

## Q3 2016 HIGHLIGHTS

- Drilled and placed on production Hemisphere's first producing well from the Atlee Buffalo Upper Mannville G pool at an IP90 of over 60 boe/d (100% oil).
- Averaged quarterly production of 518 boe/d (87% oil), a 5% increase over the second quarter.
- Realized an operating netback of \$16.36/boe, a 26% increase over the second quarter.
- Attained aggregate funds flow from operations of \$345,007, a 116% increase over the second quarter.
- Significantly decreased absolute general and administration costs by 23% from the third quarter of 2015, or 33% year-to-date versus the same period of 2015.
- Completed construction of water handling and reinjection facility for production from the Atlee Buffalo Upper Mannville F Pool.
- Closed second tranche of financing for total gross funds raised of \$1.9 million.

## CORPORATE UPDATE

During the third quarter of 2016, Hemisphere closed its final tranche of a private placement of a combination of common shares and CDE flow-through common shares. Total gross proceeds from the financing were \$1,921,055. Hemisphere has completed all required expenditures for the flow-through funds raised in the financing in the third quarter.

Hemisphere subsequently drilled its first horizontal development well into the Atlee Buffalo Upper Mannville G pool at the end of July 2016. Total costs to drill, complete, equip and tie-in the well was \$685,000 which was 10% under budget and 45% less than the average cost of the 10 Atlee Buffalo wells drilled by Hemisphere in 2014.

This well was put on production in August and has averaged just over 60 boe/d (100% oil) over its first three months online and has produced almost 70 boe/d (100% oil) during the first half of November. It continues to show stable production rates, and management expects it to be capable of greater production in the future once a planned multi-well battery is constructed in conjunction with further development of the pool. All oil production is currently being trucked directly to sales, eliminating the need for any third party processing.

In September, a water separation and reinjection facility was completed for production from the Atlee Buffalo Upper Mannville F pool, which has enabled water rates at the injectors to be increased and has eliminated all water trucking for third party disposal. The Company continues to see successful results from its three active waterflood pilots in the pool.

Hemisphere has endeavoured to keep its decommissioning liabilities to a minimum by focusing on organic growth through drilling and targeted strategic acquisitions. Changes by the Alberta Energy Regulator (AER) require a minimum corporate Liability Management Ratio (LMR) of 2.0 to be eligible for certain transactions involving the transfer of existing AER licences. As of November 2016, the Company's LMR is 4.54, which is among the top 15% of operating companies in Alberta. This ratio reflects Hemisphere's deemed assets to deemed liabilities and puts the Company in a strong position for acquiring additional assets.

Hemisphere's corporate production is currently at approximately 640 boe/d. For the remainder of 2016, the Company will continue to optimize its Atlee waterfloods and production while minimizing operating and transportation costs. Planning is underway for further development in both the Atlee F and G pools for 2017 provided the pricing environment continues to improve.

## Q3 2016 FINANCIAL AND OPERATING HIGHLIGHTS

(Expressed in Canadian dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
<b>FINANCIAL</b>				
Petroleum and natural gas revenue	\$ 1,630,105	\$ 2,043,781	\$ 4,014,662	\$ 8,256,065
Petroleum and natural gas netback	779,966	1,094,625	1,486,898	4,876,856
Funds flow from operations <sup>(1)</sup>	345,007	714,502	257,387	3,292,017
Per share, basic and diluted	0.00	0.01	0.00	0.04
Net loss	(413,340)	(4,755,531)	(2,060,620)	(5,977,362)
Per share, basic and diluted	(0.00)	(0.06)	(0.03)	(0.08)
Capital expenditures, including property acquisitions	1,457,530	1,384,222	2,006,613	2,347,005
Net debt <sup>(2)</sup>	11,384,586	10,621,038	11,384,586	10,621,038
Bank indebtedness	\$ 10,670,689	\$ 9,659,252	\$ 10,670,689	\$ 9,659,252
<b>OPERATING</b>				
<b>Average daily production</b>				
Oil (bbl/d)	450	507	422	663
Natural gas (Mcf/d)	400	1,026	493	1,045
NGL (bbl/d)	2	1	2	2
Combined (boe/d)	518	678	506	840
Oil and NGL weighting	87%	75%	84%	79%
<b>Average sales prices</b>				
Oil (\$/bbl)	\$ 37.28	\$ 38.13	\$ 32.58	\$ 41.32
Natural gas (\$/Mcf)	2.24	2.81	1.72	2.67
NGL (\$/bbl)	32.88	16.61	26.05	21.40
Combined (\$/boe)	\$ 34.19	\$ 32.74	\$ 28.94	\$ 36.02
<b>Operating netback (\$/boe)</b>				
Petroleum and natural gas revenue	\$ 34.19	\$ 32.74	\$ 28.94	\$ 36.02
Royalties	4.64	2.50	3.15	2.67
Operating costs	7.92	9.95	10.47	9.25
Transportation costs	5.27	2.76	4.60	2.83
Operating netback <sup>(3)</sup>	\$ 16.36	\$ 17.54	\$ 10.72	\$ 21.28

**Notes:**

- (1) Funds flow from operations is a non-IFRS measure that represents cash generated by operating activities, before changes in non-cash working capital and may not be comparable to measures used by other companies.
- (2) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including bank indebtedness and excluding flow-through share premium.
- (3) Operating netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs per barrel of oil equivalent.

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
<b>SHARE CAPITAL</b>				
Common shares outstanding	85,745,102	75,803,498	85,745,102	75,803,498
Warrants outstanding	-	-	-	-
Stock options outstanding	4,460,000	6,370,000	4,460,000	6,370,000
Weighted-average shares outstanding				
Basic and diluted	85,082,447	75,803,498	78,968,665	75,743,828

Please refer to the attached Management's Discussion and Analysis for Reader Advisories regarding forward-looking information, non-IFRS measurements and oil and gas measurements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated as at November 24, 2016

The following Management's Discussion and Analysis ("MD&A") is a review of the operations and current financial position for the three and nine months ended September 30, 2016 for Hemisphere Energy Corporation ("Hemisphere" or the "Company") and should be read in conjunction with the unaudited interim condensed financial statements and related notes for the three and nine months ended September 30, 2016, and the audited annual financial statements and related notes for the year ended December 31, 2015. These documents and additional information relating to the Company, including the Company's Annual Information Form, are available on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.hemisphereenergy.ca](http://www.hemisphereenergy.ca).

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

This MD&A contains non-IFRS measures and forward-looking statements. Readers are cautioned that this document should be read in conjunction with Hemisphere's disclosure under "Non-IFRS Measures" and "Forward-Looking Statements" included at the end of this MD&A. All figures are in Canadian dollars unless otherwise noted. Tables may not add due to rounding. Certain prior period amounts may have been reclassified to conform to the current period's presentation.

### Business Overview

Hemisphere produces oil and natural gas from its Jenner and Atlee Buffalo properties in southeast Alberta. The Company is headquartered in Vancouver, British Columbia and is traded on the TSX Venture Exchange under the symbol "HME".

#### Jenner, Alberta

Hemisphere has a working interest of 100% in its wells and 26,290 net acres, and has continued to build a land position in the Jenner area through Crown land sales and strategic acquisitions. The property is accessible year-round and is located east of Brooks in southeastern Alberta.

#### Atlee Buffalo, Alberta

The Company operates 100% of its wells in the Atlee Buffalo area. The property is accessible year-round and is located 30 kilometres east of the Company's Jenner property in southeastern Alberta. Hemisphere has a 100% working interest in 5,432 net acres and has been building a land position in Atlee Buffalo through Crown land sales and strategic acquisitions for the past three years.

## Operating Results

The Company generated funds flow from operations of \$345,007 (\$0.00/share) during the third quarter of 2016 as compared to \$714,502 (\$0.01/share) during the third quarter of 2015. For the nine months ended September 30, 2016, the Company generated funds flow from operations of \$257,387 (\$0.00/share) versus \$3,292,017 (\$0.04/share) from the comparable period in 2015. These changes in funds flow from operations are the result of significant decline in commodity prices since mid-2014, which have persisted through the third quarter of 2016, in addition to a decrease in production (see Production section).

For the third quarter of 2016, the Company reported a net loss of \$413,340 (\$0.00/share) compared to a net loss of \$4,755,531 (\$0.06/share) for the third quarter of 2015. The Company reported a net loss of \$2,060,620 (\$0.03/share) for the nine months ended September 30, 2016 as compared to a net loss of \$5,977,362 (\$0.08/share) for the same period in 2015.

