

December 22, 2017
HEMP

TSX-V:

Hempco Reports Q4 and Full Year 2017 Results

25% Revenue Growth – Positioned Well to Capitalize on CBD and Other Opportunities

Vancouver, British Columbia, Canada – December 22, 2017 - Hempco Food and Fiber Inc. (“Hempco” of the “Company”) (TSX-V: HEMP) today announced its results for the fiscal year ended August 31, 2017.

2017 and Subsequent Operational and Strategic Highlights

- **Revenues:** Fiscal 2017 revenues increased by 25% to \$6.5 million, as compared to \$5.2 million for fiscal 2016.
- **Capacity:** during the year, the Company commenced development of its new hemp seed processing facility in Nisku. Once operational, the Company anticipates the new facility to have a capacity of 240,000 lbs per month.
- **Sales channel development:** during the year, the Company launched a number of initiatives to develop sales channels for the Company’s retail product line PLANET HEMP, predominantly in Canada and the UK. Sales in Canada are developing steadily, while efforts to break into the UK market are in the early stages.
- **Diversification:** during the year, the Company worked on the development of new product lines, such as hemp supplements for animal feed. The Company anticipates these products will become a material contributor to growth in 2018.
- **Partnerships:** Hempco entered into a partnership with, and received an investment from Aurora Cannabis. The partnership positions Hempco exceptionally well to capitalize on the opportunities for whole-plant utilization, including the extraction of CBD, once the new Cannabis Act is adopted, among others through Aurora’s strategic extraction partner Radient Technologies.
- **Financing:** Subsequent to August 31, 2017, Hempco raised a total of \$5.65 million through a private placement with Aurora (\$3.25 million) and through the exercise of options and warrants (\$2.4 million).
- **Management Change:** Effective December 11, 2017, Diane Jang was appointed as CEO, succeeding Charles Holmes, who continues to serve the Company as its President.
- **Strengthened Board:** Steve Dobler, President of Aurora Cannabis, and Allan Cleiren, COO of Aurora Cannabis, were appointed to Hempco’s Board of Directors.

Management commentary

“2017 was a transition year in which Hempco developed a number of initiatives that position the Company exceptionally well to capitalize on a number of major opportunities in the health food, animal food supplements, consumer-packaged goods, and CBD markets,” said Diane Jang, CEO. “Furthermore, an increased recognition of the incredible versatility of the hemp plant and its myriad of uses is creating a market dynamic that creates additional opportunities for the Company to pursue. While our temporary

exit from the Korean market is expected to have a short-term negative impact on revenue development, we are executing on a growth strategy that involves both product and geographic diversification, which we anticipate will more than offset the impact of the Korean market. Our partnership with Aurora Cannabis is a major development that we believe, through access to Aurora's infrastructure, sales channels and growing constellation of trusted strategic partners, will enable Hempco to accelerate its commercial development."

Financial Review

A more detailed discussion of financial results is provided in the Company's Management Discussion and Analysis, filed on www.sedar.com

Net loss for the 12-month period ended 31 August 2017 improved by \$0.7 million to \$2.6 million, as compared to a net loss of \$3.3 million for same period in the prior year, due predominantly to the one-time go-public expense in 2016.

Gross profit margin fell to 13.5% from 29.3%, attributable predominantly to increased production costs at the Company's MacGregor facility and falling margins in the Korean market where the Company was faced with significant pricing pressure due to competitors offering inferior, but lower-cost product.

Revenues

Revenues for the year ended August 31, 2017, were \$6.5 million, an increase of \$1.3 million, or 25% over fiscal 2016. Revenue growth was driven predominantly by strong sales in Korea, offset partially by a fall in Canadian sales. The U.S. market represents 33% of sales and continues to be an important market for the Company. U.S. sales in 2017 were materially identical to 2016.

Hempco implemented product improvement initiatives in 2017, and will begin marketing its new SAFE quality assurance program once its Nisku facility is up and running, which management anticipates in the coming months.

