (bbl)	$ 26,568	372	$ 71.44	4	$ 13,568	197
Natural gas (mcf)	30,008	17,225	1.74	31	70,585	19,842
Oil (bbl)	2,365,087	35,257	67.08	383	171,710	2,155
Production revenue	**$ 2,421,663**	**38,500**	**$ 62.90**	**418**	**$ 255,863**	**5,659**

Royalties

Royalties for the three months ended May 31, 2012 were $434,644 or $11.29 per boe (May 31, 2011 - $44,287 or $7.83 per boe), which represents 17.9% of revenues and an increase of $390,357 over the same period in the prior year. This increase can be attributed to the new wells acquired and drilled on the Jenner property during fiscal year ended February 29, 2012. The crown royalties and gross over-riding royalties on all British Columbia and Alberta natural gas and NGL production averaged 9.5%. The crown royalties and gross over-riding royalties on the oil production was 18.1%.

Operating Expenses

Operating expenses were $619,546 for the three months ended May 31, 2012 or $16.09 per boe, which represents 25.6% of revenues (May 31, 2011 - $122,606 or $21.67 per boe), and an increase of $496,940 over the same period of the prior year. These include all costs for gathering, processing, dehydration, compression, water processing, transportation and marketing of the oil and gas, as well as additional costs incurred periodically for maintenance and repairs. The increase in operating expenses for the period can be attributed to a scheduled maintenance turnaround for facilities in the Jenner area, which occurs approximately every three years.

Total production costs, which includes royalties and operating costs, for the three months ended May 31, 2012 were $1,054,189 or $27.38 per boe (May 31, 2011 – $166,893 or $29.49 per boe). The net revenue for all wells, after production, processing, transportation, marketing and royalty costs, was $1,367,474 for the three months ended May 31, 2012 (May 31, 2011 – $88,970).

Operating netback			% of Revenue		$/boe			% of Revenue		$/boe
	Three Months Ended May 31, 2012					**Three Months Ended May 31, 2011**				
Revenue	$	2,421,663	100%	$	62.90	$	255,863	100%	$	45.21
Royalties		434,644	17.9%		11.29		44,287	17.3%		7.83
Operating costs		619,546	25.6%		16.09		122,606	47.9%		21.67
Production costs		1,054,189	43.5%		27.38		166,893	65.2%		29.49
Total netback	**$**	**1,367,474**	**56.5%**	**$**	**35.52**	**$**	**88,970**	**34.8%**	**$**	**15.72**

Depletion and Depreciation

For the three months ended May 31, 2012, depletion and depreciation increased by $659,193 to $713,903 from $54,710 at May 31, 2011. Of this amount, $712,272 was recorded as depletion of the Company's oil and gas wells. This increase in depletion is relative to the Company's acquisitions of property and development of producing wells in the past twelve months. Depreciation was also recorded in the amount of $1,632 for the Company's fixed assets.

Share-Based Payments

Share-based payments decreased by $121,870 to $44,403 for the three months ended May 31, 2012 from $166,273 at May 31, 2011. This change is due to the varying grants of incentive stock options of 75,000 in the three months ended May 31, 2012 as compared to 520,000 in the three months ended May 31, 2011.

General and Administrative

Total general and administrative expenses, before other items, for the three months ended May 31, 2012 increased by $124,268 to $296,397 from $172,129 at May 31, 2011. This is primarily due to changes in wages and benefits, investor related expenses, office rent and office expenses.

Wages and benefits increased by $84,739 due to the addition of new technical and office staff. Investor related expenses increased by $26,894 with the Company's engagement of investor relations services. Office rent and expenses increased by $34,625 resulting from the relocation of the Company's office to new premises.

Finance Income and Expense

Finance income for the three months ended May 31, 2012 decreased to $nil from $843 at May 31, 2011. Finance expense increased by $1,400 to $6,865 for the three months ended May 31, 2012 from $5,465 at May 31, 2011. This change in finance expense can be attributed to an increase in accretion expense resulting from the addition of new properties and development wells.

