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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to ____________

Commission File Number: **001-39820**

Clever Leaves Holdings Inc.

(Exact name of registrant as specified in its charter)

British Columbia, Canada	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Bodega 19-B Parque Industrial Tibitoc P.H, Tocancipá - Cundinamarca, Colombia	**N/A**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code): **(561) 634-7430**

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares without par value	CLVR	The Nasdaq Stock Market LLC
Warrants, each warrant exercisable for one common share at an exercise price of $11.50	CLVRW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐	Non-accelerated filer	☒
		Smaller reporting company	☒	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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of registrant's common shares outstanding as of May 8, 2023 was 45,519,228.

CLEVER LEAVES HOLDINGS INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") includes certain statements that are not historical facts but are forward-looking statements for purposes of the safe harbor provisions under the United States Private Securities Litigation Reform Act of 1995. You should not place undue reliance on such statements because they are subject to numerous risks and uncertainties which are difficult to predict and many of which are beyond our control and could cause our actual results to differ from the forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "forecast," "will," "expect," "budget," "contemplate," "believe," "estimate," "continue," "project," "positioned," "strategy," "outlook" and similar expressions. You should read statements that contain these words carefully because they:

- discuss future expectations;
- contain projections of future results of operations or financial condition; or
- state other "forward-looking" information.

All such forward-looking statements are based on our current expectations and involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements. We believe it is important to communicate our expectations to our security holders. However, there may be future events that we are not able to predict accurately or over which we have no control. The risk factors and cautionary language discussed in this Part I, Item 1A, "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2022 (the "Annual Report" or "2022 Form 10-K") provide examples of risks, contingencies, uncertainties, and events that may cause our actual results to differ materially from the expectations described by us in such forward-looking statements, including among other things:

- our ability to continue as a going concern;
- our ability to maintain the listing of our securities on Nasdaq;
- changes adversely affecting the industry in which we operate;
- our restructuring plans;
- the availability or terms of future financing;
- our ability to achieve our business strategies or to manage our growth;
- general economic conditions, including the effects of COVID-19, the United Kingdom's exit from the European Union and the ongoing military conflict between Russia and Ukraine (and resulting sanctions) on the global economy, global financial markets and our business;
- regional political and economic conditions, including emerging market conditions;
- the effects of COVID-19 on supply and distribution chain, and the availability of third-party distributors generally;
- the impact and magnitude of rising energy costs;
- the impact and magnitude of inflation and currency fluctuations;
- the regulation and legalization of adult-use, recreational cannabis;
- our ability to retain our key employees; and
- other factors that are more fully discussed in Part I, Item 1A of the "2022 Form 10-K" under the heading "Risk Factors", and those discussed in other documents we file with the SEC.

These risks could cause actual results to differ materially from those implied by the forward-looking statements contained in this Form 10-Q.

All forward-looking statements included herein attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. These forward-looking statements speak only as of the date of this Form 10-Q. Except to the extent required by applicable laws and regulations, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

This Form 10-Q contains estimates, projections and other information concerning our industry, our business, and the markets for our products. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from our own internal estimates and research as well as from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

ITEM 1. FINANCIAL STATEMENTS

CLEVER LEAVES HOLDINGS INC.
Condensed Consolidated Statements of Financial Position
(Amounts in thousands of U.S. Dollars, except share and per share data)
(Unaudited)

