FORM 51-102F3

Material Change Report

Item 1 Name and Address of Corporation

Terrace Global Inc. ("**Terrace**" or the "**Corporation**")
365 Bay Street, Suite 800
Toronto, Ontario M5H 2V1

Item 2 Date of Material Change

October 19, 2020

Item 3 News Release

A news release relating to the material change described herein was disseminated on October 20, 2020 through the services of GlobalNewswire and subsequently filed on SEDAR.

Item 4 Summary of Material Change

On October 19, 2020, the Corporation entered into a definitive agreement (the "**Arrangement Agreement**") with The Flowr Corporation ("**Flowr**"), pursuant to which Flowr will acquire, by way of a court-approved plan of arrangement under the provisions of the *Business Corporations Act* (Ontario) (the "**OBCA**"), all of the issued and outstanding common shares (each, a "**Terrace Share**") in the capital of the Corporation (the "**Transaction**") including the Terrace Shares issued upon the conversion of the Terrace subscription receipts convertible into Terrace Shares and the Terrace options and Terrace warrants issued and outstanding.

Item 5 Full Description of Material Change

On October 20, 2020, the Corporation announced that it had entered into the Arrangement Agreement. The Transaction will be carried out by way of a plan of arrangement of the Corporation under the OBCA, pursuant to which shareholders of Terrace (the "**Terrace Shareholders**") will receive 0.4973 of a common share in the capital of Flowr in exchange for each Terrace Share held and holders of options and holders of warrants will receive Flowr replacement options and Flowr replacement warrants, respectively.

The implementation of the Transaction will be subject to the approval of at least 66 2/3% of the votes cast by holders of Terrace Shares, and by a majority of the minority of holders of Terrace Shares, if and as required pursuant to Multilateral Instrument 61-101 – P*rotection of Minority Security Holders in Special Transactions* at a special meeting of Terrace Shareholders expected to be held in December 2020 (the "**Meeting**"). In addition to Terrace Shareholder approval, the Transaction is also subject to the receipt of regulatory, court and other approvals, and the satisfaction or waiver of conditions customary for transactions of this nature.

The Transaction is also conditional upon: (i) the amendment of the existing indenture governing the 10% subordinated secured debentures issued by Flowr in the aggregate principal amount of $21.6 million to enable the early conversion of approximately $11.9 million of debentures held by insiders of Flowr; and (ii) certain amendments to Flowr's senior secured credit facility from a syndicate of lenders led by ATB Financial, including a future basket for the issuance of up to at least $11.9 million subordinated secured debentures on substantially similar terms to the existing debentures as well as the improvement of certain credit covenants.

The board of directors of Terrace unanimously recommends that shareholders of Terrace vote in favour of the Transaction. The financial advisor to Terrace, Hyperion Capital Inc., has provided an opinion to the board of directors of Terrace to the effect that, as of the date of the opinion, subject to the assumptions, limitations and qualifications on which such opinion is based, the consideration to be received by Terrace Shareholders pursuant to the Transaction is fair, from a financial point of view, to Terrace Shareholders.

All of the directors and senior officers of Terrace and other certain shareholders of Terrace, who hold in the aggregate approximately 38% of the issued and outstanding Terrace Shares on a non-diluted basis, have entered into customary voting and support agreements with Flowr to, among other things, support the Transaction and vote their Terrace Shares in favour of the Transaction.

The Arrangement Agreement provides for, among other things, the board of directors of Terrace being able to consider a superior proposal in certain circumstances. The Arrangement Agreement also provides for the payment by Terrace of a termination fee up to a C$3 million in favour of Flowr in certain circumstances. In addition, the Arrangement Agreement provides that, under certain circumstances, where the Transaction is not completed because of the failure of Flowr to obtain certain approvals or consents, Flowr would be required to reimburse Terrace's expenses up to C$500,000.

In accordance with a form of nomination and voting agreement to be entered into by Flowr at closing of the Transaction, the board of directors of Flowr following completion of the Arrangement will be comprised of 5 existing Flowr directors (including two directors that are independent), 3 nominees of former Terrace Shareholders and a new independent director to be mutually agreed to by Flowr and former Terrace Shareholders.

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

Francisco Ortiz von Bismarck, the Chief Executive Officer of the Corporation, is knowledgeable about the material change and this report. His business telephone number is (416) 361-3121.

Item 9 Date of Report

October 28, 2020

Forward-Looking Statement

This material change report contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Flowr, Terrace or their respective subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this material change report. These forward-looking statements include, but are not limited to, statements relating to Terrace's expectations with respect to: the timing and outcome of the Transaction and the anticipated timing of the Meeting.

Risks, uncertainties and other factors involved with forward-looking information could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. The completion of the Transaction is subject to a number of terms and conditions, including, without limitation: (i) applicable governmental approvals (including the TSX Venture Exchange), (ii) required shareholder approvals, (iii) necessary court approvals, and (iv) certain termination rights available to the parties under the Agreement. These approvals may not be obtained, the other conditions to the Transaction may not be satisfied in accordance with their terms, and/or the parties to the Agreement may exercise their termination rights, in which case the Transaction could be modified, restructured or terminated, as applicable. The Transaction cannot close until the required shareholder, court and regulatory approvals are obtained. There can be no assurance that the Transaction (including the terms of the nomination and voting agreement) will be completed as proposed or at all. Readers are cautioned that the foregoing list of factors is not exhaustive.

In respect of the forward-looking information concerning the anticipated completion of the Transaction and the timing thereof, Terrace has provided such statements and information in reliance on certain assumptions that it believes are reasonable at this time. Although Terrace believes that the assumptions and factors used in preparing the forward-looking information in this material change report are reasonable, undue reliance should not be placed on such information and no assurance can be given that such events will occur in the disclosed time frames or at all. The forward-looking information included in this material change report are made as of the date of this material change report and Terrace does not undertake an obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless required by applicable securities laws.

There can be no assurance that the Transaction will occur, or that it will occur on the terms and conditions contemplated in this material change report. The Transaction could be modified, restructured or terminated. Actual results could differ materially from those currently anticipated due to a number of factors and risks.

Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the Meeting, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon.