

January 29, 2018

TSX-V: HEMP

Hempco Reports Q1 2018 Results

Positioning the company for accelerated growth

Vancouver, British Columbia, Canada – January 29, 2018 - Hempco Food and Fiber Inc. (“Hempco” of the “Company”) (TSX-V: HEMP) today announced its results for the first quarter fiscal 2018 period ended November 30, 2017.

Q1 2018 and Subsequent Operational and Strategic Highlights

- **Margin and Revenues:** Despite a short-term decline in revenues due to the Company’s temporary exit from negative margin Korean market, gross margin levels were maintained.
 - Encouraging growth in Canadian and European markets: new product launches and sales initiatives have started to create positive revenue momentum in Europe and Canada, resulting in a near tripling of revenues from these regions.
 - Production issues at the Company’s Manitoba facility resulted in one large US customer temporarily seeking third party supply, resulting in reduced US revenues.
 - Adjusted for the temporary exit from the Korean market, revenues were up 5.8%.
- **Capacity:** During the quarter, the Company continued the development of its new hemp seed processing facility in Nisku. Once operational, the Company anticipated the new facility to have a capacity of 240,000 lbs. per month. Processing at the new facility is anticipated to commence in April 2018.
- **Sales Channel Development:** The Company continued its initiatives to develop new sales channels for its retail product line PLANET HEMP, predominantly in Canada and the UK. As indicated above, while still at an early stage, encouraging revenue development has been achieved in these markets.
- **Diversification:** The Company is working on a number of product innovations that it anticipates launching in the coming quarters.
- **Aurora Partnership:** The strategic investment by Aurora has capitalized Hempco for the completion of its Nisku facility, as well as provide funds for organizational development and innovations to develop new product lines, increase the sales and marketing team, as well as launch marketing campaigns.
- **Balance Sheet Strengthened:** A \$5.6 million inflow of funds relating to the Aurora financing and the exercise of warrants and options, partially offset by cash flows used for operations, resulted in a \$4.4 million increase in total assets.
- **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

“During the first quarter of fiscal 2018, Hempco started to generate positive momentum from new initiatives launched towards the end of fiscal 2017, in particular in the Canadian and European markets, while revenues were impacted by our temporary exit from the negative margin Korean market,” said Diane Jang, CEO. “Hempco is in a transitory phase that we are executing on with new management, a new strategy, fueled by anticipated developments in the regulatory environment that will enable us to achieve whole-plant utilization. The financial, operational and strategic support from our partner Aurora Cannabis will enable Hempco to accelerate and amplify these initiatives. Going forward we continue to see a number of major opportunities in the health food, animal food supplements, consumer packaged goods, and CBD markets that we intend to capitalize on through product and geographic diversification, on which we will report in more detail in the coming quarters.”

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 3-month period ended November 30, 2017 came in at \$0.7 million, a \$0.3 million increase due to lower gross profit resulting from the Company’s temporary exit from the Korean market. Additionally, lease costs related to the Company’s new Nisku facility were expensed during the pre-production stage, and other costs related to growth initiatives were incurred. Gross profit margin remained stable at 21%.

The negative impact from the Korea exit was offset partially by:

- Reduced consulting and investor relations fees as going public contracts in 2016 were terminated and the expenses did not occur in 2017.
- Reduced non-cash, stock-based compensation of \$0.1 million, mostly associated with options and warrants granted during the go-public transaction in 2016.

Revenues

Revenues of \$0.5 million for the quarter ended November 30, 2017 decreased by \$2.1 million, attributable to the Company’s temporary exit from the Korean market and one major US customer seeking alternative third-party supply, offset partially by strong early growth in the Company’s Canadian and European markets.

Hempco’s product improvement initiatives, launched in 2017, will enable the Company to begin marketing its new SAFE quality assurance program once its Nisku facility is up and running, which management anticipates in April 2018, enabling the pursuit of larger customers to generate accelerated growth.

Korean 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

Cost of sales for the three-month period ended November 30, 2017 came in at \$0.4 million, resulting in a gross profit of \$0.1 million, as compared to \$2.0 million for the same period in the prior year, with gross profit recorded of \$0.6 million.

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 an improvement in gross profit margins.

Expenses

A strong focus on cost control and a reduction in certain business-volume related costs resulted in operating expenses decreasing by \$0.2 million, as compared to \$0.8 million for the same quarter last year. Contracts related to investor relations and corporate development were not renewed. However, lease and personnel monitoring costs related to Nisku resulted in an increased contribution to selling, general and administrative expenses, as compared to the November 2016 quarter.

Outlook

During the three-month period ended November 30, 2017, Hempco continued executing on its strategy to reposition the Company, focused on three key initiatives:

- Become a major supplier to the retail market of a well-diversified portfolio of health-related products through its premium brand PLANET HEMP, as well as to the animal feed supplement market through its newly launched brand PRAISE
- Expand its bulk wholesale business through the development of a new facility in Nisku, Alberta
- Become a supplier of CBD-based raw material upon the introduction of the new Cannabis Act, which currently is going through the Canadian Senate

While the short-term revenue of the Company's temporary exit from the Korean market has impacted revenue development, 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 implemented 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 it 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

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