		As of	
	Note	**March 31, 2023**	**December 31, 2022**
Assets			
Current:			
Cash and cash equivalents		**$ 6,362**	$ 12,449
Restricted cash		**327**	439
Accounts receivable, net		**2,648**	2,252
Prepaids, deposits and other receivables	6	**3,778**	2,708
Inventories, net	5	**8,015**	8,399
Total current assets		**21,130**	26,247
Investment – Cansativa	7	**5,753**	5,679
Property, plant and equipment, net of accumulated depreciation of $ 7,531 and $7,120 for March 31, 2023 and December 31, 2022, respectively	9	**13,491**	13,963
Asset held for sale - Land	19	**1,500**	1,500
Intangible assets, net	8	**3,164**	3,354
Operating lease right-of-use assets, net	18	**1,144**	1,303
Other non-current assets		**54**	52
Total Assets		**$ 46,236**	**$ 52,098**
Liabilities			
Current:			
Accounts payable		**$ 1,776**	$ 2,299
Accrued expenses and other current liabilities		**3,826**	4,238
Loans and borrowings, current portion	10	**457**	465
Warrant liability	11	**157**	113
Operating lease liabilities, current portion	18	**599**	1,239
Deferred revenue		**988**	1,072
Total current liabilities		**7,803**	9,426
Loans and borrowing — long-term	10	**1,020**	1,065
Operating lease liabilities — long-term	18	**619**	1,087
Other long-term liabilities		**24**	112
Total Liabilities		**$ 9,466**	**$ 11,690**
Contingencies and commitments			
Shareholders' equity			
Preferred shares, without par value, unlimited shares authorized, nil shares issued and outstanding for each of March 31, 2023 and December 31, 2022		—	—
Common shares, without par value, unlimited shares authorized: 44,007,272 and 43,636,783 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	11	—	—
Additional paid-in capital		**221,756**	221,313
Accumulated deficit		**(184,986)**	(180,905)
Total shareholders' equity		**36,770**	**40,408**
Total liabilities and shareholders' equity		**$ 46,236**	**$ 52,098**

See accompanying notes to the condensed consolidated financial statements

CLEVER LEAVES HOLDINGS INC.
Condensed Consolidated Statements of Operations
(Amounts in thousands of U.S. Dollars, except share and per share data)
(Unaudited)

	Note	Three Months Ended March 31, 2023	2022
Revenue, net	16	**$ 3,978**	$ 5,041
Cost of sales		**(1,744)**	(2,448)
Gross profit		**2,234**	2,593
Expenses			
General and administrative	12	**5,367**	6,998
Sales and marketing		**549**	732
Research and development		**212**	412
Restructuring expenses	13	**—**	3,843
Depreciation and amortization		**236**	327
Total expenses		**6,364**	**12,312**
Loss from operations		**(4,130)**	**(9,719)**
Other Expense (Income), net			
Interest (income)/expense and amortization of debt issuance cost		**(17)**	2,109
Loss (gain) on remeasurement of warrant liability	11	**44**	(490)
Loss on debt extinguishment, net	11	**—**	2,263
Foreign exchange (gain) loss		**(45)**	211
Other expense (income), net		**39**	(51)
Total other expenses, net		**21**	4,042
Loss before income taxes and equity investment loss		**$ (4,151)**	$ (13,761)
Equity investment share of loss		**—**	64
Loss from continuing operations		**(4,151)**	(13,825)
Income (loss) from discontinued operations		**70**	(2,315)
Net loss		**$ (4,081)**	$ (16,140)
Net loss per share:			
Basic and diluted from continuing operations		**$ (0.09)**	$ (0.50)
Basic and diluted from discontinued operations		**—**	(0.08)
Net loss per share	17	**$ (0.09)**	$ (0.58)
Weighted-average common shares outstanding:			
Basic and diluted	17	**43,903,285**	27,960,584

See accompanying notes to the condensed consolidated financial statements.

CLEVER LEAVES HOLDINGS INC.
Condensed Consolidated Statements of Shareholders' Equity
(Amounts in thousands of U.S. Dollars, except share and per share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Amount	Amount	Amount
Balance at December 31, 2021	**26,605,797**	**$ —**	**$ 187,510**	**$ (114,740)**	**$ 72,770**
Issuance of common shares, gross	11,047,567	—	23,400	—	23,400
Issuance of common shares upon vesting of RSUs	247,453	—	—	—	—
Stock option exercise	116,112	—	22	—	22
Share-based compensation expense	—	—	500	—	500
Equity issuance costs	—	—	(1,177)	—	(1,177)
Beneficial conversion feature of Convertible Note	—	—	1,749	—	1,749
Conversion of Convertible Note to common shares	607,000	—	1,324	—	1,324
Net loss	—	—	—	(16,140)	(16,140)
Balance at March 31, 2022	**38,623,929**	**$ —**	**$ 213,328**	**$ (130,880)**	**$ 82,448**

	Note	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
		Shares	Amount	Amount	Amount	Amount
Balance at December 31, 2022		**43,636,783**	**$ —**	**$ 221,313**	**$ (180,905)**	**$ 40,408**
Issuance of common shares upon vesting of RSUs		370,489	—	—	—	—
Share-based compensation expense	12	—	—	468	—	468
Equity issuance costs	11	—	—	(25)	—	(25)
Net loss		—	—	—	(4,081)	(4,081)
Balance at March 31, 2023		**44,007,272**	**$ —**	**$ 221,756**	**$ (184,986)**	**$ 36,770**

See accompanying notes to the condensed consolidated financial statements.