### Production

By product:	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Oil (bbl/d)	450	507	422	663
Natural gas (Mcf/d)	400	1026	493	1045
NGL (bbl/d)	2	1	2	2
Total (boe/d)	518	678	506	840
Oil and NGL weighting	87%	75%	84%	79%

In the third quarter of 2016, the Company's average daily production was 518 boe/d (87% oil and NGL) which represents a decrease of 24% over the third quarter of 2015. For the nine months ended September 30, 2016, the Company's average daily production decreased by 40% over the comparable period in 2015.

This decrease in production is attributed to the conversion of three producing wells into water injectors since the third quarter of 2015, increased down time as a result of delayed service work on wells to preserve capital during an extremely low commodity price environment, lower natural gas production by almost 100 boe/d since 2015 associated with the successful implementation of three waterflood pilots in the Atlee Buffalo Upper Mannville F pool, and overall declines in well production.

The Company experienced a low in production through the second quarter of 2016 at its Atlee Buffalo property as waterflooding began to take effect. The company has seen an increase of 40% in oil production growth at its Atlee F pool in the third quarter of 2016 when compared to the previous quarter as the reservoir continues to be re-energized through waterflood.

In August 2016 the Company started producing from its first Upper Mannville G pool well. The well produced a consistent 60 bbl/d of oil through the third quarter and accounted for 30 bbl/d of oil of total third quarter corporate production.

In Jenner the Company had lower production compared to second quarter by 30 bbl/d of oil. This is a result of downtime required to complete pipeline modifications on its main water disposal pipeline and bad weather delaying a rod repair on a key well.

### Average Benchmark and Realized Prices

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
<b>Benchmark prices</b>				
WTI (\$US/bbl) <sup>(1)</sup>	\$ 44.94	\$ 46.43	\$ 41.33	\$ 53.29
Exchange rate (1 \$US/\$C)	1.3041	1.3085	1.3206	1.2344
WTI (\$C/bbl)	58.61	60.75	54.58	65.78
WCS (\$C/bbl) <sup>(2)</sup>	41.00	43.26	36.30	49.59
AECO natural gas (\$/Mcf) <sup>(3)</sup>	2.36	2.91	1.87	2.71
<b>Average realized prices</b>				
Crude oil (\$/bbl)	37.28	38.13	32.58	41.34
Natural gas (\$/Mcf)	2.24	2.81	1.72	2.67
NGL (\$/bbl)	32.88	16.61	26.05	21.40
Combined (\$/boe)	\$ 34.19	\$ 32.74	\$ 28.94	\$ 36.02

*Notes:*

(1) Represents price of West Texas Intermediate Oil.

(2) Represents price of Western Canadian Select.

(3) Represents the Alberta 30 day spot AECO price.

The Company's oil and natural gas sales may vary over periods as a result of changes in commodity prices and/or production volumes. The West Texas Intermediate pricing ("WTI") at Cushing, Oklahoma is the benchmark reference price for North American crude oil prices. Canadian oil prices, including Hemisphere's crude oil, are based on the WTI price and adjusted for transportation, quality and the currency conversion rates from United States dollar ("USD") to Canadian dollar.

The Company's combined average realized price increased by 4% from \$32.74/boe during the third quarter of 2015 to \$34.19/boe during the third quarter of 2016. For the nine months ended September 30, 2016, the Company's combined average realized price decreased by 20% to \$28.94/boe from the same period in 2015. This year to date decrease is primarily the result of the decline in WTI offset by more favourable exchange rates in the first three quarters of 2016. The result of the decline in WTI is also reflected in the decrease of the Company's average realized oil prices for the nine months ended September 30, 2016 to \$32.58/bbl, from the comparable period in 2015 of \$41.32/bbl. The decline and persistence of low oil prices is due to an oversupply of oil in the global market.

WTI price remained relatively stable when compared to the previous quarter of 2016. It decreased slightly in the third quarter of 2016, which resulted in a decrease to the Company's average realized oil price by \$0.31/bbl over the second quarter of 2016. The WTI prices have fluctuated in the mid \$40 range and the differential between WTI and Western Canadian Select pricing, as well as the exchange rate, have remained relatively consistent.

In February 2016 the Company began trucking its sales oil from Jenner to a new sales point where it receives a premium of \$2.65/bbl. After subtracting the higher trucking costs of \$2.15/bbl the Company nets an additional \$0.50/bbl on Jenner oil sales, which is equivalent to \$0.23/boe corporately in the third quarter.

The Company's average realized natural gas price decreased for the three and nine months ended September 30, 2016 by \$0.57/Mcf and \$0.95/Mcf, respectively, from the comparable periods in 2015. These decreases are in line with the decline in AECO benchmark pricing for the three and nine months ended September 30, 2016.

**Revenue**

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Oil	\$ 1,541,839	\$ 1,777,349	\$ 3,767,387	\$ 7,480,847
Natural gas	82,577	265,264	232,098	762,026
NGL	5,689	1,168	15,177	13,193
<b>Total</b>	<b>\$ 1,630,105</b>	<b>\$ 2,043,781</b>	<b>\$ 4,014,662</b>	<b>\$ 8,256,065</b>

Revenue for the three and nine months ended September 30, 2016 decreased by 20% and 51% respectively, from the comparable periods in 2015. These decreases can be attributed to the reduction in the Company's overall production for the three and nine months ended September 30, 2016, as well as the reduction in the combined average realized price for the nine months ended September 30, 2016.

The Company's revenue for the three months ended September 30, 2016 increased by 13% over the second quarter of 2016 as a result of the 5% increase in the Company's overall production.

**Operating Netback**

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
<b>Operating netback</b>				
Revenue	\$ 1,630,105	\$ 2,043,781	\$ 4,014,662	\$ 8,256,064
Royalties	221,303	156,201	437,181	612,233
Operating costs	377,468	620,903	1,452,713	2,119,330
Transportation costs	251,369	172,052	637,870	647,645
<b>Operating netback</b>	<b>\$ 779,966</b>	<b>\$ 1,094,625</b>	<b>\$ 1,486,898</b>	<b>\$ 4,876,856</b>
<b>Operating netback (\$/boe)</b>				
Revenue	\$ 34.19	\$ 32.74	\$ 28.94	\$ 36.02
Royalties	4.64	2.50	3.15	2.67
Operating costs	7.92	9.95	10.47	9.25
Transportation costs	5.27	2.76	4.60	2.83
<b>Operating netback (\$/boe)</b>	<b>\$ 16.36</b>	<b>\$ 17.54</b>	<b>\$ 10.72</b>	<b>\$ 21.28</b>

Royalties for the third quarter of 2016 were \$4.64/boe, representing an 85% increase from the third quarter of 2015, due in part to Atlee wells coming off royalty holiday and production increases from key wells which were subject to higher royalty. For the nine months ended September 30, 2016, royalties increased by 18% from the comparable period in 2015.

Operating costs include all costs for gathering, processing, dehydration, compression, water processing and marketing of the oil, natural gas and NGLs, as well as additional costs incurred periodically for maintenance and repairs. Operating costs decreased on an absolute basis by 39% and 31% for the three and nine months ended September 30, 2016 from the comparable periods in 2015. On a per boe basis, the operating costs decreased by 20% (or \$2.03/boe) for the three months and increased by 13% (or \$1.23/boe) for the nine months ended September 30, 2016 from the comparable periods in 2015.

Transportation costs include all costs incurred to transport emulsion and oil and gas sales to processing and distribution facilities. Transportation costs increased for the three and nine months ended September 30, 2016 by \$2.52/boe and \$1.77/boe, respectively, from the comparable periods in 2015. This increase is a result of trucking Jenner sales oil to a farther sales point to net a higher realized oil price, in addition to greater water trucking costs in Atlee since waterflood began. With successful results from the Atlee Buffalo waterflood pilots, the Company has now invested in a water handling facility at

its battery in the Atlee Buffalo Upper Mannville F pool. Hemisphere finished construction at the end of September 2016 and has stopped trucking water from the Atlee Buffalo Upper Mannville F pool as a result.

Operating netback for the three and nine months ended September 30, 2016 were \$16.36/boe and \$10.72/boe, respectively. The Company experienced decreases in operating netback in 2016 as a result of the significant decline in commodity prices, despite the Company's successful efforts in cutting variable operating costs. Operating netback increased by \$3.39/boe over the second quarter of 2016 mainly as a result of the 6% increase in the Company's combined average realized price and a 5% increase in the overall production.