Korea Contracts

The Company signed a contract with a Korean company for the supply of \$9M of product over one year of hulled hemp seed nut. However, as demand growth for hemp nut in Korea slowed during 2017, the market was impacted by a large influx of inferior quality, but low-cost product, resulting in loss of market share, and the contract was terminated before being serviced in full. It is anticipated that there will be a rebalancing in the Korean market with premium hemp product regaining market share, upon which management anticipates that the market will become viable again for Hempco to recommence sales to Korea.

The Company is working to diversify its revenue base through diversification and the entry of new geographic markets, new product development, and using new sales channels in existing markets.

Cost of Sales and Gross Profit

The cost of sales for 2017 came in at \$5.7 million. The gross margin on the high-volume Korea contracts fell due to competitive price pressure and was significantly lower than gross margins for retail domestic sales. Additionally, the achieved yield from raw materials was slightly lower in 2017, resulting in

increased costs, while increased production costs at the Manitoba facility also contributed to an overall increase in costs in 2017. The Company anticipates that its investments in quality control on raw materials and the commencement of operations at its new Nisku facility will contribute to a relative reduction in the costs of goods sold.

Expenses

Overall operating expenses in fiscal 2017 increased by \$0.6 million to \$2.9 million due to the Company's growth and operation as a public company. The increase was primarily a result of the Nisku lease cost, new hires, investor relations, marketing commissions, travel expenses, R&D, and sales and marketing costs of the PLANETHEMP CPG retail products initiatives in the UK and Canada.

Outlook

While the Company's temporary exit from the Korean market is likely to result in a short-term decline in revenues, initiatives to expand sales of bulk hemp products into other geographical markets are expected to offset this in the later part of 2018. Sales of bulk hemp-based supplements for animals, newly branded under the name Praise, commenced in late 2017 and are anticipated to become a material contributor to growth in 2018.

The Planet Hemp CPG brand is growing steadily in Canada since its launch in fiscal 2017, with the product line currently carried in over 70 retail stores. Further retail expansion and new product innovations are expected in 2018, to be showcased at the Canadian Health Food Association Show-West in February, targeting natural/specialty food and grocery retailers. Implementation of the Company's CPG e-commerce strategy will also commence in 2018.

The Company continues to work on the completion of its new hemp hurd processing capacity. Once operational, this facility will extract fibers from the hemp "stalk" for sale into a ready market. Hurd processing is anticipated to provide an additional revenue stream for both the Company and the farmers Hempco deals with.

One of the biggest recent developments for the hemp market is the anticipated ability under the new Cannabis Act, expected to be implanted in the summer of 2018, to start processing hemp for the extraction of CBD oils. The Company estimates it will be able to source in excess of 5 million pounds of chafe for potential sale through its farmer contacts, which would benefit the Company, as well as hemp farmers and the Company's partners, Aurora and Aurora's extraction partner Radient Technologies.

The partnership with Aurora provides Hempco with a highly visible partner. Leveraging of Aurora's expanding infrastructure and growing constellation of trusted partners, management expects will contribute to the Company's ability to accelerate its commercial development into new markets and revenue streams.

The potential addition of hurd and chafe processing would move the Company toward its vision of whole plant utilization, to the benefit of consumers, farmers and shareholders.

About Hempco

For more than 12 years Hempco has been a trusted and respected pioneer, innovator and provider of premier hemp seed foods. Hempco is committed to developing hemp foods, hemp fiber and hemp

nutraceuticals, a “tri-crop” opportunity for producers and processors. Hempco is expanding its processing ability to meet global demands in a 56,000sq. ft. facility located at Nisku, Alberta. Hempco’s common shares trade on the TSX Venture Exchange under the symbol “HEMP”. Hempco® has grown its business significantly and is generating value and profits for shareholders.

On behalf of the Board of Directors

Diane Jang
Chief Executive Officer
diane@hempcocanada.com

For further information

For Hempco

John Ross
Chief Financial Officer
+1.647.291.4234
john@hempcocanada.com

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