SELECTED ANNUAL INFORMATION

The following are highlights of financial data on the Company for the most recently completed three financial years:

	Fiscal Year Ended		
	February 29, 2012 (IFRS)	February 28, 2011 (IFRS)	February 28, 2010 (GAAP)
Income (Loss) before Income Tax	$ (451,879)	$ (1,486,455)	$ (675,652)
Net Income (Loss)	942,665	(1,486,455)	(614,707)
Income (Loss) Per Share	0.03	(0.07)	(0.05)
Total Assets	18,914,071	3,248,901	2,074,329
Total Liabilities	1,456,802	316,978	359,171
Working Capital	$ 2,363,944	$ 1,729,423	$ 559,483

SUMMARY OF QUARTERLY RESULTS

	2012 31-May Q1 IFRS	2012 29-Feb Q4 IFRS	2011 30-Nov Q3 IFRS	2011 31-Aug Q2 IFRS	2011 31-May Q1 IFRS	2011 28-Feb Q4 GAAP	2010 30-Nov Q3 GAAP	2010 31-Aug Q2 GAAP
Total revenue	2,421,663	2,763,564	1,273,677	297,526	256,706	87,093	71,040	81,479
Income (loss) before other items	312,770	(667,254)	597,456	(72,317)	(304,141)	(309,654)	(287,882)	(193,338)
Basic income (loss) per share	0.01	(0.02)	0.02	(0.00)	(0.01)	(0.02)	(0.01)	(0.01)
Diluted income (loss) per share	0.01	(0.02)	0.02	(0.00)	(0.01)	(0.02)	(0.01)	(0.01)
Net income (loss)	305,905	730,504	596,509	(75,583)	(308,764)	(529,637)	(284,817)	(196,697)
Basic income (loss) per share	0.01	0.02	0.02	(0.00)	(0.01)	(0.03)	(0.01)	(0.01)
Diluted income (loss) per share	0.01	0.02	0.02	(0.00)	(0.01)	(0.03)	(0.01)	(0.01)

The figures for the quarters of the current and previous fiscal years are presented with the application of IFRS. Figures for the prior periods are all stated in accordance with previous GAAP.

SHARE CAPITAL AND FINANCING ACTIVITIES

During the three months ended May 31, 2012, the Company issued 42,853 common shares as noted below, following which, the total common shares outstanding increased to 50,417,554.

The Company received $22,712 through the exercise of 37,853 common share purchase warrants and $1,250 through the exercise of 5,000 stock options during the three months ended May 31, 2012.

Details of the Company's stock options for the three months ended May 31, 2012, are as follows:

			Changes in the Year				
Exercise Price	Expiry Date	Balance Outstanding **February 29, 2012**	Granted	Exercised	Expired/ Cancelled	Balance Outstanding **May 31, 2012**	Balance Exercisable **May 31, 2012**
$0.27	28-Sep-14	445,000	-	-	-	445,000	445,000
$0.25	8-Mar-15	490,000	-	(5,000)	-	485,000	485,000
$0.26	30-Sep-15	520,000	-	-	-	520,000	520,000
$0.30	23-Dec-15	425,000	-	-	-	425,000	425,000
$0.30	27-Jan-16	200,000	-	-	-	200,000	200,000
$0.38	9-Feb-16	50,000	-	-	-	50,000	50,000
$0.40	26-May-16	520,000	-	-	-	520,000	520,000
$0.48	5-Jul-16	50,000	-	-	-	50,000	50,000
$0.70	8-Feb-17	1,550,000	-	-	-	1,550,000	1,362,500
$0.65	24-Apr-17	-	75,000	-	-	75,000	75,000
		4,250,000	75,000	(5,000)	-	4,320,000	4,132,500
Weighted-average exercise price		**$ 0.45**	**$ 0.65**	**$ 0.25**	**$ -**	**$ 0.45**	**$ 0.45**

For the three months ended May 31, 2012, the Company recognized $44,403 in share-based payment expense (May 31, 2011 - $166,273) from the issuance of 75,000 options to consultants and employees of the Company. The fair value was determined using the Black-Scholes option pricing model with the following weighted-average assumptions:

	May 31, 2012	**May 31, 2011**
Expected life (years)	3.75	5.00
Interest rate	1.18%	1.74%
Volatility (weekly)	121.64%	143.35%
Dividend yield	0.00%	0.00%

The weighted-average grant date fair value for stock options granted during the three months ended May 31, 2012 was $0.65 (May 31, 2011 - $0.32). The forfeiture rate has been estimated at 0% (May 31, 2011 – 0%).

