

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): August 10, 2023**

**LOWELL FARMS INC.**

(Exact name of registrant as specified in its charter)

**British Columbia, Canada**  
(State or Other Jurisdiction of Incorporation)

**000-56254**  
(Commission File Number)

**N/A**  
(I.R.S. Employer Identification No.)

**19 Quail Run Circle – Suite B**  
**Salinas, California 93907**  
(Address of Principal Executive Offices) (Zip Code)

**(831) 998-8214**  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02. Results of Operations and Financial Condition.**

On August 10, 2023, Lowell Farms Inc. (the “Company”), issued a press release reporting its results for the first fiscal quarter ended June 30, 2023. A copy of the press release is furnished as Exhibit 99.1 to this report.

In accordance with General Instruction B.2 of Form 8-K, the information in this Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

*(d) Exhibits*

<b><u>Number</u></b>	<b><u>Description</u></b>
<a href="#">99.1</a>	<a href="#">Press Release, dated August 10, 2023</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Lowell Farms Inc.**

Date: August 10, 2023

By: /s/ Tessa O'Dowd  
Tessa O'Dowd  
Interim Chief Financial Officer

## Lowell Farms Inc. Announces Unaudited Second Quarter 2023 Financial and Operational Results

SALINAS, Calif., Aug. 10, 2023 (GLOBE NEWSWIRE) -- **Lowell Farms Inc.** (the “Company”) (CSE: LOWL; OTCQX: LOWLF), a California-born vertically integrated cannabis company with advanced production capabilities including cultivation, extraction, manufacturing, and distribution, announces unaudited revenue and operating results for the second quarter (ended June 30, 2023). All figures stated are in US Dollars.

### Second Quarter Financial Highlights

#### Revenues:

- Net revenue generated for Q2 2023 decreased 47% to \$7.0 million, as compared to \$13.2 million for Q2 2022. Net revenue was \$7.5 million for Q1 2023, a decrease of 7%.
  - **CPG** revenue decreased 40% compared to Q2 2022 and decreased 5% compared to Q1 2023.
  - **Bulk** revenue from self-grown wholesale products decreased 34% compared to Q2 2022 and decreased 11% compared to Q1 2023. In Q2 2023, there was a 37% decrease in volume and a 44% increase in realized price per pound compared to Q1 2023.
  - **LFS** revenue decreased 95% compared to Q2 2022 and decreased 18% compared to Q1 2023.
  - **Out of state licensing** revenue decreased 14% compared to Q2 2022 and increased 7% compared to Q1 2023.

#### Gross Margin:

- Gross margin for Q2 2023 was negative 4.8%, representing a gross loss of negative \$0.3 million, compared to a gross margin of positive 1.8% for Q1 2023, which represented a gross profit of \$0.1 million.

#### Operating Loss:

- Operating loss was \$2.6 million compared to an operating loss of \$3.0 million in Q2 2022, a 12% improvement. Operating loss was \$2.3 million in Q1 2023.

#### Net Income:

- Net loss was \$0.1 million compared to a net loss of \$4.6 million in Q2 2022, and a net loss of \$4.0 million for Q1 2023.

#### Adjusted EBITDA:

- Adjusted EBITDA was negative \$1.2 million compared to adjusted EBITDA of negative \$1.1 million in Q2 2022 and adjusted EBITDA of negative \$1.1 million in Q1 2023. Adjusted EBITDA is a non-GAAP financial measure. See “Use of Non-GAAP Financial Information” below for further information and a detailed reconciliation to Net Loss, the closest comparable GAAP measure.

