

HEMPSHIRE GROUP PROVIDES CORPORATE OVERVIEW AND ANNOUNCES STRATEGIC INITIATIVES TO ACCELERATE GROWTH IN THE SMOKABLE ALTERNATIVES MARKET

Calgary, Alberta, August 24, 2022 – The Hempshire Group, Inc. (TSXV: HMPG) ("**Hempshire**" or the "**Company**") is a California-based non-tobacco and non-nicotine smokable alternatives company that formulates and sells its own proprietary brand of cannabidiol hemp smokes ("**Hemp Smokes**") under the **MOUNTAIN® Smokes** label in Natural, Pineapple Squeeze™ and Mint Squeeze™ flavors. **MOUNTAIN® Smokes** look, feel, burn, and are packaged like tobacco cigarettes, but without the harmful effects and addictive properties of tobacco and nicotine, and without additives or chemical preservatives.

Hempshire recently commenced trading on the TSX Venture Exchange and is pleased to provide an overview of the Company and its strategic initiatives to support growth in 2022 and 2023.

THE HEMPSHIRE GROUP, INC – AN OVERVIEW

The Team

Hempshire has established a team of successful executives and partners who have been instrumental in creating, building and executing launch and marketing strategies for some of the world's most iconic brands, including Apple's Mac, iPod and iPhone, Pfizer's Viagra, Mars' M&Ms and Snickers, multiple healthcare products for Bayer AG, GlaxoSmithKline, and other major pharmaceutical companies, as well as for companies including Coca-Cola, Disney, Nickelodeon, and Diesel.

The Company's President and CEO, Martin Marion, was formerly a senior executive at multiple Madison Avenue advertising agencies responsible for the marketing strategy of several global brands. The Company's CMO, Eric Starr, previously worked for Apple's ad agency (Media Arts Lab) as Creative Strategy Director. His work received several honors, including 'iPod Silhouettes' receiving 'Outdoor Campaign of the Decade', 'I'm a Mac, I'm a PC' receiving 'Campaign of the Decade', and Media Arts Lab won the honor of 'Agency of the Decade'.

Hempshire's top talent was attracted to the Company because of the quality and smokability of **MOUNTAIN® Smokes**, the addressable market potential, tightening regulatory pressures on tobacco and nicotine, and shifting smoker preferences.

The Products

Hempshire is dedicated to transparency in its ingredients – its Hemp Smokes are formulated with only organic full-flower hemp, organic mullein, and organic sage, with no tobacco, nicotine, fillers, preservatives or added chemicals.

The **MOUNTAIN® Smokes** brand includes **MOUNTAIN® Originals** (<0.3% THC) and **MOUNTAIN® Zeros** (non-detectable <0.0001% THC). The **MOUNTAIN® Zeros** line allows Hempshire to service certain global jurisdictions that have stricter THC regulations, and this line is also expected to be launched in the United States for those who may desire a Hemp Smoke without the risk of testing positive for THC.



To date, the Company's **MOUNTAIN® Smokes** products have been displayed in social media posts from hundreds of significant influencers in the music, TV/film, and social media industries. These posts have been made without any paid endorsements.

Addressable Markets

Hempshire's strategic initiatives are centered around targeting three global addressable markets with an aggregate annualized spend of over US\$850 Billion.

(1) US\$849.9 Billion Global Tobacco Market¹

Hempshire smokable alternative products offer tobacco cigarette smokers the same familiar consumption experience and rituals that have contributed to the massive personal and social appeal of smoking and, in most jurisdictions, can be sold wherever tobacco cigarettes are available. However, they contain no tobacco and no nicotine, are non-addictive, are made from 100% organic ingredients, and typically have a retail price at parity or lower than most name-brand cigarettes.

The tobacco market is of particular interest and significance to Hempshire due to its immense size, shifting user preferences, and tightening governmental regulations. These shifts are highlighted in the following statement taken from British American Tobacco's website in September 2021:

"Generational differences and shifts in taste are continuing to emerge, as health and wellness become ever-more important. We anticipate growth in new categories of products, including – and beyond – tobacco and nicotine. Consumers expect these to provide stimulation and pleasure, in ways previously associated with cigarettes. We believe such growth will offset the predicted decline in cigarette consumption."

(2) US\$18.1 Billion Global E-Cigarette and Vape Market²

Demand for e-cigarettes and vapes has grown due to manufacturer-sponsored studies presenting these nicotine-based products as a safer alternative to traditional cigarettes and a social association psychology around vaping. However, regulatory authorities in multiple countries continue to restrict vaping and flavored nicotine-based vape juice, presenting a significant opportunity for Hempshire's smokable alternatives.