### Exploration and Evaluation

Exploration and evaluation expenses generally consist of certain geological and geophysical costs, expiry of undeveloped lands, and costs of uneconomic exploratory wells. Exploration and evaluation expenses for the three months ended September 30, 2016 and 2015 were \$12,023 and \$3,299, respectively. For the nine months ended September 30, 2016 and 2015, exploration and evaluation expenses were \$36,950 and \$17,599, respectively.

### Depletion and Depreciation

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Depletion expense	\$ 706,951	\$ 1,223,477	\$ 2,077,641	\$ 4,312,810
Depreciation expense	2,489	3,364	7,465	10,091
Total	\$ 709,440	\$ 1,226,841	\$ 2,085,106	\$ 4,322,901
\$ per boe	\$ 15.84	\$ 15.87	\$ 15.03	\$ 18.86

The depletion rate is calculated using the unit-of-production method on Proved and Probable oil and natural gas reserves, taking into account the future development costs to develop and produce undeveloped and non-producing reserves. Depletion and depreciation expense for the third quarter of 2016 decreased by \$517,401 over the third quarter of 2015. For the nine months ended September 30, 2016, depletion and depreciation expense decreased by \$2,237,795 over the comparable period in 2015.

The significant decreases in depletion expense for these periods as compared to the comparative periods of 2015 are due to a lower depletion rate, which is computed from the lower production rates that are divided by the higher remaining reserve base from the December 31, 2015 external engineers' evaluation report.

## Capital Expenditures

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Land and lease	\$ 12,096	\$ 85,114	\$ 21,672	\$ 98,148
Geological and geophysical	53,305	188,782	173,326	233,222
Drilling and completions	701,986	744,484	1,027,416	1,07,590
Facilities and infrastructure	690,144	365,842	784,199	667,046
Development capital	1,457,530	1,384,222	2,006,613	2,076,005
Property acquisitions	-	-	-	271,000
Total capital expenditures <sup>(1)</sup>	\$ 1,457,530	\$ 1,384,222	\$ 2,006,613	\$ 2,347,005

Note:

(1) Total capital expenditures exclude decommissioning obligations.

The development capital spent during the third quarter of 2016 included the drilling, completion and tie in of the Atlee Buffalo G pool well in addition to the construction of the water handling facility in Atlee Buffalo F pool. Further capital expenditures in the nine months included conversion of a water injection well in Atlee Buffalo, various pump size upgrades to optimize production levels, and some upfront expenditures for the Atlee Buffalo Upper Mannville F pool water handling facility.

## General and Administrative Expenses ("G&A")

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Gross G&A	\$ 379,855	\$ 491,897	\$ 1,030,958	\$ 1,528,133
Capitalized G&A and overhead recoveries	(81,011)	(218,218)	(196,781)	(273,519)
Total	\$ 298,844	\$ 273,680	\$ 834,177	\$ 1,254,614
\$ per boe	\$ 6.27	\$ 4.38	\$ 6.01	\$ 5.47

Gross G&A for the third quarter of 2016 decreased by \$112,042 over the comparable quarter in 2015 due to significant reductions in staffing costs, legal fees, and investor relations activities. For the nine months ended September 30, 2016, gross G&A decreased by \$497,175 over the comparable period in 2015.

The Company capitalizes certain G&A which can be attributed to any costs incurred during the period relating to its development and exploration activities. For the three and nine months ended September 30, 2016, capitalized G&A decreased by \$137,207 and \$76,738, respectively, from the comparable periods in 2015. These decreases in capitalized G&A correspond with the reduction in technical wages as compared to the third quarter of 2015.

For the nine months ended September 30, 2016, the Company realized a decrease in total G&A of \$420,437 from the comparable period in 2015 as a result of significant reductions in overall general and administrative costs.

## Share-based Payments

Share-based payments are non-cash charges which reflect the estimated value of stock options issued to directors, employees and consultants of the Company. Share-based payments for the three months ended September 30, 2016 and 2015 were \$1,093 and negative \$40,548, respectively. The Company granted 1,785,000 incentive stock options in the first quarter of 2016 of which 75,000 will vest quarterly over a twelve-month period. In the third quarter of 2016, 18,750 stock options vested resulting in the



recognition of \$1,093 in share-based payments. For the nine months ended September 30, 2016 and 2015, the Company recorded share-based payments of \$88,577 and \$181,204, respectively.

### Finance Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Finance expense				
Interest expense	\$ 136,115	\$ 106,442	\$ 395,334	\$ 330,225
Accretion of provision	35,791	31,066	107,374	93,197
Total	\$ 171,907	\$ 137,507	\$ 502,708	\$ 423,423
\$ per boe	\$ 3.61	\$ 2.20	\$ 3.62	\$ 1.85

Finance expense for the three and nine months ended September 30, 2016 increased by \$34,400 and \$79,285, respectively, over the comparable periods in 2015. These increases are a result of the increased accretion expense for the periods, and the interest expense incurred on the utilization of the Company's credit facility which carried a higher balance in 2016.

Accretion expense represents the adjusted present value of the Company's decommissioning obligations which includes the abandonment and reclamation costs associated with wells and facilities. For the three and nine months ended September 30, 2016, accretion expense increased by \$4,725 and \$14,177, respectively, over the comparable periods in 2015 due to the additional decommissioning obligations associated with the new well drilled in the third quarter of 2015.

### Tax Pools and Deferred Taxes

As at December 31, 2015, the Company had approximately \$47 million of tax pools available to be applied against future income for tax purposes. Based on available pools and current commodity prices, the Company does not expect to pay current income tax in 2016. Taxes payable beyond 2016 will primarily be a function of commodity prices, capital expenditures, and production volumes.

	Deduction Rate	December 31, 2015	December 31, 2014
Canadian exploration expense (CEE)	100%	\$ 3,336,823	\$ 3,336,823
Canadian development expense (CDE)	30%	19,220,505	24,371,718
Canadian oil and gas property expense (COGPE)	10%	7,517,421	8,352,690
Non-capital losses carry forwards (NCL)	100%	13,734,893	6,571,929
Undepreciated capital cost (UCC)	20-55%	2,171,731	2,870,328
Share issuance costs and other	Various	797,356	1,591,613
<b>Total</b>		<b>\$ 46,778,729</b>	<b>\$ 47,095,101</b>

## Selected Annual Information

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

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Average daily production (boe/d)	776	683	463
Petroleum and natural gas revenue	\$ 9,749,377	\$ 16,635,279	\$ 10,573,199
Petroleum and natural gas netback	5,335,096	9,275,653	5,607,492
Funds flow from operations <sup>(1)</sup>	3,188,486	6,863,919	3,789,202
Per share, basic and diluted	0.04	0.10	0.07
Net loss <sup>(2)</sup>	(8,310,831)	(1,667,807)	(510,266)
Per share, basic and diluted	(0.11)	(0.02)	(0.01)
Average realized price (\$/boe)	34.41	66.68	62.55
Operating netback (\$/boe) <sup>(3)</sup>	18.83	37.19	33.17
Capital expenditures, including property acquisitions	3,086,147	21,316,366	9,969,174
Net debt <sup>(4)</sup>	11,446,110	11,644,609	6,330,906
Bank indebtedness	10,828,040	7,184,147	4,500,000
Total assets <sup>(2)</sup>	40,811,044	48,951,632	32,195,577

### Notes:

- (1) Funds flow from operations is a non-IFRS measure that represents cash generated by operating activities, before changes in non-cash working capital and may not be comparable to measures used by other companies.
- (2) Certain annual amounts were restated retrospectively due to a change in accounting policy as disclosed in Note 4 of the Company's audited annual financial statements for the year ended December 31, 2014.
- (3) Operating netback is a non-IFRS measure calculated as the Company's oil and gas sales, less royalties, operating expenses and transportation costs per barrel of oil equivalent.
- (4) Net debt is a non-IFRS measure calculated as current assets minus current liabilities including bank indebtedness and excluding flow-through share premium.