Revenue Summary (\$'s in '000)				
	Q2'22	Q1'23	Q2'23	Q2'23 vs Q1'23 Growth
CPG Revenues	\$7,444	\$4,659	\$4,438	-5%
Bulk Product	\$3,415	\$2,530	\$2,263	-11%
LFS	\$2,048	\$115	\$94	-18%
Out-of-State Licensing	\$274	\$222	\$237	7%
Total	\$13,181	\$7,526	\$7,032	-7%

### Subsequent events to the first quarter ended March 31, 2023:

- **Lowell Farms Announces Sale Leaseback Transaction for Processing Facility**
  - <https://ir.lowellfarms.com/news-events/press-releases/detail/109/lowell-farms-announces-sale-leaseback-transaction-for>

“Having implemented cost-saving measures throughout the first and second quarters of 2023, we remain focused on an upward trajectory, and we continue to push forward while navigating the challenges presented to us – both legislatively and financially – as leaders in the California cannabis marketplace,” says Chief Executive Officer and Co-Founder Mark Ainsworth.

“Our focus for the foreseeable future remains on maximizing efficiencies and new revenue streams, including third-party distribution, while expanding our portfolio of owned brands with new product lines that will captivate and command loyalty among consumers.”

### Operational Highlights and Ongoing Initiatives:

- **Cultivation Quality and Efficiency:**
  - Continuing to refine its cultivation processes, genetics, and enhance facilities and systems is always at the forefront of the Company's objectives.
    - Lowell Farms saw flower product totaling approximately 6,730 pounds during the second quarter of 2023 compared to 4,932 in Q1 of 2023.
      - The Company harvested 36 times in Q2 2023; in contrast to 42 harvests in Q1 2023.
        - HpLV outbreak attributed to weakened plant immunity.
      - The average turn time for the flowering rooms remained consistent with 60 days in Q2 2023 compared to 59 days in Q1 2023.
    - The portfolio of strains and consistent THC potencies coming from the cultivation are a result of the upgrades the Company has made to the electrical, mechanical, and environmental systems.
      - The average flower potency has remained consistent with 26.1% in Q2 2023 compared to 26.3% in Q1 2023.
- **Lowell Farm Services:**
  - Lowell Farms Services (LFS) is the Company's cannabis processing facility in Salinas Valley.
    - In Q2 2023, the Company generated revenue of \$0.1 million associated with Lowell Farm Services, consistent with revenue of \$0.1 million in Q1 2023. LFS revenue includes sales of third-party bulk flower.
    - Lowell Farm Services processed approximately 23,300 pounds of wet weight third-party flower in Q2 2023 compared to 22,500 pounds in Q1 2023.
      - Continued efficiencies in processing functions have resulted in reduced labor costs.
- **California Market Trends:**
  - Lowell Herb Co.
    - Lowell 35's revenue during Q2 2023 was \$806k.
    - Lowell has remained one of the top three selling non-infused pre-roll brands in California and ranked as one of the top 20 brands in the state, according to Headset data.
    - Soft launched Infused 35's product extension with two blends at BottleRock Music Festival leading to placement in 43 retail shops by the end of Q2 with approximately \$57k in sales.
    - Sales of Lowell branded products generated revenue of \$3.5 million in Q2 2023, compared to \$3.9 million in Q1 2023.
- **Out-of-State Licensing:**
  - Collectively, out-of-state revenues increased 7% from \$222k in Q1 2023 to \$237k in Q2 2023.
  - Royalties in Q2 2023 were \$230k, up 10% from the prior quarter.
  - Massachusetts
    - Lowell Herb Co. is the 15<sup>th</sup> top-selling non-infused pre-roll brand in the state, according to Q2 2023 BDS data.
    - Lowell pre-roll pack (The Creative) is positioned within the top 25 non-infused pre-roll SKUs in the state, according to Q2 2023 BDS data.
  - Illinois
    - Lowell remains the 4<sup>th</sup> top-selling non-infused pre-roll brand in the state, according to Q2 2023 BDS data.
    - Lowell products, The Creative and The Social, are the 3<sup>rd</sup> and 4<sup>th</sup> best-selling pre-rolls, according to Q2 2023 BDS data.
  - Arizona
    - Lowell Smokes maintained the #1 selling pre-roll position in both unit sales and revenue in its flagship account in Arizona.
    - The brand unveiled its first line extensions in the state with locally-relevant, Arizona-specific blends – The Roadrunner Sativa, Diamondback Hybrid, and Sunset Point Indica.
  - Colorado
    - Lowell Herb Co. was the 3<sup>rd</sup> top-selling non-infused pre-roll brand in the state in Q2 2023.
    - Sold in Schwazze retail network as well as statewide through third-party partnership retailers.
  - New Mexico
    - Exclusively distributed to consumers through Schwazze retail banners of R. Greenleaf and Everest with a total of 32 stores.
- **Distribution Capabilities:**
  - The average drop value was approximately \$3,883 in Q2 2023 compared to \$4,440 in Q1 2023.

