

May 4, 2021



Lowell Farms Inc. Announces First Quarter 2021 Financial Results

Vertically-integrated cannabis leader finishes quarter with multiple post-merger successes and strong position for future expansion

SALINAS, Calif., May 04, 2021 (GLOBE NEWSWIRE) -- **Lowell Farms Inc.** (the “Company”) (CSE: LOWL; OTCQX: LOWLF), a leading, vertically-integrated, California-focused cannabis company, announced revenue and operating results for the first quarter (ended March 31, 2021). All figures stated are in US Dollars and are on a US GAAP basis.

First Quarter Financial Highlights:

- Revenue generated for the three-month period ended March 31, 2021 was \$11.0 million; an increase of 17% from the Q1 2020 and an increase of 20% over the preceding quarter.
- Adjusted EBITDA for the three-month period ended March 31, 2021, was (\$4.6 million), which approximates adjusted EBITDA in Q1 2020. See “Use of Non-GAAP Financial Information” below.
- Operating expenses were \$4.2 million for the three-month period ended March 31, 2021, compared to \$5.4 million in the first quarter of the prior year.
- Gross margin was negative 13% compared to negative margin of 18% in the first quarter of last year.
- Operating loss of \$5.7 million compared to operating loss of \$7.1 million in Q1 2020.

Recent harvests have begun to exceed pre-stress yields which is encouraging for Q2 and beyond, but revenue in the current quarter continued to be impacted by lower yields experienced from cultivation as a result of plant stress from the wildfires and extreme temperatures in the late summer. Revenues were also impacted by the decision to continue to significantly reduce lower margin third party agency and distributed brand sales and focus primarily on higher margin owned brand products.

“We enter the new quarter with confidence that our greatest challenges are behind us,” says Lowell Farms Inc. Chief Executive Officer Mark Ainsworth. “While we saw improvements in revenue year-over-year, the results showcased in this quarter still reflect the headwinds we

encountered in 2020.

“We are seeing promising results from the sales of the recently acquired Lowell Herb Co. branded products. We also exited the first quarter with a return to healthy cultivation yields, meeting or exceeding the levels we experienced in the middle of last year.”

Operational Highlights and Ongoing Initiatives in 2021:

The Company's focus and strategic planning of key initiatives continue to drive sustainable profitable growth, with top priorities on its cultivation facilities, improving operational efficiency, and refinement of biological assets.

Subsequent events to the fiscal fourth quarter December 31, 2020:

- Lowell Farms and Ascend Wellness Holdings Announce Strategic Licensing Agreement, Bringing Award-Winning Lowell Smokes to Illinois and Massachusetts
 - April 14, 2021 – Press release [here](#)
- Lowell Farms Appoints Bryan Dunmire to Chief Product Officer
 - March 10, 2021 – Press release [here](#)
- Lowell Farms Inc. Emerges From Acquisition With an Eye Toward Dominance in California's Cannabis Industry and Beyond
 - March 5, 2021 - Press release [here](#)
- **Cultivation Quality and Efficiency:**
 - As the Company continues to evaluate its cultivation processes, refine genetics, and enhance facilities and systems, the focus has been on overcoming the challenges in order to improve the output.
 - Lowell Farms saw a significant increase YoY from operating 29 flowering rooms at 145k sq. ft and nine nursery rooms at 45k sq. ft. in Q1 2021, compared to operating eight flowering rooms at 40k sq. ft. and two nursery rooms at 10k sq. ft in Q1 2020.
 - The Company harvested 36 rooms in Q1 2021; in contrast to 12 rooms harvested in Q1 2020.
 - The average turn time for a flowering room has improved over 25% from 100+ days in 2020 Q1 to 72 days 2021 Q1.
 - The Company successfully completed the electrical, mechanical, and environmental upgrades with final approval from the county in Q4 2020. With the improved environment upgrades, we have seen increased yield results.
 - The clone dome in the nursery was brought online in Q1 2021 resulting in being able to propagate clones to scale with consistent quality and potencies.
 - Portfolio of strains coming from the newly improved cultivation have consistently tested in the mid to high 20's for THC potency.
 - Continued yield improvements are expected to be seen as the environmental control system has been installed and implemented.
 - Potency on flower has been consistently in excess of 20%+ with several 25%-30%+ THC strains.
 - New cultivars were brought into the facility and the Company expects to roll out two to three new strains every quarter to ensure an ever evolving and diverse selection for our consumers.