## Summary of Quarterly Results

	2016				2015			
	Sep. 30 Q3 <sup>(2)</sup>	Jun. 30 Q2 <sup>(3)</sup>	Mar. 31 Q1 <sup>(4)</sup>	Dec. 31 Q4 <sup>(5)</sup>	Sep. 30 Q3 <sup>(6)</sup>	Jun. 30 Q2 <sup>(7)</sup>	Mar. 31 Q1 <sup>(8)</sup>	Dec. 31 Q4 <sup>(9)</sup>
Average daily production (boe/d)	518	492	508	588	678	849	995	885
Petroleum and natural gas revenue	1,630,105	1,448,722	935,834	1,493,313	2,043,781	3,284,020	2,928,264	4,568,286
Petroleum and natural gas netback	779,966	580,876	126,056	458,240	1,094,625	1,954,246	1,827,986	2,534,334
Funds flow from operations	345,007	159,894	(247,514)	(103,531)	714,505	1,314,073	1,249,142	1,334,422
Per share, basic and diluted	0.00	0.00	(0.00)	(0.00)	0.01	0.02	0.02	0.02
Net income (loss) <sup>(1)</sup>	(413,340)	(580,725)	(1,066,556)	(2,333,468)	(4,755,531)	(575,484)	(646,345)	(3,568,603)
Basic and diluted income (loss) per share	(0.00)	(0.01)	(0.01)	(0.03)	(0.06)	(0.01)	(0.01)	(0.05)
Combined average realized price (\$/boe)	34.19	32.34	20.24	27.59	32.74	42.49	32.71	56.10
Operating netback (\$/boe)	16.36	12.97	2.73	8.47	17.54	25.28	20.42	31.14

### Notes:

- (1) Certain quarterly amounts were restated retrospectively due to a change in accounting policy as disclosed in Note 4 of the Company's audited annual financial statements for the year ended December 31, 2014.
- (2) The increase in revenue and netbacks, and the resulting reduced loss in this quarter over the previous quarter is due primarily to a reduction in operating costs as well as an increase in production and a slight improvement in commodity prices.
- (3) The increase in revenue and netbacks, and the resulting reduced loss in this quarter over the previous quarter is due primarily to an improvement in commodity prices.
- (4) The decreases in net income, funds flow from operations and petroleum and natural gas netbacks for this quarter can be attributed to the decrease in the Company's combined average realized price resulting from the decline in commodity prices, and lower production volumes.

- (5) A significant portion of the loss in this quarter is due to the \$2,702,925 recorded in property impairment and an increase in depletion expense as a result of a change in the Company's depletion accounting policy.
- (6) Funds flow from operations and petroleum and natural gas netback decreased in this quarter as a result of a 54% reduction in the Company's combined average realized price. The Company does not anticipate its deferred tax asset will be realized in the near future; as a result it has provided for it in the amount of \$1,236,816 in the third quarter of 2015. A significant portion of the net loss in this quarter is the result of an impairment charge of \$3,012,561 against the Company's petroleum and natural gas properties.
- (7) Funds flow from operations and petroleum and natural gas netbacks have shown a slight improvement over the first quarter of 2015 due to a 30% increase in the Company's combined average realized price, but have remained low compared to 2014 as a result of the decline in commodity prices. Due to taxable income generated in excess of tax pools from lower capital expenditures, the Company utilized deferred tax assets resulting in a deferred tax expense of \$405,100 for the third quarter of 2015.
- (8) The decreases in net income, funds flow from operations and petroleum and natural gas netbacks can be attributed to the decrease in the Company's combined average realized price resulting from the decline in oil prices.
- (9) A significant portion of the loss is due to the \$2,702,925 recorded in property impairment and an increase in depletion expense as a result of a change in the Company's depletion accounting policy.
- (10) Net income can be attributed to a combination of the increase in the Company's production from its summer drilling program and the improvement of netback resulting from decreased operating and transportation costs.

## Outstanding Share Capital

	November 24, 2016	September 30, 2016	December 31, 2015
Fully diluted share capital			
Common shares issued and outstanding	85,745,102	<b>85,745,102</b>	75,803,498
Stock options	4,385,000	<b>4,460,000</b>	5,995,000
Total fully diluted	90,130,102	<b>90,205,102</b>	81,798,498

The Company has the following stock options outstanding and exercisable as at August 25, 2016:

Exercise Price	Expiry Date	Balance Outstanding	Balance Exercisable
		August 25, 2016	August 25, 2016
\$0.70	8-Feb-17	1,400,000	1,400,000
\$0.24	29-Jan-20	1,150,000	1,150,000
\$0.39	1-Mar-20	100,000	100,000
\$0.08	11-Feb-21	1,610,000	1,572,500
\$0.08	12-Feb-21	200,000	200,000
		4,460,000	4,422,500
Weighted-average exercise price		\$0.32	\$0.32

## Liquidity and Capital Management

The Company's net debt as at September 30, 2016 and December 31, 2015 were \$11,384,586 and \$11,446,110, respectively, representing a decrease in net debt of \$61,524.

### a) Financing

As per the condensed Statement of Cash Flows, the Company's cash provided by financing activities for the three months ended September 30, 2016 was \$477,831. The changes in bank indebtedness for the three months ended September 30, 2016, and 2015 were a decrease of \$313,007, and an increase of \$220,418, respectively. For the nine months ended September 30, 2016 and 2015, cash provided by financing activities were \$1,653,398 and \$2,583,855, which includes the decrease in bank indebtedness of \$157,351, and an increase of \$2,475,105 respectively.

During the nine months ended September 30, 2016, the following equity transactions occurred:

- (i) On April 7, 2016, the Company issued 100,000 common shares for the exercise of stock options at \$0.08 per share for proceeds of \$8,000
- (ii) On June 29, 2016 the Company closed the first tranche of its non-brokered private placement offering. The Company issued 2,743,000 flow-through shares at a price of \$0.21 per share, which were issued on a Canadian Development Expense flow-through basis pursuant to the provisions of the *Income Tax Act* (Canada), and 2,449,500 common shares of Hemisphere at a price of \$0.19 per share, for gross proceeds to the Company of \$1,041,435. In conjunction with closing the financing, the Company paid \$29,524 in share issuance costs.
- (iii) On July 12, 2016 the Company closed the final tranche of its non-brokered private placement offering. The Company issued 527,000 flow-through shares at a price of \$0.21 cents per share, which were issued on a Canadian development expense flow-through basis pursuant to the provisions of the *Income Tax Act* (Canada), and 4,047,104 common shares of Hemisphere at a price of \$0.19 per share, for gross proceeds to the company of \$879,620. In conjunction with closing the financing, the Company paid \$94,782 in share issuance costs. The Company has completed all required expenditures for the flow-through funds raised in the financing in the third quarter.
- (iv) On September 19, 2016, the Company issued 75,000 common shares for the exercise of stock options at \$0.08 per share for proceeds of \$6,000.

#### b) Capital Resources

	As at	
	September 30, 2016	December 31, 2015
Credit Facilities		
Authorized limit	\$ 12,500,000	15,000,000
Drawn amount	10,670,689	10,828,040
Undrawn amount	\$ 1,829,311	4,171,960

The Company has a demand operating credit facility in the amount of \$12.5 million with Alberta Treasury Branches ("ATB"), which was renewed in May 2016. The facility is secured by a general security agreement and a floating charge on all lands of the Company. The facility bears interest at the bank's prime rate plus 2.50%, as well as a standby charge for any undrawn funds.

Pursuant to the terms of the credit facility, the Company has provided a financial covenant that at all times its working capital ratio shall not be less than 1.0. The working capital ratio is defined under the terms of the credit facilities as current assets including the undrawn portion of the revolving operating demand line credit facility, to current liabilities, excluding any current bank indebtedness.

At September 30, 2016, the Company had drawn a total of \$10,670,689 from its credit facility (December 31, 2015 - \$10,828,040) and had a working capital ratio of 1.6, which is in compliance with the above financial covenant. The Company is currently conducting its mid term review with ATB, which it expects to have completed in December 2016.

The Company manages its capital with the following objectives:

- Ensure sufficient flexibility to achieve the Company's ongoing business objectives including the replacement of production, funding of future growth opportunities, and pursuit of accretive acquisitions; and
- Maximize shareholder return through enhancing the Company's share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The capital structure of the Company is composed of shareholders' equity and the undrawn component of the Company's credit facilities. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, obtaining additional financing from the Company's credit facilities, issuing new debt instruments, other financial or equity-based instruments, adjusting capital spending, or disposing of assets. The capital structure is reviewed on an ongoing basis.

