

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1. Name and Address

Lowell Farms Inc. (the “**Company**”)
19 Quail Run Circle
Suite B
Salinas, CA 93907
United States

Item 2. Date of Material Change

October 6, 2023

Item 3. News Release

A news release relating to the material change described herein was disseminated on October 6, 2023.

Item 4. Summary of Material Change

On October 6, 2023, the Company announced that it had repurchased all of the \$22,157,417 aggregate principal amount of outstanding Senior Secured Convertible Debentures (“**Debentures**”) of its subsidiary, Indus Holding Company (“**Indus**”), together with the related warrants to purchase 106,274,830 subordinate voting shares (“**Subordinate Voting Shares**”) of the Company (“**Company Warrants**”) and 43,248,450 common shares (“**Indus Shares**”) of Indus (“**Indus Warrants**” and together with the Company Warrants, “**Warrants**”).

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

On October 6, 2023, the Company announced that it had repurchased all of the \$22,157,417 aggregate principal amount of outstanding Senior Secured Convertible Debentures of its subsidiary, Indus, together with the related Company Warrants to purchase 106,274,830 Subordinate Voting Shares and 43,248,450 Indus Shares (the “**Transaction**”).

Each holder received as the purchase price therefor, such holder’s pro rata share, based on the proportion of the outstanding Debentures held by such holder, of (x) membership interests in LF Brandco LLC (“**Brandco**”), an entity formed to hold the Company’s intellectual property relating to its “Lowell Smokes” and “Lowell Herb Co.” brands (including trademarks, logos and additional identifying marks, domain names and social media accounts), and (y) 6,849,572 Subordinate Voting Shares, representing approximately 36% of the Company’s consolidated, undiluted equity interests.

The Company has entered into a license agreement with Brandco for the “Lowell” trademarks, logos, and related intellectual property on an exclusive basis in the State of California for a five-year license term, with up to three five-year extensions. The Company’s exercise of the extension terms is subject to mutual agreement on certain sales performance criteria for each extension term.

As of the closing of the Transaction, the voting agreement of the Company, pursuant to which the former holders of the Debentures were entitled to nominate three out of seven members of the Company’s board of directors and consent to the nomination of a fourth, and certain contractual operating covenants in favor of the former Debenture holders, has been terminated.

Related Party Transaction

The Transaction is considered to be a “related party transaction” pursuant to Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions* (“**MI 61-101**”) because insiders of the Company held

Debentures and Warrants. George Allen is the former non-executive Chairman of the Board of Directors (the “**Board**”) of the Company and together with Geronimo Capital, LLC (“**Geronimo Capital**”) which he controls, beneficially owns or has control or direction of more than 10% of the Subordinate Voting Shares. Brian Shure, the former Chief Financial Officer, and a current director of the Company, also beneficially owns or has control or direction of more than 10% of the Subordinate Voting Shares. Additionally, each of William Anton and Jeff Monat are independent directors of the Company and hold, or have control or direction of Debentures and Warrants. In the absence of exemptions, MI 61-101 requires the Company to obtain a formal valuation for, and minority shareholder approval of, “related party transactions.” For the Transaction, the Company is relying on the exemption from the formal valuation requirements of MI 61-101 contained in Section 5.5(b) of MI 61-101 on the basis that securities of the Company are not listed on any of the specified markets set out in such section. The Company is also relying on the exemption from the minority shareholder approval requirements of MI 61-101 contained in Section 5.7(1)(e) of MI 61-101 on the basis of meeting the financial hardship exemption requirements.

On January 12, 2023, the Company announced that it had formed a special committee (the “**Special Committee**”) to explore, review and evaluate strategic alternatives that may be available to the Company to maximize shareholder value, and the Special Committee had engaged Canaccord Genuity Corp. as its financial advisor. The Special Committee was comprised of independent members of the Board who were not creditors of the Company. The Special Committee unanimously determined, acting in good faith, that given the Company’s financial circumstances, the terms of the Transaction were reasonable, and the Company was eligible to rely on the exemption from the minority approval requirements of MI 61-101. The Transaction was approved by the disinterested members of the Board following a recommendation by the Special Committee.