- By the end of Q1, significant strides were made in pest management and quality from outsourced genetics.
 - The overall plant health in the nursery has been dramatically improved and is expected to yield visible results in Q2.
 - In Q4, Lowell Farms commissioned an automated flower packaging line which meant an immediate 61% reduction in flower packing headcount.
 - The implementation has generated two times the productivity from 50 lbs. per shift to 100 lbs. per shift.
 - An Argus Specialist has been overseeing the process of implementation of the control system within our cultivation.
 - Roots Talk Fertigation System is now being used to provide liquid nutrition to the plants.
 - Team
 - With additions in key areas, the right team is in place to oversee and manage the increased yield improvements within the cultivation.
- **Owned Core Brands:**
 - Lowell Herb Co
 - April represented the second full month under consolidated ownership and the first such month whereby the product was sold under a combined salesforce.
 - Lowell Herb has been introduced to 124 new accounts YTD with a positive reception from the market upon the introduction of Lowell products, made with flower grown at Lowell Farms greenhouse.
 - Owned brands continue to gain market share:
 - House Weed experienced consistent sales growth in Q1 with the addition of a variety of SKU's.
 - Moon edibles (chocolates, mints, gummies) saw a 17% increase in account invoices, strengthening the brand footprint, and reach throughout NorCal and SoCal. Moon case orders are up 30% from Q4 2020 to Q1 2021.

Q1 Financial Results Earnings Conference Call Details:

The conference call with management at 8:30 a.m. ET on Wednesday, May 5, can be accessed using the following dial-in information:

U.S. and Canadian Toll

Free: 1-877-300-8521

International: 1-412-317-6026

Conference ID: 10154598

Webcast: <http://public.viavid.com/index.php?id=144370>

Please dial-in at least 10 minutes before the call to register.

The conference call will be webcast live and archived on the investor relations section of the Lowell Farms website at <https://ir.lowellfarms.com/>.

ABOUT LOWELL FARMS INC.

Lowell Farms Inc. (CSE:LOWL; OTCQX:LOWLF)(the "Company") is a California-based vertically-integrated cannabis company with advanced production capabilities supporting every step of the supply chain, including cultivation, extraction, manufacturing, brand sales,

marketing, and distribution. Founded in 2014 as Indus Holdings, Inc, Lowell Farms grows artisan craft cannabis with a deep love and respect for the plant, and prides itself on using sustainable materials – from seed to sale – to produce an extensive portfolio of award-winning original and licensed brands, including Lowell Herb Co, Cypress Cannabis, MOON, and Kaizen Extracts, for licensed retailers statewide.

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Forward-Looking Information and Statements

This news release 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 ability of the Company to successfully achieve its business objectives, including as a result of the described acquisition, and expectations for other economic, business, and/or competitive factors. 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, such as the Company's annual information form filed on the SEDAR website at www.sedar.com. 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 news release is expressly qualified by this cautionary statement.

The forward-looking information contained in this news release represents the expectations of the Company as of the date of this news release 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.

Neither the Canadian Securities Exchange nor its Regulation Service Provider has reviewed, or accepts responsibility for the adequacy or accuracy of, the content of this news release.

LOWELL FARMS INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,573	\$ 25,751
Accounts Receivable - net of allowance for doubtful accounts of \$1,819 and \$1,389 at March 31, 2021 and December 2020, respectively	7,118	4,529
Inventory	13,888	9,933
Prepaid expenses and other current assets	2,533	6,391
Total current assets	37,112	46,605
Property and equipment, net	49,456	49,243
Goodwill	357	357

Other intangibles, net	37,124	736
Other assets	403	476
Total assets	\$ 124,452	\$ 97,416
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,352	\$ 2,137
Accrued payroll and benefits	900	1,212
Notes payable, current portion	381	1,213
Lease obligation, current portion	2,915	2,301
Other current liabilities	7,198	8,860
Total current liabilities	14,746	15,723
Notes payable	285	303
Lease obligation	35,888	36,533
Convertible debentures	13,629	13,701
Total liabilities	64,547	66,260
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Share capital	161,006	125,540
Accumulated deficit	(101,103)	(94,384)
Total stockholders' equity	59,903	31,156
Total liabilities and stockholders' equity	\$ 124,451	\$ 97,416

See accompanying notes to interim consolidated financial statements.