### Commitment

The Company has a commitment to make monthly rental payments pursuant to the office rental agreement at its current location until May 30, 2018. The following table shows the Company's rental commitment amounts for the next four fiscal years:

	2016	2017	2018
Rental commitment	\$ 48,365	\$ 193,461	\$ 80,609

### 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 and Judgements

The Company's significant accounting estimates, judgements and policies are set out in Notes 2 and 3 of the audited annual financial statements for the year ended December 31, 2015 and have been consistently followed in the preparation of the unaudited interim condensed financial statements.

The preparation of the unaudited interim condensed 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. A discussion of specific estimates and judgements employed in the preparation of the Company's unaudited interim condensed financial statements is included in the Company's audited annual financial statements for the year ended December 31, 2015.

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

### Newly Adopted Accounting Standards

Effective September 30, 2016, the Company has not adopted any new accounting standards. A full listing of future accounting pronouncements are disclosed in the Company's annual audited financial statements for the year ended December 31, 2015.

### 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, changes in assumptions can significantly affect estimated fair values. At September 30, 2016, the Company's financial instruments include accounts receivable, reclamation deposits, bank indebtedness, accounts payable and accrued liabilities.

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

### Risks

The Company's activities expose it to a variety of risks that arise as a result of its exploration, development, production and financing activities. These risks and uncertainties include, among other things, volatility in market prices for oil and natural gas, general economic conditions in Canada, the US and globally and other factors described under "Risk Factors" in Hemisphere's most recently filed Annual Information Form which is available on the Company's website at [www.hemisphereenergy.ca](http://www.hemisphereenergy.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The following provides information about the Company's exposure to some risks associated with the oil and gas industry, as well as the Company's objectives, policies and processes for measuring and managing risk.

#### Business Risk

Oil and gas exploration and development involves a high degree of risk whereby 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.

## 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 its reclamation deposits. Any risk associated with accounts receivable is minimized substantially by the financial strength of the Company's joint venture partners, operators and marketers. The credit risk associated with reclamation deposits is mitigated 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. There are no balances past due 90 days or impaired.

The maximum exposure to credit risk is as follows:

	As at	
	September 30, 2016	December 31, 2015
Accounts receivable		
Trade receivables	\$ 608,369	\$ 385,432
Receivables from joint venture	401,975	153,897
Reclamation deposits	115,535	115,535
<b>Total</b>	<b>\$ 1,125,879</b>	<b>\$ 654,864</b>

The Company sells the majority of its oil production to a single oil marketer and, therefore, is subject to concentration risk which is mitigated by management's policies and practices related to credit risk, as discussed above. The Company historically has never experienced any collection issues with its oil marketer.

## Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by anticipating operating, investing and financing activities and ensuring 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 prepares expenditure budgets on a quarterly and annual basis which are regularly monitored and updated when necessary in order to review debt forecasts and working capital requirements.

At September 30, 2016, the Company had net debt of \$11,384,586 (December 31, 2015 - \$11,446,110), which includes bank indebtedness of \$10,670,689 (December 31, 2015 - \$10,828,040). The Company funds its operations through production revenue and a demand operating credit facility. 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 is comprised of interest rate risk, foreign currency risk, commodity price risk, and other price risk.

*Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Borrowings under the Company's credit facilities are subject to variable interest rates. A one percent change in interest rates would not have a material effect on net income (loss) and comprehensive income (loss).

*Foreign currency risk*

The Company's functional and reporting currency is Canadian dollars. The Company does not sell or transact in any foreign currency; however, commodity prices are largely denominated in USD, and as a result the prices that the Company receives are affected by fluctuations in the exchange rates between the USD and the Canadian dollar. The exchange rate effect cannot be quantified, but generally an increase in the value of the Canadian dollar compared to the USD will reduce the prices received by the Company for its crude oil and natural gas sales. The Company did not have any foreign exchange rate swaps or related contracts in place as at the date of this document.

*Commodity price risk*

Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the levels of supply and demand, as well as the relationship between the Canadian dollar and the USD. Significant changes in commodity prices may materially impact the Company's funds flow from operations, and ability to raise capital. The Company has not entered into any commodity hedge contracts as at the date of this document.

*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, foreign currency risk or commodity price risk. The Company is not exposed to significant other price risk.

**Non-IFRS Measures**

This document contains the terms "funds flow from operations", "operating netback", and "net debt" which are not recognized measures under IFRS and may not be comparable to similar measures presented by other companies.

- a) The Company considers funds flow from operations to be a key measure that indicates the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt. Funds flow from operations is a measure that represents cash generated by operating activities, before changes in non-cash working capital and may not be comparable to measures used by other companies. Funds flow from operations per share is calculated using the same weighted-average number of shares outstanding as in the case of the earnings per share calculation for the period.



- b) A reconciliation of funds flow from operations to cash provided by operating activities is presented as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Cash provided by operating activities	\$ 244,550	\$ 1,399,133	\$ (168,637)	\$ 3,160,260
Change in non-cash working capital	100,457	(684,631)	426,024	129,166
Decommissioning obligation expenditures	-	-	-	2,591
Funds flow from operations	\$ 345,007	\$ 714,502	\$ 257,387	\$ 3,292,017
Per share, basic and diluted	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.04

- c) Operating netback is a benchmark used in the oil and natural gas industry and a key indicator of profitability relative to current commodity prices. Operating netback is calculated as oil and gas sales, less royalties, operating expenses and transportation costs on an absolute and per boe basis. These terms should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income or loss as determined in accordance with IFRS as an indicator of the Company's performance.
- d) Net debt (working capital) is closely monitored by the Company to ensure that its capital structure is maintained by a strong balance sheet to fund its future growth. Net debt is used in this document in the context of liquidity and is calculated as the total of the Company's bank debt and current liabilities, less current assets. There is no IFRS measure that is reasonably comparable to net debt.

The following table outlines the Company calculation of net debt:

	As at	
	September 30, 2016	December 31, 2015
Current assets	\$ 1,104,797	\$ 686,869
Current liabilities <sup>(1)</sup>	(1,818,695)	(1,304,939)
Bank indebtedness	(10,670,689)	(10,828,040)
Net debt	\$ (11,384,586)	\$ (11,466,110)

Note:

(1) Excluding bank indebtedness

## Boe Conversion

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. This conversion conforms with the Canadian Securities Regulators National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

## Forward-Looking Statements

In the interest of providing Hemisphere's shareholders and potential investors with information regarding the Company, including management's assessment of the future plans and operations of

*Hemisphere, certain statements contained in this MD&A constitute forward-looking statements or 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 foregoing, this document may contain forward-looking statements pertaining to the following: volumes and estimated value of Hemisphere's oil and natural gas reserves; the life of Hemisphere's reserves; the volume and product mix of Hemisphere's oil and natural gas production; future oil and natural gas prices; future operational activities; and future results from operations and operating metrics, including any future production growth and net debt. In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.*

*With respect to forward-looking statements contained in this MD&A, the Company has made assumptions regarding, among other things: future capital expenditure levels; future oil and natural gas prices and differentials between light, medium and heavy oil prices; results from operations including future oil and natural gas production levels; future exchange rates and interest rates; Hemisphere's ability to obtain equipment in a timely manner to carry out development activities; Hemisphere's ability to market its oil and natural gas successfully to current and new customers; the impact of increasing competition; Hemisphere's ability to obtain financing on acceptable terms; and Hemisphere's ability to add production and reserves through our development and exploitation activities.*

*Although Hemisphere believes that the expectations reflected in the forward-looking statements contained in this MD&A, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this MD&A, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Hemisphere's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the following: volatility in market prices for oil and natural gas; general economic conditions in Canada, the U.S. and globally; and the other factors described under "Risk Factors" in Hemisphere's most recently filed Annual Information Form available on the Company's website at [www.hemisphereenergy.ca](http://www.hemisphereenergy.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are cautioned that this list of risk factors should not be construed as exhaustive.*

*The forward-looking statements contained in this MD&A speak only as of the date of this document. Except as expressly required by applicable securities laws, Hemisphere does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.*

## MANAGEMENT'S REPORT

To the Shareholders of Hemisphere Energy Corporation:

Management is responsible for the preparation of the financial statements and the consistent presentation of all other financial information that is publicly disclosed. The financial statements have been prepared in accordance with the accounting policies detailed in the notes to the financial statements and in accordance with IFRS and include estimates and assumptions based on management's best judgment. Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced in a timely manner.

**The accompanying unaudited interim condensed financial statements have not been reviewed by the Company's auditors.**

The Audit Committee, consisting of independent members of the Board of Directors, has reviewed financial statements with management. The Board of Directors has approved the financial statements on the recommendation of the Audit Committee.