Hempshire's **MOUNTAIN[®] Smokes** provide e-cigarette and vape users the same hand-to-mouth experience, are also available in multiple flavors, and can be sold in the same convenient locations, but they do not contain addictive nicotine or other harmful chemicals, are less costly, and more environmentally friendly.

(3) US\$5.2 Billion Global CBD Market³

The global CBD market is expected to expand at a compound annual growth rate of nearly 17% from 2022 to 2030 due to its strong demand for health and wellness products and increasing government acceptance. Hempshire's Hemp Smokes provide consumers seeking CBD a form of consumption that has a relatively low cost per CBD dose and is more bioavailable than most ingestibles.

Regulatory Tailwinds

Recently, the traditional tobacco and nicotine industries have come under increasing regulatory pressures in the United States. The Company believes that, although it expects stricter regulations to take time, the

¹ Grand View Research, Inc. "Tobacco Market Size, Share & Trends Analysis Report By Product (Smokeless, Cigarettes, Cigar & Cigarillos, Next Generation Products, Waterpipes), By Distribution Channel (Online, Offline), By Region, And Segment Forecasts, 2022 - 2030."

² Grand View Research, Inc. "E-cigarette And Vape Market Size, Share & Trends Analysis Report By Product (Disposable, Rechargeable), By Distribution Channel (Online, Retail), By Region, And Segment Forecasts, 2022 - 2030."

³ Grand View Research, Inc. "Cannabidiol Market Size, Share & Trends Analysis Report By Source Type (Hemp, Marijuana), By Distribution Channel (B2B, B2C), By End-use (Medical, Personal Use), By Region, And Segment Forecasts, 2022 - 2030."

non-tobacco and non-nicotine smokable alternatives category, and Hampshire as a result, will benefit from these changing regulatory shifts. Three recent examples include:

- (1) **"FDA Advances Ban on Menthol Cigarettes"** The Wall Street Journal, April 28, 2022.
- (2) **"Biden administration says it plans to cut nicotine in cigarettes"** The Washington Post, June 21, 2022.
- (3) **"FDA Bans Juul From Selling E-Cigarettes in U.S."** The Wall Street Journal, June 23, 2022.

STRATEGIC INITIATIVES

Based on its marketing and branding expertise, product quality, addressable target markets, tightening government restrictions for tobacco and nicotine, and changing consumer preferences, Hampshire has laid out four initial strategic initiatives in its effort to penetrate the smokable alternatives market.

- (1) **Establish Brand Awareness and Sales Growth in the United States** – With the use of proceeds from the recent equity financing, Hampshire's focus will be to continue to build brand awareness of, and consumer demand for, its flagship **MOUNTAIN® Smokes** line of organic Hemp Smokes. The Company will be focusing these efforts through the following primary sales channels:
 - (i) **Domestic Wholesale B2B Sales** – The Company plans to leverage its industry leading retail relationships in key designated market areas to facilitate wholesale sales programs that result in **MOUNTAIN® Smokes** on shelves across the United States.
 - (ii) **Ecommerce** – In July 2022, Hampshire released a fully featured, conversion-optimized ecommerce website (<https://mountainismokes.com>) that enhances the customer experience, provides compelling incentives for fast path-to-purchase, and includes a significant loyalty rewards program. The website facilitates direct-to-consumer sales and includes a private portal for wholesaler, distributor, and retailer sales. The Company's objectives through the website are to (i) facilitate initial D2C sales growth, and (ii) to obtain actionable data about this emerging consumer market which will be utilized to refine ongoing marketing and sales tactics. Specifically, the Company is focused on the consumers' ability to experience the product quickly, while capturing upsell opportunities to maximize Average Order Value (AOV) and Lifetime Value (LTV), two key ecommerce metrics.
- (2) **Position for International Growth** – Building upon previous sales in Switzerland, Hampshire will focus on expanding its presence in Europe through its existing international distribution relationships. Hampshire will continue with its initial objective of achieving first mover advantage across the large European and EU markets.
- (3) **White Label and Partnerships** – Hampshire will continue to build out its white labelling and contract manufacturing collaborations by pursuing partnerships with well-known brands and select artists and celebrities. The Company believes that its internal marketing and branding expertise, along with its ability to formulate high quality smokable alternatives, will attract these opportunities.
- (4) **Position Production Capabilities to Scale Quickly and Profitably** – The Company will concentrate on expanding its supply chain network, becoming incrementally focused on demand-driven planning. Hampshire will seek to adequately supply its growth plan without over-extending inventory levels to maintain optimal use of cash. Hampshire management believes that the Company will be able to further improve margins through economies of scale.