CLEVER LEAVES HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows
(Amounts in thousands of U.S. Dollars)
(Unaudited)

		Three Months Ended March 31,	
		2023	2022
Cash Flow from Operating Activities:			
Loss from continuing operations		$ (4,151)	$ (13,825)
Income (loss) from discontinued operations		70	(2,315)
Net loss		$ (4,081)	$ (16,140)
Adjustments to reconcile to net cash used in operating activities:			
Depreciation and amortization		623	896
Amortization of debt discount and debt issuance cost		—	1,681
Loss on disposal of fixed assets		74	—
Inventory provision	5	121	845
Restructuring and related costs	13	—	3,919
Loss (gain) on remeasurement of warrant liability	11	44	(490)
Non-cash lease expense	18	(289)	137
Foreign exchange (gain) loss		(45)	345
Stock-based compensation expense	14	468	500
Loss on equity method investment, net	7	—	64
Loss on debt extinguishment, net	10	—	2,263
Other non-cash expense, net		—	281
Changes in operating assets and liabilities:			
(Increase) in accounts receivable		(396)	(359)
(Increase) in prepaid expenses	6	(1,070)	(1,578)
(Increase) in other receivables and other non-current assets		(2)	(150)
Decrease (increase) in inventory	5	263	(1,667)
(Decrease) in accounts payable and other current liabilities		(1,611)	(830)
(Decrease) in accrued and other non-current liabilities		(176)	(88)
Net cash used in operating activities		**$ (6,077)**	**$ (10,371)**
Cash Flow from Investing Activities:			
Purchase of property, plant and equipment		(35)	(1,215)
Net cash used in investing activities		**$ (35)**	**$ (1,215)**
Cash Flow from Financing Activities:			
Repayment of debt	10	(82)	(3,554)
Proceeds from issuance of shares	11	—	23,400
Equity issuance costs	11	(25)	(1,177)
Stock option exercise		—	22
Net cash (used in) provided by financing activities		**$ (107)**	**$ 18,691**
Effect of exchange rate changes on cash, cash equivalents & restricted cash		20	(22)
Net (decrease) increase in cash, cash equivalents & restricted cash		$ (6,199)	$ 7,083
Cash, cash equivalents & restricted cash, beginning of period [a]		12,888	37,699
Cash, cash equivalents & restricted cash, end of period [a]		**$ 6,689**	**$ 44,782**

[a] These amounts include restricted cash of $327 and $467 as of March 31, 2023 and March 31, 2022, respectively, which are comprised primarily of cash on deposits for certain lease arrangements.

See accompanying notes to the condensed consolidated financial statements.

CLEVER LEAVES HOLDINGS INC.
Notes to the Unaudited Condensed Consolidated Financial Statements
(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

1. CORPORATE INFORMATION

Clever Leaves Holdings Inc., (the "Company") is a multi-national U.S. based holding company focused on cannabinoids. In addition to the cannabinoid business, the Company is also engaged in the non-cannabinoid business of nutraceutical and other natural remedies and wellness products. The Company is incorporated under the Business Corporations Act of British Columbia, Canada.

The mailing address of the Company's principal executive office is Bodega 19-B Parque Industrial Tibitoc P.H, Tocancipá - Cundinamarca, Colombia.

2. BASIS OF PRESENTATION

The accompanying interim condensed consolidated financial statements ("Financial Statements") are unaudited. These Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 10 of regulation S-X. Accordingly, they do not include all disclosures required for annual financial statements. These Financial Statements reflect all adjustments, which, in the opinion of the management, are necessary for a fair presentation of the results for the interim periods presented. All significant intercompany transactions and balances have been eliminated. All adjustments were of a normal recurring nature. Interim results are not necessarily indicative of results to be expected for the full year.

The Financial Statements include the accounts of the Company and its wholly owned subsidiaries. Company's subsidiaries and respective ownership percentage has not changed from the year ended December 31, 2022.