## Q2 Financial Results Earnings Conference Call Details:

The conference call with management at 5:30 p.m. ET on Thursday, August 10, can be accessed using the following dial-in information:

U.S. and Canadian Toll

Free: 1-877-550-1707

International: 1-848-488-9020

Webcast: [Link here](#)

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 cannabis company with advanced production capabilities supporting every step of the supply chain, including cultivation, extraction, manufacturing, brand sales, marketing, and distribution. 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 originals, including Lowell Herb Co., House Weed, MOON, and Kaizen, 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 conditions, 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 anticipated growth of Lowell Farm Services and the ability of the Company to successfully achieve its business objectives 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](http://www.sedar.com) and the Company’s Form 10 filed on the SEC website at [www.sec.com](http://www.sec.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.

#### **Use of Non-GAAP Financial Information**

EBITDA is net income (loss), excluding the effects of income taxes (recovery); net interest expense; depreciation and amortization; and adjusted EBITDA also includes noncash fair value adjustments on investments; unrealized foreign currency gains/losses; share-based compensation expense; and other transactional and special expenses, such as out-of-period insurance recoveries and acquisition costs and expenses related to the markup of acquired finished goods inventory, which are inconsistent in amount and frequency and are not what we consider as typical of our continuing operations. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by operations. We use adjusted EBITDA internally to understand, manage, make operating decisions related to cash flow generated from operations and evaluate our business. In addition, we use

adjusted EBITDA to help plan and forecast future periods.

This measure is not necessarily comparable to similarly titled measures used by other companies.

A reconciliation of this measure to Net Loss is provided below.

**LOWELL FARMS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(unaudited)**  
**(in thousands)**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,422	\$ 1,098
Accounts receivable - net of allowance for doubtful accounts of \$959 and \$1,053 at June 30, 2023 and December 31, 2022, respectively.	2,683	4,163
Inventory	9,509	10,779
Prepaid expenses and other current assets	736	1,522
<b>Total current assets</b>	<b>21,350</b>	<b>17,562</b>
Property and equipment, net	14,772	31,284
Right of use assets, net	54,142	27,362
Other intangibles, net	41,999	42,202
Other assets	672	413
<b>Total assets</b>	<b>\$ 132,935</b>	<b>\$ 118,823</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,074	\$ 2,307
Accrued payroll and benefits	298	350
Notes payable, current portion	8	282
Lease obligation, current portion	1,592	2,659
Convertible debentures	21,854	21,398
Other current liabilities	3,770	3,654
<b>Total current liabilities</b>	<b>30,596</b>	<b>30,650</b>
Notes payable	1	3
Lease obligation	58,233	31,340
Mortgage obligation	-	8,713
<b>Total liabilities</b>	<b>88,830</b>	<b>70,706</b>
COMMITMENTS AND CONTINGENCIES		
<b>STOCKHOLDERS' EQUITY</b>		
Share capital	191,843	191,742
Accumulated deficit	(147,738)	(143,625)
<b>Total stockholders' equity</b>	<b>44,105</b>	<b>48,117</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 132,935</b>	<b>\$ 118,823</b>

**LOWELL FARMS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
**(unaudited)**  
**(in thousands, except per share amounts)**