Included in share-based payments were 250,000 stock options granted to a company performing investor relations services (May 31, 2011 - 30,000). These options were granted on February 8, 2012, have an exercise price of $0.70 per share and expire on February 8, 2017. The options vest 25% at each three-month interval from the grant date. The total number of options that remain unvested at May 31, 2012 is 187,500 (May 31, 2011 – nil).

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

Details of the Company's share purchase warrants as at May 31, 2012 are as follows:

Exercise Price	Expiry Date	Balance Outstanding & Exercisable **February 29, 2012**	Issued	Exercised	Expired/ Canceled	Balance Outstanding & Exercisable **May 31, 2012**
$0.60	29-Oct-12	2,108,872	-	(37,853)	-	2,071,019
$0.80	10-Nov-12	132,650	-	-	-	132,650
$0.95	27-Jan-14	6,161,578	-	-	-	6,161,578
$0.95	27-Jan-14	86,256	-	-	-	86,256
$0.70	27-Jan-14	862,620	-	-	-	862,620
		9,351,976	-	(37,853)	-	9,314,123
Weighted-average exercise price		**$ 0.85**	**$ -**	**$ 0.60**	**$ -**	**$ 0.84**

	May 31, 2012	*July 19, 2012**
Fully Diluted Share Capital		
Common shares issued and outstanding	50,417,554	50,417,554
Share purchase warrants	9,314,123	9,314,123
Stock options	4,320,000	4,745,000
Total Fully Diluted	**64,051,677**	**64,476,677**

*Subsequent to May 31, 2012, 425,000 incentive stock options were granted on July 5, 2012 to employees of the Company with an exercise price of $0.61 and an expiry date of July 5, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has funded its operations through equity financings and income generated from its petroleum and natural gas interests. The Company had working capital in the amount of $626,293 at May 31, 2012 (February 29, 2012 - $2,363,944). These funds will be used to finance corporate expenses and ongoing development of the Jenner properties, as well as future acquisition and growth opportunities.

On October 14, 2011, the Company entered into a Commitment letter with Canadian Western Bank ("CWB") for $950,000 in total credit facilities. The credit facilities were originally comprised of a revolving operating demand loan of $750,000 and a non-revolving acquisition and development demand loan of $200,000. Advances under the operating demand loan are payable on demand and are available by way of prime rate loans with an interest of 1.5% over the lender's prime lending rate. Advances under the acquisition and development demand loan are payable on demand and available by way of prime rate loans subject to prior engineering review by the bank with an interest rate of 2.0% over the lender's prime lending rate. The credit facilities are secured by a first floating charge debenture with negative pledge, a revolving credit agreement and general assignment of book debts.

On February 16, 2012, the Company was granted an increase in credit facilities from CWB to $5,000,000 in total credit facilities, of which no amount was drawn as at May 31, 2012. The newly increased credit facilities are comprised of a revolving operating demand loan of $4,250,000 and a non-revolving acquisition and development demand loan of $750,000.

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. To manage its working capital and its liquidity risk the Company prepares annual budgets, which are updated as necessary depending on factors including current and forecast product prices, successful capital deployment and general industry conditions. The Company monitors its working capital with review of its working capital position reports prepared on a weekly basis.

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company as at May 31, 2012:

Due date		***Accounts payable and accrued liabilities***
0 – 90 days	$	1,950,712

RELATED PARTY TRANSACTIONS

These transactions are in the ordinary course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following represents transactions entered into for the three months ended May 31, 2012:

(a) Management fees of $10,000 (May 31, 2011 - $25,000) were charged by directors and officers of the Company, and

(b) Compensation of key management personnel compensation, consisting of officers, were awarded in the following denominations:

		May 31, 2012		***May 31, 2011***
Salaries and wages	$	90,417	$	30,000
Share-based payments	$	-	$	166,273

During the three months ended May 31, 2012, no long-term benefits were paid to related parties (May 31, 2011 - $nil).

