

Form 51-102F3
Material Change Report

Item 1: *Name and Address of Company*

HEMISPHERE ENERGY CORPORATION (the “Company”)
Suite 570, 789 West Pender Street
Vancouver, British Columbia V6C 1H2

Item 2: *Date of Material Change*

December 20, 2012.

Item 3: *News Release*

The news release was issued at Vancouver, British Columbia on December 20, 2012 and disseminated via Marketwire.

Item 4: *Summary of Material Change*

On December 20, 2012, Hemisphere announced the first tranche closing of its non-brokered private placement announced December 6, 2012 (the “Private Placement”) and has issued 1,829,300 units at a price of C\$0.65 per unit for total gross proceeds of C\$1,189,045.

Item 5: *Full Description of Material Change*

5.1 *Full Description of Material Change*

See Schedule “A” attached hereto.

5.2 *Disclosure for Restructuring Transactions*

Not applicable.

Item 6: *Reliance on subsection 7.1(2) or (3) of National Instrument 51-102*

Not applicable.

Item 7: *Omitted Information*

No significant facts remain confidential and no information has been omitted in this report.

Item 8: Executive Officer

Name of Executive Officer:

Don Simmons
President & Chief Executive Officer

Telephone Number:

(604) 685-9255

Item 9: Date of Report

December 20, 2012.

SCHEDULE "A"



**HEMISPHERE ENERGY CORPORATION CLOSES FIRST TRANCHE OF
PRIVATE PLACEMENT**

TSX-V: HME

NOT FOR DISTRIBUTION TO U.S. NEWS WIRE SERVICES OR DISSEMINATION IN THE UNITED STATES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAW.

Vancouver, British Columbia, December 20, 2012 – Hemisphere Energy Corporation ("Hemisphere" or the "Company") (TSX-V: HME) is pleased to announce the first tranche closing of its non-brokered private placement announced December 6, 2012 (the "Private Placement") and has issued 1,829,300 units at a price of C\$0.65 per unit for total gross proceeds of C\$1,189,045.

Each unit consists of one common share and one-half (1/2) of a non-transferable warrant, with each whole warrant to entitle the holder to purchase one common share at the price of C\$0.90 per share until December 20, 2013.

In conjunction with the closing of the Private Placement, Hemisphere issued 114,191 finders' warrants, each entitling the holder to purchase one common share at \$0.90 until December 20, 2013. The Company also paid 7% in cash finders' fees on a portion of the funds raised under the Private Placement.

All securities issued in connection with the Private Placement are subject to a four month plus one day hold period, expiring April 21, 2013.

The net proceeds of the Private Placement will be used to fund drilling and other capital expenditures in Hemisphere's Jenner property in southeast Alberta and for general corporate purposes.

The Private Placement is subject to final regulatory approval.

About Hemisphere Energy Corporation

Hemisphere Energy Corporation is a junior exploration and production company focused on developing core areas that provide low to medium risk drilling opportunities to increase production, reserves and cash flow. Hemisphere's continued growth plan is through drilling existing prospects and executing strategic acquisitions and farm-ins. Hemisphere trades on the TSX Venture Exchange under the symbol "HME".

For further information, please contact:
Don Simmons, President & Chief Executive Officer

Telephone: (604) 685-9255

Email: info@hemisphereenergy.ca

Website: www.hemisphereenergy.ca

Forward-looking Statements

This news release contains "forward-looking statements" that are based on Hemisphere's current expectations, estimates, forecasts and projections. These forward-looking statements include statements regarding the closing of the Private Placement, 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 news release 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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy the securities in any jurisdiction. The securities offered hereby have not and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold in the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.