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net revenue	\$ 7,032	\$ 13,181	\$ 14,558	\$ 25,589
Cost of goods sold	7,373	11,687	14,767	22,522
Gross profit (loss)	(341)	1,494	(209)	3,067
Operating expenses				
General and administrative	1,561	2,649	3,184	4,813
Sales and marketing	638	1,747	1,373	3,508
Depreciation and amortization	108	123	215	231
Total operating expenses	2,307	4,519	4,772	8,552
Loss from operations	(2,648)	(3,025)	(4,981)	(5,485)
Other income/(expense)				
Other income (expense)	3,803	(156)	3,805	(295)
Unrealized change in fair value of investment	(27)	(36)	(28)	(107)
Interest expense	(1,151)	(1,337)	(2,810)	(2,649)
Total other income (expense)	2,625	(1,529)	967	(3,051)
Loss before provision for income taxes	(23)	(4,554)	(4,014)	(8,536)
Provision for income taxes	50	60	99	135
<b>Net loss</b>	<b>\$ (73)</b>	<b>\$ (4,614)</b>	<b>\$ (4,113)</b>	<b>\$ (8,671)</b>
Net loss per share:				
Basic	\$ (0.01)	\$ (0.04)	\$ (0.03)	\$ (0.08)
Diluted	\$ (0.01)	\$ (0.04)	\$ (0.03)	\$ (0.08)
Weighted average shares outstanding:				
Basic	121,770	112,026	121,770	111,981
Diluted	121,770	112,026	121,770	111,981

**LOWELL FARMS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited) (in thousands)

	Six Months Ended	
	June 30, 2023	June 30, 2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (4,113)	\$ (8,671)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	2,644	3,433
Amortization of debt issuance costs	484	451
Share-based compensation expense	101	318
Provision for doubtful accounts	116	459
Gain on sale leaseback	(3,004)	-
Gain on lease settlement	(880)	-
Loss on sale of assets	-	8
Unrealized loss on change in fair value of investments	28	107
Changes in operating assets and liabilities:		
Accounts receivable	1,364	1,723



Inventory	1,270	(1,587)
Prepaid expenses and other current assets	466	(904)
Other assets	(387)	-
Accounts payable and accrued expenses	1,488	1,277
<b>Net cash used in operating activities</b>	<b>\$ (423)</b>	<b>\$ (3,386)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from asset sales	-	5
Purchases of property and equipment	(19)	(1,030)
<b>Net cash used in investing activities</b>	<b>\$ (19)</b>	<b>\$ (1,025)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from sale leaseback	8,991	-
Principal payments on lease obligations	(1,142)	(1,196)
Payments on notes payable	(83)	(75)
<b>Net cash used in financing activities</b>	<b>\$ 7,766</b>	<b>\$ (1,271)</b>
Change in cash and cash equivalents	7,324	(5,682)
Cash and cash equivalents-beginning of year	1,098	7,887
<b>Cash, cash equivalents -end of period</b>	<b>\$ 8,422</b>	<b>\$ 2,205</b>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the period for interest	\$ 1,821	\$ 2,655
Cash paid during the period for income taxes	\$ 87	\$ 60

**OTHER NONCASH INVESTING AND FINANCING ACTIVITIES**

Purchase of property and equipment not yet paid for	\$ -	\$ 58
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*The table below reconciles Net Loss to Adjusted EBITDA for the periods indicated:*

**LOWELL FARMS INC.**  
**EBITDA - Non-GAAP measure**

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>Net loss</b>	<b>\$ (73)</b>	<b>\$ (4,614)</b>	<b>\$ (4,113)</b>	<b>\$ (8,671)</b>
Interest expense	1,151	1,339	2,810	2,649
Provision for income taxes	50	60	99	135
Depreciation and amortization in cost of goods sold	1,340	1,628	2,430	2,888
Depreciation and amortization in operating expenses	108	123	214	231
Depreciation and amortization in other income (expense)	-	171	-	314
<b>EBITDA</b>	<b>2,576</b>	<b>(1,293)</b>	<b>1,440</b>	<b>(2,454)</b>
Investment and currency (gains)/ losses	28	37	28	107
Goodwill impairment	-	-	-	-
Share-based compensation	41	157	101	318
Transaction and other charges	(3,884)	-	(3,884)	30
<b>Adjusted EBITDA</b>	<b>\$ (1,239)</b>	<b>\$ (1,099)</b>	<b>\$ (2,315)</b>	<b>\$ (1,999)</b>