These Financial Statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022, included in its Annual Report on Form 10-K, as filed with the SEC on March 30, 2023 (the "Annual Report").

Discontinued Operations

During the fiscal year 2022, the Company undertook various strategic initiatives aimed at reducing costs, improving organizational efficiency, and optimizing its business model. As part of these initiatives, the Company implemented several restructuring activities.

Additionally, in December 2022, the Company made the decision to shut down its Portugal operations in order to preserve cash. In January 2023, the Company further approved the wind-down of its entire Portuguese operations to enhance operating margin and focus solely on cannabis cultivation and production in Colombia. As part of this restructuring plan, the Company has completed the cessation of its Portuguese flower cultivation, post-harvest processes, and manufacturing activities and is expected to fully shut down the remainder of its operations by the end of the second quarter of 2023. Concurrently, preparations are underway for the sale process of these assets, with the objective of concluding the sale during the fiscal year ending December 31, 2023.

Considering the nature and extent of the restructuring activities undertaken, in accordance with Accounting Standards Codification (ASC) 205, Presentation of Financial Statements, the Company has determined that these operations meet the "discontinued operations" criteria as of March 31, 2023. As a result, the condensed consolidated statements of financial position, the condensed consolidated statements of operations, the condensed consolidated statements of cash flows, and the notes to the consolidated financial statements have been restated for all periods presented to reflect the discontinuation of these operations in accordance with ASC 205.

Please refer to Note 19, "Discontinued Operations," for further details regarding the discontinued businesses. The discussion in the notes to these financial statements, unless otherwise noted, pertains solely to the Company's continuing operations.

Going Concern

These interim financial statements have been prepared in accordance with U.S. GAAP, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months.

As shown in the accompanying consolidated financial statements, the Company had an accumulated deficit as of March 31, 2023, as well as operating losses and negative cash flows from operations since inception and expects to continue to incur net losses for the foreseeable future until such time that it can generate significant revenue from the sale of its available inventories.

At March 31, 2023, the Company had cash and cash equivalents of $6,362. As of March 31, 2023, the Company's current working capital, anticipated operating expenses and net losses, and the uncertainties surrounding its ability to raise additional capital as needed, raise substantial doubt as to whether existing cash and cash equivalents will be sufficient to meet its obligations as they come due within twelve months from the date the consolidated financial statements were issued. The consolidated financial statements do not include any adjustments for the recovery and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's ability to execute its operating plans through 2023 and beyond depends on its ability to obtain additional funding, which may include several initiatives such as raising capital, reducing working capital, and monetizing non-core assets, to meet planned growth requirements and to fund future operations, which may not be available on acceptable terms, or at all.

Principles of Consolidation

The Financial Statements include the accounts of the Company and its consolidated subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are disclosed in its audited consolidated financial statements for the year ended December 31, 2022, included in the Annual Report. Except as noted below, there have been no other changes in the Company's significant accounting policies as discussed in the Annual Report.

Use of Accounting Estimates

The preparation of these Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the Financial Statements and accompanying notes in the reported period. These estimates include, but are not limited to, allowance for doubtful accounts, inventory valuation, determination of fair value of stock-based awards and estimate of incremental borrowing rate for determining the present value of future lease payments, intangible assets, useful lives of property and equipment, revenue recognition and income taxes and related tax asset valuation allowances. While the significant estimates made by management in the preparation of the consolidated financial statements are reasonable, prudent, and evaluated on an ongoing basis, actual results may differ materially from those estimates.

Recently Adopted Accounting Pronouncements

ASU No. 2016-13- Credit Losses on Financial Instruments (Topic 326)

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model which will result in earlier recognition of credit losses for certain financial instruments and financial assets. For trade receivables, we are required to estimate lifetime expected credit losses. For available-for-sale debt securities, the Company will recognize an allowance for credit losses rather than a reduction to the carrying value of the asset. ASU 2016-13 is effective for the Company's fiscal year beginning January 1, 2023. We have adopted the provisions of Accounting Standards Update (ASU) No. 2016-13, Credit Losses on Financial Instruments (Topic 326). After careful consideration and analysis, we have determined that the adoption of this pronouncement has not had a material impact on our financial reporting. Therefore, our financial statements and disclosures have not been significantly affected by the adoption of this standard.