LOWELL FARMS INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Three Months Ended March 31,	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (6,719)	\$ (7,874)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	908	963
Amortization of debt issuance costs	204	-
Share-based compensation expense	287	1,612
Provision for doubtful accounts	223	177

Unrealized gain on change in fair value of investments	(106)	(85)
Changes in operating assets and liabilities:		
Accounts receivable	(1,500)	929
Inventory	(655)	1,400
Prepaid expenses and other current assets	1,058	(485)
Other assets	152	-
Accounts payable and accrued expenses	(941)	(3,484)
Other current and long-term liabilities	-	4,496
Net cash used in operating activities	(7,089)	(2,352)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from asset sales	1,980	-
Purchases of property and equipment	(380)	(1,227)
Acquisition of business assets, net	(40,983)	-
Investment in corporate interests	-	(57)
Net cash used in investing activities	(39,383)	(1,284)
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on lease obligations	(580)	(501)
Payments on notes payable	(30)	(8)
Proceeds from lease financing	-	120
Proceeds from notes payable	-	3,800
Proceeds from senior secured notes	-	-
Proceeds from convertible notes	-	-
Proceeds from brokered private placement	-	-
Conversion of accrued interest	3	-
Proceeds from exercise of warrants and options	665	-
Issuance of subordinate voting shares for acquisition	34,236	-
Payment of debt issuance costs	-	(532)
Net cash provided by financing activities	34,294	2,879
Change in cash and cash equivalents and restricted cash	(12,178)	(757)
Cash and cash equivalents—beginning of year	25,751	1,344
Cash, cash equivalents and restricted cash—end of period	\$ 13,573	\$ 587

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the period for interest	\$ 15	\$ 675
Cash paid during the period for income taxes	\$ 91	\$ -

OTHER NONCASH INVESTING AND FINANCING ACTIVITIES

Property and equipment acquired via capital lease	\$ -	\$ 110
Issuance of subordinate voting shares in exchange for net assets acquired	\$ 34,236	\$ -
Liabilities assumed and receivable forgiveness in exchange for net assets acquired	\$ 3,460	\$ -

Debt and associated accrued interest converted to subordinate voting shares	\$	668	\$	-
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See accompanying notes to interim consolidated financial statements.

LOWELL FARMS INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Periods Ended March 31, (in thousands, \$US)	Three Months	
	2021	2020
Net revenue	\$ 11,026	\$ 9,442
Cost of goods sold	12,503	11,171
Gross profit	(1,477)	(1,729)
Operating expenses		
General and administrative	2,460	3,791
Sales and marketing	1,441	1,226
Depreciation and amortization	324	363
Total operating expenses	4,225	5,380
Loss from operations	(5,702)	(7,109)
Other income/(expense)		
Other income/(expense)	(229)	25
Loss on termination of investment	106	85
Unrealized gain(loss) on change in fair value of investment		
Gain on foreign currency	-	-
Interest expense	(831)	(850)
Total other income/(expense)	(954)	(740)
Loss before provision for income taxes	(6,656)	(7,849)
Provision/(Benefit) for income taxes	63	25
Net loss	\$ (6,719)	\$ (7,874)
Net loss per share - basic and diluted	\$ (0.13)	\$ (0.24)
Weighted average shares outstanding - basic and diluted	53,592	32,988

See accompanying notes to interim consolidated financial statements.

The table below reconciles Net Loss to Adjusted EBITDA for the periods indicated.

LOWELL FARMS, INC. AND AFFILIATES
ADJUSTED EBITDA
(Unaudited)

Periods Ended March 31, (in thousands)	Three Months	
	2021	2020
Net income/(loss) attributable to Lowell Farms, Inc.	\$ (6,719)	\$ (7,874)
Interest expense	831	850
Provision for income taxes	63	25
Depreciation in cost of goods sold	584	514
Depreciation and amortization in operating expenses	324	363
Investment and currency (gains)/ losses	(106)	(85)
Share-based compensation	289	1,612
Net effect of change in fair value of biological assets	-	-
Net cost of goods effect of mark-up on acquired finished goods inventory	166	-
Adjusted EBITDA⁽¹⁾	\$ (4,569)	\$ (4,594)

⁽¹⁾ Non-GAAP measure



Source: Lowell Farms Inc.