As a result of the Transaction:

- Mr. Allen (directly and through the George Allen Revocable Trust, of which Mr. Allen is a trustee, and Geronimo Capital, LLC, Geronimo Central Valley Opportunity Fund, LLC, and Geronimo VCOF Manager, LLP, which he controls) acquired beneficial ownership or control and direction of 825,041 Subordinate Voting Shares in connection with the repurchase by the Company of US\$650,000 principal amount of Debentures, together with the related Warrants. Prior to the closing of the Transaction, Mr. Allen had beneficial ownership and/or control or direction over: 46,700 Subordinate Voting Shares (which represented approximately 0.41% of the then issued and outstanding Subordinate Voting Shares) and securities convertible or exercisable, as applicable, into 2,672,861 Subordinate Voting Shares (which represented an aggregate of 19.23% of the Shares on a partially diluted basis, including the Subordinate Voting Shares referred to above), which included US\$650,000 of Debentures (which were convertible into 281,020 Subordinate Voting Shares) and related Company Warrants to acquire 281,020 Subordinate Voting Shares and Indus Warrants to acquire 4,215,304 Indus Shares (which were not redeemable for Subordinate Voting Shares), as well as warrants to acquire 10,000 Subordinate Voting Shares (“**PIPE Warrants**”) issued in connection with the Company’s PIPE transaction and options granted to Mr. Allen which are exercisable for 21,875 Subordinate Voting Shares. Following closing of the Transaction, Mr. Allen has beneficial ownership and/or control or direction over 871,741 Subordinate Voting Shares (which represents 4.81% of the issued and outstanding Subordinate Voting Shares) and securities convertible or exercisable, as applicable, into 31,875 Subordinate Voting Shares (which represents an aggregate of 4.98% of the Subordinate Voting Shares on a partially diluted basis, including the Subordinate Voting Shares, PIPE Warrants and options referred to above).
- Mr. Shure (directly and through Ambrose Capital Holdings, LP, Mr. Shure being the President of the general partner, Ambrose Capital Partners, LLC, AMTG Holdings, LLLP, Mr. Shure being the President of the general partner, AMTG Management, Inc., HSK Holdings, LLC, Mr. Shure being the Managing Member, and the Brian K. Shure Charitable Trust Lead Annuity, of which Mr. Shure is a trustee) acquired beneficial ownership and control of 922,760 Subordinate Voting Shares in connection with the repurchase by the Company of US\$2,985,000 of aggregate principal amount of Debentures, together with the related Warrants. Prior to the closing of the Transaction, Mr. Shure had beneficial ownership and/or control or direction over: 330,058 Subordinate Voting Shares (which represented approximately 2.93% of the then issued and

outstanding Subordinate Voting Shares) and securities convertible or exercisable, as applicable, into 2,933,896 Subordinate Voting Shares (which represented an aggregate of 22.97% of the Subordinate Voting Shares on a partially diluted basis, including the Subordinate Voting Shares referred to above), which included US\$2,985,000 of Debentures (which were convertible into 864,678 Subordinate Voting Shares) and related Company Warrants to acquire 864,678 Subordinate Voting Shares and Indus Warrants to acquire 12,970,168 Indus Shares (which were not redeemable for Subordinate Voting Shares), as well as PIPE Warrants to acquire 159,540 Subordinate Voting Shares and options granted to Mr. Shure which are exercisable for 60,000 Shares. Following closing of the Transaction, Mr. Shure has beneficial ownership and/or control or direction over 1,252,818 Subordinate Voting Shares (which represents 6.91% of the issued and outstanding Subordinate Voting Shares) and securities convertible or exercisable, as applicable, into 219,540 Subordinate Voting Shares (which represents an aggregate of 8.03% of the Subordinate Voting Shares on a partially diluted basis, including the Subordinate Voting Shares, PIPE Warrants and options referred to above).

This material change report was filed in connection with the Transaction less than 21 days in advance of the closing of the Transaction, which the Company deems reasonable in the circumstances so as to be able to complete the closing of the Transaction in an expeditious manner.

5.2 Disclosure for Restructuring Transaction

Not applicable.

Item 6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

Not applicable.

Item 8. Executive Officer

The following executive officer of the Company is knowledgeable about the material change and this report:

Mark Ainsworth, Chief Executive Officer
ir@lowellfarms.com

Item 9. Date of Report

November 14, 2023

Forward-Looking Information and Statements

This material change report contains certain “forward-looking information” within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company’s beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company’s control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or may contain statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “will continue”, “will occur” or “will be achieved.” The forward-looking information and forward-looking statements contained herein may include, but are not limited to, the potential exercise of extension terms pursuant to the license agreement entered into between Brandco and the Company. There can be no assurance that

such forward-looking information and statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information and statements. This forward-looking information and statements reflect the Company's current beliefs and are based on information currently available to the Company and on assumptions the Company believes are reasonable.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward- looking information. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; operating and development costs; competition; changes in legislation or regulations affecting the Company; the timing and availability of external financing on acceptable terms; the available funds of the Company and the anticipated use of such funds; favorable production levels and outputs; the stability of pricing of cannabis products; the level of demand for cannabis product; the availability of third-party service providers and other inputs for the Company's operations; lack of qualified, skilled labor or loss of key individuals; and risks and delays resulting from the COVID-19 pandemic. A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Company's disclosure documents. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward- looking information contained in this material change report is expressly qualified by this cautionary statement.

The forward-looking information contained in this material change report represents the expectations of the Company as of the date of this material change report and, accordingly, is subject to change after such date. However, the Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.