Vancouver, British Columbia  
November 24, 2016

(signed) "Don Simmons"

Don Simmons, President & CEO

(signed) "Dorlyn Evancic"

Dorlyn Evancic, Chief Financial Officer

## CONDENSED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

(Unaudited)

	Note	September 30, 2016	December 31, 2015
<b>Assets</b>			
<b>Current assets</b>			
Accounts receivable		\$ 1,010,344	\$ 539,329
Prepaid expenses		94,453	147,540
Total current assets		1,104,797	686,869
<b>Non-current assets</b>			
Reclamation deposits		115,535	115,535
Exploration and evaluation assets	5	3,816,867	3,100,937
Property and equipment	6	36,164,022	36,907,703
<b>Total assets</b>		<b>\$ 41,201,221</b>	<b>\$ 40,811,044</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,818,695	\$ 1,304,939
Bank indebtedness	9	10,670,689	10,828,040
Total current liabilities		12,489,384	12,132,979
<b>Non-current liabilities</b>			
Decommissioning obligations	7	6,133,406	5,965,233
		18,622,790	18,098,212
<b>Shareholders' Equity</b>			
Share capital	10	53,904,021	52,083,070
Contributed surplus	10(b)	1,202,941	2,461,870
Deficit		(32,528,531)	(31,832,108)
Total shareholders' equity		22,578,431	22,712,832
<b>Total liabilities and shareholders' equity</b>		<b>\$ 41,201,221</b>	<b>\$ 40,811,044</b>

Commitment (Note 11)

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

**CONDENSED STATEMENTS OF COMPREHENSIVE LOSS***(Expressed in Canadian dollars)**(Unaudited)*

	Note	Three Months Ended September 30		Nine Months Ended September 30	
		2016	2015	2016	2015
<b>Oil and natural gas revenue</b>		\$ 1,630,105	\$ 2,043,781	\$ 4,014,662	\$ 8,256,065
Royalties		(221,303)	(156,201)	(437,181)	(612,233)
<b>Net oil and natural gas revenue</b>		<b>1,408,802</b>	1,887,580	<b>3,577,481</b>	7,643,831
<b>Expenses</b>					
Production and operating		628,836	792,954	2,090,583	2,766,974
Exploration and evaluation	5	12,023	3,299	36,950	17,599
Depletion and depreciation	6	709,440	1,226,841	2,085,106	4,322,901
General and administrative		298,844	273,680	834,177	1,254,614
Share-based payments	10(b)	1,093	(40,548)	88,577	181,204
Impairment of property and equipment		-	3,012,561	-	3,012,561
		<b>1,650,236</b>	5,268,788	<b>5,135,393</b>	11,555,853
<b>Results from operating activities</b>		<b>(241,433)</b>	(3,381,207)	<b>(1,557,912)</b>	(3,912,021)
Finance expense	8	(171,907)	(137,507)	(502,708)	(423,423)
<b>Loss before income tax</b>		<b>(413,340)</b>	(3,518,715)	<b>(2,060,620)</b>	(4,335,446)
Deferred tax expense		-	(1,236,816)	-	(1,641,916)
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (413,340)</b>	\$ (4,755,531)	<b>\$ (2,060,620)</b>	\$ (5,977,362)
Net loss per share					
Basic and diluted	10(d)	\$ (0.00)	\$ (0.06)	\$ (0.03)	\$ (0.08)

*The accompanying notes are an integral part of these unaudited interim condensed financial statements.*

## CONDENSED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

(Unaudited)

	Three Months Ended September		Nine Months Ended September	
	2016	2015	2016	2015
<b>Operating activities</b>				
Net income (loss) for the period	\$ (413,340)	\$ (4,755,531)	\$ (2,060,620)	\$ (5,977,362)
Items not affecting cash:				
Depletion and depreciation	709,440	1,226,841	2,085,106	4,322,902
Accretion	35,791	31,066	107,374	93,197
Exploration and evaluation expense	12,023	3,300	36,950	17,599
Share-based payments	1,093	(40,548)	88,577	181,204
Deferred tax expense (recovery)	-	1,236,816	-	1,641,916
Impairment	-	3,012,561	-	3,012,561
Funds flow from operations	345,007	714,502	257,387	3,292,017
Decommissioning obligation expenditures	-	-	-	(2,591)
Changes in non-cash working capital	(100,457)	684,631	(426,024)	(129,166)
<b>Cash provided by operating activities</b>	<b>244,550</b>	<b>1,399,133</b>	<b>(168,637)</b>	<b>3,160,260</b>
<b>Investing activities</b>				
Property and equipment expenditures	(780,019)	(166,078)	(1,195,058)	(886,357)
Exploration and evaluation expenditures	(677,511)	(1,218,144)	(811,553)	(1,460,649)
Reclamation deposits	-	(10,000)	-	(10,000)
Changes in non-cash working capital	735,151	(225,239)	521,853	(3,387,110)
<b>Cash used in investing activities</b>	<b>(722,380)</b>	<b>(1,619,551)</b>	<b>(1,484,759)</b>	<b>(5,744,116)</b>
<b>Financing activities</b>				
Shares issued for cash, net of issue costs	784,838	-	1,796,749	-
Shares issued for stock options	6,000	-	14,000	108,750
Change in bank indebtedness	(313,007)	220,418	(157,351)	2,475,105
<b>Cash provided by financing activities</b>	<b>477,831</b>	<b>220,418</b>	<b>1,653,398</b>	<b>2,583,855</b>
Net change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
<b>Cash, end of period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Supplemental cash flow information (Note 12)

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

## CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*(Expressed in Canadian dollars)**(Unaudited)*

	Note	Number of common shares	Share capital	Contributed surplus	Deficit	Total Equity
<b>Balance, December 31, 2014</b>		<b>75,368,498</b>	<b>\$ 51,881,960</b>	<b>\$ 2,513,122</b>	<b>\$ (23,702,847)</b>	<b>\$ 30,692,235</b>
Share-based payments		-	-	222,677	-	222,677
Exercise of stock options		435,000	201,110	(92,359)	-	108,751
Expiry of stock options		-	-	(181,570)	181,570	-
Net loss for the year		-	-	-	(8,310,831)	(8,310,831)
<b>Balance, December 31, 2015</b>		<b>75,803,498</b>	<b>\$ 52,083,070</b>	<b>\$ 2,461,870</b>	<b>\$ (31,832,108)</b>	<b>\$ 22,712,832</b>
<b>Balance, December 31, 2015</b>		<b>75,803,498</b>	<b>\$ 52,083,070</b>	<b>\$ 2,461,870</b>	<b>\$ (31,832,108)</b>	<b>\$ 22,712,832</b>
Non-flow-through share issuance		6,496,604	1,234,355	-	-	1,234,355
Flow-through share issuance		3,270,000	686,700	-	-	686,700
Share issuance costs		-	(124,306)	-	-	(124,306)
Exercise of stock options	10(b)	175,000	24,203	(10,203)	-	14,000
Share-based payments	10(b)	-	-	115,470	-	115,470
Expiry of stock options		-	-	(1,364,195)	1,364,195	-
Net loss for the period		-	-	-	(2,060,620)	(2,060,620)
<b>Balance, September 30, 2016</b>		<b>85,745,102</b>	<b>\$ 53,904,021</b>	<b>\$ 1,202,941</b>	<b>\$ (32,528,531)</b>	<b>\$ 22,578,431</b>

*Comparison with nine months ended September 30, 2015:*

	Note	Number of common shares	Share capital	Contributed surplus	Deficit	Total Equity
<b>Balance, December 31, 2014</b>		<b>75,368,498</b>	<b>51,881,960</b>	<b>2,513,122</b>	<b>(23,702,847)</b>	<b>30,692,235</b>
Exercise of stock options		435,000	201,110	(92,359)	-	108,751
Share-based payments		-	-	222,301	-	222,301
Expiry of stock option		-	-	(102,855)	102,855	-
Net loss for the period		-	-	-	(5,977,362)	(5,977,362)
<b>Balance, September 30, 2015</b>		<b>75,803,498</b>	<b>\$ 52,083,070</b>	<b>\$ 2,540,209</b>	<b>(29,577,353)</b>	<b>25,045,926</b>

*The accompanying notes are an integral part of these financial statements.*

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2016 and 2015

(Expressed in Canadian dollars)

### 1. Nature of Business

Hemisphere Energy Corporation (the "Company") was incorporated under the laws of British Columbia on March 6, 1978. The Company's principal business is the acquisition, exploration, development and production of petroleum and natural gas interests in Canada. It is a publicly traded company listed on the TSX Venture Exchange under the symbol "HME". The Company's head office is located at Suite 2000, 1055 West Hastings Street, Vancouver, British Columbia, Canada V6E 2E9.