Hampshire believes it has established the foundation and infrastructure to pursue its long-term vision of becoming a global leader in the non-tobacco and non-nicotine smokable alternatives market. Martin Marion, Hampshire's President and CEO, stated, *"In my more than 35 years creating strategy and directing marketing programs for some of the biggest brands in the world, I've only seen a handful that were truly category disruptive and backed by a fundamentally superior product that has the potential to de-position a multi-billion-dollar industry. MOUNTAIN Smokes has the ability to achieve competitive commercial*

dominance and simultaneously create a happier and healthier world. This combination enables us to scale significantly by outsmarting and de-positioning our competitors, not out-spending them."

About Hampshire

Incorporated in 2019, Hampshire formulates and markets its own proprietary brands under the **MOUNTAIN® Smokes** brand name, including **MOUNTAIN® Originals** cannabidiol hemp smokes ("**Hemp Smokes**") with <0.3% THC, and **MOUNTAIN® Zeros** Hemp Smokes with non-detectible, <0.0001% THC, and has additional proprietary brands under development. Hampshire also offers private white-labeling services and contract manufacturing services, through its partners, for significant non-owned Hemp Smoke brands in the United States and internationally.

Information about the Company's **MOUNTAIN® Smokes** line of Hemp Smokes can be found at the Company's ecommerce website at <https://mountainsmokes.com>.

Additional Information

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Reader Advisory

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Forward-Looking Statements

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly, and without limitation, this news release contains forward-looking statements and information concerning Hampshire's business, strategies, expectations, planned operations and future actions and Hampshire's intention and ability to grow its business, operations and product offerings through ecommerce, B2B sales and physical retailers, including establishing brand awareness in the US and internationally and developing white labeling and contract manufacturing collaborations.

The forward-looking statements and information are based on certain key expectations and assumptions made by Hampshire, including expectations and assumptions concerning: the securities markets and general business and economic conditions, including the ongoing impact of COVID-19; the future operations of, and transactions completed by, Hampshire, including its ability to successfully implement its growth strategies and business plan; ongoing ability to conduct business in the regulatory environments in which Hampshire operates and may operate in the future; and applicable laws not changing in a manner that is unfavorable to Hampshire. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

Although Hampshire believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Hampshire can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to inherent risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or

expectations expressed. Without limitation, these risks and uncertainties include: risks associated with the cannabis or hemp industries in general; the size of the emerging industrial hemp market; constraints on marketing products; risks inherent in the agricultural business; actions and initiatives of federal and provincial governments and changes to government policies and the execution and impact of these actions, initiatives and policies; Hempshire's interpretation of and changes to federal and state laws pertaining to hemp; incorrect interpretation of the United States' Agricultural Improvement Act of 2018; international regulatory risks; uncertainty caused by potential changes to regulatory framework; regulatory approval and permits; environmental, health and safety laws; anti-money laundering laws and regulations; banking matters; ability to access public and private capital and banking services; denial of deductibility of certain expenses; liability for actions of employees, contractors and consultants; product viability; accuracy of quality control systems; product recalls, product liability and product returns; positive tests for THC or banned substances; supply risk; reliance on third party suppliers, service providers and distributors; failure of counter-parties to perform contractual obligations; industry and intra-industry competition; changing consumer preferences and customer retention; unfavorable publicity or consumer perception; inability to sustain pricing models; reliance on key inputs; effectiveness and efficiency of advertising and promotional expenditures; retention and recruitment of key officers and employees; inability to renew material leases; obtaining insurance; management of growth; risks related to acquiring companies and entering partnerships; infringement on intellectual property; inability to protect intellectual property; intellectual property claims; litigation; trade secrets may be difficult to protect; data security breaches; global economic uncertainty; geo-political risks; emerging industries; limited market for securities; financial reporting and public company obligations; and other factors more fully described from time to time in the reports and filings made by Hempshire with securities regulatory authorities.

In addition, Hempshire cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on Hempshire. While the precise impact of the COVID-19 virus on Hempshire remains unknown, rapid spread of the COVID-19 virus may continue to have a material adverse effect on global economic activity, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to Hempshire.

Readers are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise. Actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly there can be no assurance that such expectations will be realized. Hempshire undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking information contained herein is expressly qualified by this cautionary statement.

Certain information contained herein has been obtained from published sources prepared by independent industry analysts and third-party sources (including industry publications, surveys and forecasts), including certain reports published by Grand View Research, Inc. While such information is believed to be reliable for the purposes used herein, Hempshire does not assume any responsibility for the accuracy of such information. Some of the sources cited in this news release have not consented to the inclusion of any data from their reports, nor has Hempshire sought their consent.