

The Hampshire Group, Inc. Announces Note Financing, Approval of Incentive Plans and Incentive Awards and Shares for Services Arrangements

Calgary, Alberta, April 27, 2023 – The Hampshire Group, Inc. ("**Hempshire**" or the "**Company**") announces the completion of a note financing with certain insiders and other private investors of the Company to raise C\$733,500 (the "**Note Financing**"), which is supported by secured, non-convertible promissory notes of the Company issued to the lenders ("**Notes**"). Proceeds from the Note Financing will be used for marketing efforts, working capital requirements and other general corporate purposes. In addition, the Company announces the approval of incentive plans, incentive awards and shares for services arrangements.

Note Financing

The Notes bear interest at a rate of 12.0% per annum and mature on April 26, 2024 (the "**Maturity Date**"), with principal and interest payable on the Maturity Date. At the Company's option, interest may be paid in cash or, subject to approval of the TSX Venture Exchange ("**TSXV**"), paid-in-kind through the issuance of common shares of the Company ("**Shares**"). The number of Shares to be issued in satisfaction of the Company's interest obligation would be calculated based on the value weighted average price of the Shares for the five trading days immediately prior to notice from the Company to holders of Notes that it has elected to satisfy its interest obligations in Shares. The Notes may, at the option of the Company, be prepaid prior to the Maturity Date without penalty. The Notes rank equally and are secured by the Company's now and after-acquired Mountain Smokes inventory. The Notes do not restrict the Company from incurring additional indebtedness.

In connection with the Note Financing, an aggregate of 14,670,000 non-transferrable bonus warrants ("**Bonus Warrants**") are issuable to the lenders. The Bonus Warrants are subject to the approval of the TSXV in accordance with Policy 5.1 - *Loans, Loan Bonuses, Finder's Fees and Commissions*. Each Warrant will be exercisable for one Share at a price of \$0.05 (the "**Exercise Price**"), or on a "cashless" basis in accordance with the policies of the TSXV, for a period of one year from the issuance date.

As certain lenders are insiders of the Company, the Note Financing constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 - *Protection of Minority Security holders in Special Transactions* ("**MI 61-101**"). The Note Financing has been determined to be exempt from the requirements to obtain a formal valuation or minority shareholder approval on the basis of sections 5.5(a) and 5.7(1)(a) of MI 61-101 as the fair market value of the transactions, insofar as it involves interested parties, is not more than the 25% of the Company's market capitalization.

Approval of Incentive Plans and Incentive Awards

Effective March 24, 2023, the Board of Directors of the Company approved a Stock Option Plan (the "**Option Plan**") and Share Award Incentive Plan ("**Award Plan**"). The Option Plan and Award Plan are intended to assist in retaining and engaging the directors, officers, employees, consultants and any future employees or consultants of the Company and to provide additional incentive to these individuals for their efforts on behalf of the Company. The Option Plan allows the Company to issue aggregate stock options of up to 10% of the issued and outstanding Shares of the Company, on a non-diluted basis, and the Award Plan allows the Company to issue share awards in the form of restricted share units (RSUs) and performance share units (PSUs) of up to an aggregate 8,108,391 Shares being issuable under the Award Plan. The Option Plan and Award Plan remain subject to ratification by the shareholders of the Company at its next annual general meeting (the "**AGM**").

On April 26, 2023, the Company issued a total of 2,025,625 options ("**Options**") under the Option Plan, with an exercise price of \$0.13 to officers and directors of the Company. The Option vesting periods range from immediately on issue to one year from the grant date with expiration dates ranging from December 31, 2026 to December 31, 2027. The Company also granted 5,651,250 share awards in the form of RSUs to officers, directors, employees and consultants of the Company effective February 3, 2023, which shall vest one year from the grant date. These grants are subject to ratification by shareholders at the AGM.

Share Issuances

Prior to listing the Shares on the TSXV in August 2022, the Company entered into agreements with certain executives to issue, as partial consideration for services rendered by such executives, as an inducement, securities of Hampshire (the "**Shares for Services Agreements**"). Pursuant to the Shares for Services Agreements, as further described in the Company's filing statement dated June 22, 2022, the Company agreed to issue Hampshire securities to former President and Chief Executive Officer, Martin Marion, and to current Chief Financial Officer, William (Bill) Hahn.

In accordance with the terms of the Shares for Services Agreements, the Company shall issue 1,250,000 Shares and 1,250,000 Options to Mr. Marion, and 250,000 Shares to Mr. Hahn subject to and immediately following receipt of TSXV approval. Pursuant to the Shares for Services Agreements, Mr. Hahn is entitled to receive an additional 500,000 Shares on June 24, 2023 and, if the Shares trade above \$0.48 for at least ten consecutive trading days prior to June 24, 2023, Mr. Marion is entitled to an additional 500,000 Shares and 500,000 Options. Mr. Marion's Options under the Shares for Services Agreements will be exercisable at a price of \$0.48 and will expire four years from the date of issuance of such Options.

About Hampshire

Hampshire formulates and markets its own proprietary brand of organic hemp smokes under the MOUNTAIN[®] Smokes brand name, including MOUNTAIN[®] Original, Mint Squeeze, and Pineapple Squeeze. MOUNTAIN[®] Smokes were created as a great-tasting smokable alternative that looks, feels, burns and smokes just like a tobacco cigarette, but contains no tobacco, no nicotine, no additives, and no preservatives. MOUNTAIN[®] Smokes are made up of a proprietary blend of only three herbal ingredients – organic hemp, organic sage, and organic mullein.



Information about the Company's MOUNTAIN[®] Smokes line can be found at the Company's ecommerce website at <https://mountainismokes.com>.

Additional Information

For additional information regarding Hampshire, please contact:

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Chief Financial Officer
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Reader Advisory

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

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; the Note Financing, including the receipt of the approval of the TSXV in respect of the issuance of the Bonus Warrants; the payment of interest and the principal amount in respect of the Notes, the listing of the Shares issuable pursuant to the Shares for Services Agreements; regulatory and shareholder approval of the Option Plan and Award Plan; and the completion of the proposed warrant re-pricing. 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; the ability of the Company to obtain and maintain suitable distributor partners and other strategic relationships; 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; failure to benefit from partnerships; actions and initiatives of federal, state and provincial governments and changes to government policies and the execution and impact of these actions, initiatives and policies; Hampshire'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; inflation and its impact on costs; 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 Hampshire with securities regulatory authorities. 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. Hampshire 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.

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.