CORPORATE INTERNAL CONTROLS

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at May 31, 2012 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported, as required. Management is also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management believes the design to be sufficient and appropriate to provide such reasonable assurance.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

PROPOSED TRANSACTIONS

As of the effective date, there are no outstanding proposed transactions.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are set out in Notes 2 and 3 to the financial statements for the period ended May 31, 2012 and for the year ended February 29, 2012, and have been consistently followed in the preparation of the interim financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant areas requiring the use of estimates include the collectability of accounts receivable, the recoverability of petroleum and natural gas interest costs, the fair value of financial instruments, balance of accrued liabilities, determination of decommissioning and environmental obligations, the rates of depletion and accretion of petroleum and natural gas interests, assumptions used in the calculation of fair value of stock-based compensation and finder's warrants, and the valuation allowance for future income tax assets. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Reserve estimates impact a number of the areas referred to above, in particular the valuation of petroleum and natural gas interests, determination of decommissioning and environmental obligation, and the calculation of depletion.

FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they may be subject to future adjustment. Changes in assumptions can significantly affect estimated fair values. At May 31, 2012, the Company's financial instruments include cash and cash equivalent, accounts receivable, reclamation deposits, and accounts payable and accrued liabilities.

The fair values of accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these financial instruments. The fair value of the reclamation deposits also approximates its carrying value.

FINANCIAL AND OTHER RISKS

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities on an ongoing basis.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its payment obligations. This risk arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers, and from its cash and cash equivalent balance and reclamation deposits. The credit risk associated with cash, cash equivalent, and reclamation deposits is minimized substantially by ensuring these financial assets are placed with major financial institutions with strong investment-grade ratings by a primary ratings agency. The Company does not anticipate any default.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

The Company has a cash and cash equivalent balance at May 31, 2012 of $1,500,634 (February 29, 2012 - $2,183,898) and accounts receivable of $1,059,465 (February 29, 2012 - $1,252,385). At May 31, 2012, the Company had accounts payable and accrued liabilities of $1,950,712 (February 29, 2012 - $1,098,373) and working capital of $626,293 (February 29, 2012 - $2,363,945). All of the Company's financial liabilities have contractual maturities of less than 90 days.

Market risk

Market risk is the risk that changes in market prices, such as, foreign exchange rates, commodity prices, and interest rates will affect the value of the financial instruments. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

Interest rate risk

The Company's cash and cash equivalent is held in bank accounts and due to the short-term nature of these financial instruments, fluctuations in market interest rates do not have an impact on the fair value as at May 31, 2012.

The Company manages interest rate risk by maintaining an investment policy that focuses on the preservation of capital and liquidity.

Foreign currency risk

The Company is not exposed to significant foreign currency risk.

Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

RISKS

Oil and gas exploration and development involves a high degree of risk and many properties are ultimately not developed to a producing stage. There can be no assurance that the Company's future exploration and development activities will result in discoveries of commercial bodies of oil and gas. Whether an oil and gas property will be commercially viable depends on a number of factors including the particular attributes of the reserve and its proximity to infrastructure, as well as commodity prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, and environmental protection. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in an oil and gas property not being profitable.

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The following table is a breakdown of the material components listed for the three most recently completed financial years:

	Fiscal Years Ended		
	February 29, 2012 (IFRS)	**February 28, 2011 (IFRS)**	**February 28, 2010 (GAAP)**
Capitalized acquisition, exploration and development costs	$ 13,075,574	$ 535,013	$ 564,222
Share-based payments	1,089,738	423,932	149,311
Shares issued for cash, net of issue costs	12,457,943	2,212,542	1,303,751
General and administration costs	$ 977,461	$ 574,689	$ 733,361

LIST OF DIRECTORS AND OFFICERS

Charles O'Sullivan, B.Sc.,Director and Chairman
Don Simmons, B.Sc., P.Geol, Director, President and CEO
Dorlyn Evancic, CGA, Chief Financial Officer
Ian Duncan, B.Sc., P.Eng., Vice President of Engineering
Andrew Arthur, P. Geol., Vice President of Exploration
Frank Borowicz, QC, CA (Hon), Director
Gregg Vernon, B.Sc., P.Eng, Director
Greg Sadler, P.Eng., Director
Bruce McIntyre, P.Geol., Director

ADDITIONAL INFORMATION

Additional information relating to Hemisphere, including the Company's financial statements and accompanying notes can be found on SEDAR at www.sedar.com.