### 2. Basis of Presentation

(a) Statement of compliance

These unaudited interim condensed financial statements ("Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2015.

These financial statements were authorized for issuance by the Board of Directors on November 24, 2016.

(b) Basis of presentation

These Financial Statements have been prepared on a historical cost basis, except for financial instruments and share-based payments, which are stated at their fair values.

(c) Functional and presentation currency

These Financial Statements are presented in Canadian dollars which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of these 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 materially differ from these estimates.



Estimates and their underlying assumptions are reviewed on an ongoing basis and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

(e) Summary of significant accounting policies

These financial statements have been prepared in accordance with IFRS and follow the same accounting policies as described in Note 3 of the Company's audited annual financial statements for the year ended December 31, 2015. There have been no changes to the Company's accounting policies since the Company's audited annual financial statements for the year ended December 31, 2015 were issued.

### 3. 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, changes in assumptions can significantly affect estimated fair values. At September 30, 2016, the Company's financial instruments include accounts receivable, reclamation deposits, bank indebtedness, and accounts payable and accrued liabilities.

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

### 4. Capital Management

The Company manages its capital with the following objectives:

- (a) To ensure sufficient financial flexibility to achieve the Company's ongoing business objectives including the replacement of production, funding of future growth opportunities and pursuit of accretive acquisitions; and
- (b) To maximize shareholder return through enhancing the Company's share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the Company and industry in general. The capital structure of the Company is composed of shareholders' equity and net debt. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, obtaining additional financing from the Company's credit facilities, issuing new debt instruments or other financial or equity-based instruments, adjusting capital spending or disposing of assets. The capital structure is reviewed on an ongoing basis.

## 5. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the Company's exploration projects, which are pending the determination of Proved and Probable reserves. A transfer from exploration and evaluation assets to property and equipment is made when reserves are assigned or the exploration project has been completed. For the period ended September 30, 2016, the Company transferred \$58,672 (December 31, 2015 - \$206,427) to property and equipment, capitalized general and administrative expenses of \$136,375 (December 31, 2015 - \$241,457) to exploration and evaluation assets, and recognized exploration and evaluation expense of \$36,950 (December 31, 2015 - \$64,596)

<b>Cost</b>	
Balance, December 31, 2014	\$ 2,896,887
Additions	475,073
Exploration and evaluation expense	(64,596)
Transfer to property and equipment	(206,427)
Balance, December 31, 2015	\$ 3,100,937
Additions	811,553
Exploration and evaluation expense	(36,950)
Transfer to property and equipment	(58,672)
<b>Balance, September 30, 2016</b>	<b>\$ 3,816,867</b>

## 6. Property and Equipment

<b>Cost</b>	Petroleum and		<b>Total</b>
	Natural Gas	Other Equipment	
Balance, December 31, 2014	\$ 62,486,310	\$ 114,492	\$ 62,600,802
Additions	2,611,074	-	2,611,072
Increase in decommissioning obligations	665,954	-	665,954
Capitalized share-based compensation	41,097	-	41,097
Transfer from exploration and evaluation assets	206,427	-	206,427
Balance, December 31, 2015	\$ 66,010,862	\$ 114,492	\$ 66,125,354
Additions	1,195,058	-	1,195,058
Increase in decommissioning obligations	60,799	-	60,799
Capitalized share-based compensation	26,892	-	26,892
Transfer from exploration and evaluation assets	58,672	-	58,672
<b>Balance, September 30, 2016</b>	<b>\$ 67,352,285</b>	<b>\$ 114,492</b>	<b>\$ 67,466,777</b>
<b>Accumulated Depletion, Depreciation, Amortization and Impairment Losses</b>			
Balance, December 31, 2014	\$ 19,668,782	\$ 61,908	\$ 19,730,689
Charge for the year	5,107,250	13,455	5,120,705
Impairment loss	4,366,257	-	4,366,257
<b>Balance, December 31, 2015</b>	<b>\$ 29,142,289</b>	<b>\$ 75,362</b>	<b>\$ 29,217,651</b>
Charge for the period	2,077,641	7,465	2,085,106
<b>Balance, September 30, 2016</b>	<b>\$ 31,219,929</b>	<b>\$ 82,827</b>	<b>\$ 31,302,757</b>
<b>Net Book Value</b>			
December 31, 2015	\$ 36,868,571	\$ 39,130	\$ 36,907,703
<b>September 30, 2016</b>	<b>\$ 36,132,358</b>	<b>\$ 31,665</b>	<b>\$ 36,164,022</b>

The Company's addition for property and equipment included capitalized general and administrative expenses of \$60,406 for the period ended September 30, 2016.

The calculation of depletion at September 30, 2016 includes estimated future development costs of \$18,263,600 (December 31, 2015 - \$18,263,600) associated with the development of the Company's Proved plus Probable reserves.

## 7. Decommissioning Obligation

The Company's decommissioning obligation is estimated based on its net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years. The Company uses Alberta Energy Regulator guidelines for determining abandonment and reclamation estimates.

The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations, including inflation, as at September 30, 2016 is \$10,170,658 (December 31, 2015 - \$10,104,158). These payments are expected to be made over the next 39 years with the majority of costs to be incurred between 2025 and 2047. The discount factor, being the risk-free rate related to the liability, is 2.46% (December 31, 2015 - 2.46%). Inflation of 2.18% (December 31, 2015 - 2.18%) has also been factored into the calculation. The Company also has \$115,535 (December 31, 2015 - \$115,535) in various reclamation bonds for its properties held by the Alberta Energy Regulator and British Columbia Ministry of Energy, Mines and Petroleum Resources.

	September 30, 2016	December 31, 2015
Decommissioning obligation, beginning of period	\$ 5,965,233	\$ 5,177,607
Increase in estimated future obligations	60,799	32,812
Change in estimate	-	633,142
Decommissioning obligation expenditures	-	(2,591)
Accretion expense	107,374	124,263
Decommissioning obligation, end of period	\$ 6,133,406	\$ 5,965,233

## 8. Finance Income and Expense

	Three Month Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Finance expense:				
Interest expense	\$ 136,115	\$ 106,442	\$ 395,334	\$ 330,225
Accretion of provision	35,791	31,066	107,374	93,197
Total	\$ 171,907	\$ 137,507	\$ 502,708	\$ 423,423

## 9. Bank Indebtedness

The Company has a demand operating credit facility in the amount of \$12,500,000 with Alberta Treasury Branches ("ATB"), which was renewed in May 2016.

The facility is secured by a general security agreement and a floating charge on all lands of the Company. The facility bears interest at the bank's prime rate plus 2.50%, as well as a standby charge for any undrawn funds. As the available lending limits of the facilities are based on the bank's interpretation of the Company's reserves and future commodity prices, there can be no assurance as to the amount of facilities that will be determined at each scheduled review.

Pursuant to the terms of the credit facility, the Company has provided a financial covenant that at all times its working capital ratio shall not be less than 1.0. The working capital ratio is defined under the terms of the credit facilities as current assets including the undrawn portion of the revolving operating demand line credit facility, to current liabilities, excluding any current bank indebtedness.

At September 30, 2016, the Company had drawn a total of \$10,670,689 from its credit facility (December 31, 2015 - \$10,828,040) and had a working capital ratio of 1.6, which is in compliance with the above financial covenant. The Company's interim credit facility review with ATB is expected to be completed by December 2016.

## 10. Share Capital

### (a) Authorized

Unlimited number of common shares without par value.

Issued and outstanding

As at September 30, 2016, the Company had 85,745,102 common shares issued and outstanding.

The following occurred during the nine months ended September 30, 2016:

- (i) On April 7, 2016, the Company issued 100,000 common shares for the exercise of stock options at \$0.08 per share for proceeds of \$8,000.
- (ii) On June 29, 2016 the Company closed the first tranche of its non-brokered private placement offering. The Company issued 2,743,000 flow-through shares at a price of \$0.21 per share, which were issued on a Canadian Development Expense flow-through basis pursuant to the provisions of the *Income Tax Act* (Canada), and 2,449,500 common shares of Hemisphere at a price of \$0.19 per share, for gross proceeds to the Company of \$1,041,435. In conjunction with closing the financing, the Company paid \$29,524 in share issuance costs.
- (iii) On July 12, 2016 the Company closed the final tranche of its non-brokered private placement offering. The Company issued 527,000 flow-through shares at a price of \$0.21 cents per share, which were issued on a Canadian development expense flow-through basis pursuant to the provisions of the *Income Tax Act* (Canada), and 4,047,104 common shares of Hemisphere at a price of 19 cents per share, for gross proceeds to the company of \$879,620. In conjunction with closing the financing, the Company paid \$94,782 in share issuance costs.
- (iv) On September 19, 2016, the Company issued 75,000 common shares for the exercise of stock options at \$0.08 per share for proceeds of \$6,000.

## (b) Stock options

The Company has a stock option plan in place and is authorized to grant stock options to officers, directors, employees and consultants whereby the aggregate number of shares reserved for issuance may not exceed 10% of the issued shares at the time of grant and 5% of the issued shares to each optionee. Stock options are non-transferable and have a maximum term of five years. Stock options terminate no later than 90 days (30 days for investor-related services) upon termination of employment or employment contract and one year in the case of retirement, death or disability. The grant price is determined using the closing price of the Company's shares from the day prior to the grant

During the nine months ended September 30, 2016, the Company received gross proceeds of \$14,000 from the exercise of 175,000 stock options at \$0.08 each.

Details of the Company's stock options as at September 30, 2016 are as follows:

Exercise Price	Expiry Date	Balance Outstanding December 31, 2015	Changes in the Period			Balance Outstanding September 30, 2016	Balance Exercisable September 30, 2016
			Granted	Exercised	Expired/Cancelled		
\$0.30	27-Jan-16	200,000	-	-	(200,000)	-	-
\$0.38	9-Feb-16	50,000	-	-	(50,000)	-	-
\$0.40	26-May-16	475,000	-	-	(475,000)	-	-
\$0.48	5-Jul-16	50,000	-	-	(50,000)	-	-
\$0.70	8-Feb-17	1,500,000	-	-	(100,000)	1,400,000	1,400,000
\$0.65	24-Apr-17	75,000	-	-	(75,000)	-	-
\$0.61	5-Jul-17	425,000	-	-	(425,000)	-	-
\$0.50	8-Mar-18	250,000	-	-	(250,000)	-	-
\$0.55	6-Jan-19	660,000	-	-	(660,000)	-	-
\$0.65	29-Sep-19	785,000	-	-	(785,000)	-	-
\$0.61	7-Oct-19	200,000	-	-	(200,000)	-	-
\$0.24	29-Jan-20	1,225,000	-	-	(75,000)	1,150,000	1,150,000
\$0.39	1-Mar-20	100,000	-	-	-	100,000	100,000
\$0.08	11-Feb-21	-	1,785,000	(170,000)	-	1,610,000	1,572,500
\$0.08	12-Feb-21	-	200,000	-	-	200,000	200,000
		5,995,000	1,985,000	(175,000)	(3,345,000)	4,460,000	4,422,500
Weighted-average exercise price		\$0.52	\$0.08	\$0.08	\$0.54	\$0.32	\$0.32

For the nine months ended September 30, 2016, the Company recognized \$115,470 (September 30, 2015 - \$181,204) in share-based payments of which \$26,892 (September 30, 2015) \$41,097 was capitalized to property plant and equipment assets. These share-based payments were from the granting of 1,785,000 incentive stock options (September 30, 2015 – 1,325,000) to directors, officers, employees and consultants of the Company, of which 1,710,000 vested immediately. On February 11, 2016, 75,000 stock options were granted to a company performing investor relations services at an exercise price of \$0.08 each and vest 25% at each three-month interval from the grant date. As at September 30, 2016, \$1,093 share-based payment expense was recognized for 37,500 stock options that vested in the period.

The fair value of the granted stock options was determined using the Black-Scholes option pricing model with the following weighted-average assumptions:

	<b>September 30, 2016</b>	September 30, 2015
Expected life (years)	<b>5.00</b>	5.00
Interest rate	<b>0.82%</b>	0.79%
Volatility	<b>97.18%</b>	91.71%
Dividend yield	<b>0.00%</b>	0.00%
Fair value at grant date	<b>\$0.06</b>	\$0.17

The weighted-average exercise price for stock options granted during the nine months ended September 30, 2016 was \$0.08 (September 30, 2015 - \$0.25). The forfeiture rate has been estimated at 0.05% (September 30, 2015 – 5%).

During the nine months ended September 30, 2016, the Company removed \$1,364,195 (year ended December 31, 2015 - \$181,570) from the contributed surplus reserve and recorded a corresponding recovery in capital stock for exercised stock options.

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

(c) Share purchase warrants

As at September 30, 2016, the Company had no outstanding share purchase warrants.

## (d) Loss per share

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Loss for the period	\$ (413,340)	\$ (4,755,531)	\$ (2,060,620)	\$ (5,977,362)
Weighted average number of common shares outstanding, basic	85,082,447	75,803,498	78,968,665	75,743,828
Dilutive stock options and share purchase warrants	-	-	-	-
Weighted average number of common shares outstanding, fully diluted	85,082,447	75,803,498	78,968,665	75,743,828
Loss per share, basic and fully diluted	\$ (0.00)	\$ (0.06)	\$ (0.03)	\$ (0.08)

For the three and nine months ended September 30, 2016, the Company incurred a loss; therefore, dilutive stock options were nil.

## 11. Commitment

The Company has a commitment to make monthly rental payments pursuant to the office rental agreement at its current location until May 30, 2018. The following table shows the Company's rental commitment amounts for the next four fiscal years:

	2016	2017	2018
Rental commitment	\$ 48,365	\$ 193,461	\$ 80,609

For the three months ended September 30, 2016, rent expense amounted to \$48,114 (September 30, 2015 - \$47,556). For the nine months ended September 30, 2016, rent expense amounted to \$141,544 (September 30, 2015 - \$142,765).

## 12. Supplemental Cash Flow Information

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Provided by (used in):				
Accounts receivable	\$ 58,588	\$ 607,886	\$ (471,014)	\$ 738,463
Prepaid expenses	6,165	(14,621)	53,087	28,611
Accounts payable and accrued liabilities	569,941	(133,963)	513,756	(4,283,350)
Total changes in non-cash working capital	\$ 634,694	\$ 459,301	\$ 95,828	\$ (3,516,276)
Provided by (used in):				
Operating activities	\$ (100,457)	\$ 684,630	\$ (426,024)	\$ (129,166)
Investing activities	735,151	(225,329)	521,853	(3,387,110)
Financing activities	-	-	-	-
Total changes in non-cash working capital	\$ 634,693	\$ 459,301	\$ 95,828	\$ (3,516,276)

Interest paid on the Company's bank loan during the three months ended September 30, 2016 was \$136,447 compared to \$115,775 for the three months ended September 30, 2015. For the nine months ended September 30, 2016 and 2015 the interest paid on the Company's bank loan were \$259,218 and \$223,783, respectively.





## OFFICERS

**Don Simmons, P.Geol.**  
*President & Chief Executive Officer*

**Dorlyn Evancic, CPA, CGA**  
*Chief Financial Officer*

**Ian Duncan, P.Eng.**  
*Chief Operating Officer*

**Andrew Arthur, P.Geol.**  
*Vice President, Exploration*

**Ashley Ramsden-Wood, P.Eng.**  
*Vice President, Engineering*

## BANKER

**Alberta Treasury Branches**  
*Calgary, Alberta*

## AUDITOR

**KPMG LLP**  
*Vancouver, British Columbia*

## TRANSFER AGENT

**Computershare Investor Services Inc.**  
*Vancouver, British Columbia*

## BOARD OF DIRECTORS

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**Frank Borowicz, QC, CA (Hon)**<sup>(1)(2)(3)</sup>

**Bruce McIntyre, P.Geol.**<sup>(1)(2)(4)</sup>

**Don Simmons, P.Geol.**<sup>(3)(4)</sup>

**Gregg Vernon, P.Eng.**<sup>(1)(4)</sup>

**Richard Wyman, B.Sc., MBA**<sup>(1)(4)</sup>

(1) Audit Committee

(2) Compensation/Nominating Committee

(3) Corporate Governance Committee

(4) Reserves Committee

## LEGAL COUNSEL

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*Calgary, Alberta*  
**Harper Grey LLP**  
*Vancouver, British Columbia*

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