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

4. FAIR VALUE MEASUREMENTS

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities, except for those assets and liabilities that are short term in nature and approximate the fair values, as of the periods presented:

	Level 1	Level 2	Level 3	Total
As of March 31, 2023				
Assets:				
Investment – Cansativa	—	—	5,753	5,753
Total Assets	**$ —**	**$ —**	**$ 5,753**	**$ 5,753**
Liabilities:				
Loans and borrowings	—	1,477	—	1,477
Warrant liability	—	—	157	157
Total Liabilities	$ —	**$ 1,477**	**$ 157**	**$ 1,634**
As of December 31, 2022				
Assets:				
Investment – Cansativa	—	—	5,679	5,679
Total Assets	$ —	$ —	$ 5,679	$ 5,679
Liabilities:				
Loans and borrowings	—	1,530	—	1,530
Warrant liability	—	—	113	113
Total Liabilities	**$** —	$ 1,530	$ 113	$ 1,643

Investment – Cansativa

Our investment in Cansativa's equity securities does not have a "readily determinable fair value," or is not traded in a verifiable public market. The Company accounted for this investment under ASC 321, Investments - Equity Securities. The Company used the practical expedient available under ASU 2016-01, the cost method investment which presents and carries this investment using the alternative measurement method which is cost minus impairment, if any, plus or minus changes resulting from observable price changes in "orderly transactions," as defined in ASC 321, for the identical or a similar investment of the same issuer. The Company periodically reviews the investments for other than temporary declines in fair value below cost and more frequently when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. As of March 31, 2023, the carrying value of its cost method investments were recoverable in all material respects. For more information, refer to Note 7 to our Financial Statements for the three months ended March 31, 2023.

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

The following table provides a summary of changes in fair value of the Company's Level 3 investments for the three months ended March 31, 2023:

	Level 3
Balance, December 31, 2022 (Measured at equity method)	$ 5,679
Change in value due to foreign exchange gain	74
Balance, March 31, 2023	$ 5,753

During the three months ended March 31, 2023, there were no transfers between fair value measurement levels.

Warrant liability

The change in fair value of warrant liabilities related to private warrants during the three months ended March 31, 2023, is as follows:

Private Placement Warrants:	**Total Warrant Liability**
Warrant liability at December 31, 2022	$ 113
Change in fair value of warrant liability	44
Warrant liabilities at March 31, 2023	**$ 157**

The Company determined the fair value of its private warrants using the Monte Carlo simulation model.The following assumptions were used to determine the fair value of the Private Warrants as of March 31, 2023 and December 31, 2022:

	As of	
	March 31, 2023	**December 31, 2022**
Risk-free interest rate	3.88%	4.23%
Expected volatility	110%	105%
Share Price	$0.38	$0.31
Exercise Price	$11.50	$11.50
Expiration date	December 18, 2025	December 18, 2025

- The risk-free interest rate assumptions are based on U.S. dollar zero curve derived from swap rates at the valuation date, with a term to maturity matching the remaining term of warrants.
- The expected volatility assumptions are based on average of historical volatility based on comparable industry volatilities of public warrants.

CLEVER LEAVES HOLDINGS INC.
Notes to the Unaudited Condensed Consolidated Financial Statements
(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

5. INVENTORIES, NET

Inventories are comprised of the following items as of the periods presented:

	March 31, 2023	December 31, 2022
Raw materials	$ 1,079	$ 1,204
Work in progress – harvested cannabis and extracts	63	21
Finished goods – cannabis extracts	6,358	6,703
Finished goods – other	515	471
Total	**$ 8,015**	**$ 8,399**

During the three months ended March 31, 2023 and for year ended December 31, 2022, the Company recorded inventory provision for approximately $21 and $4,736, respectively, to cost of sales for obsolete inventories.

6. PREPAID, DEPOSITS AND OTHER RECEIVABLES

Prepaid, deposits and other receivables are comprised of the following items as of the periods presented:

	March 31, 2023	December 31, 2022
Prepaid expenses	$ 1,584	$ 590
Indirect tax receivables	2,127	2,007
Deposits	51	51
Other receivables and advances	16	60
Total	**$ 3,778**	**$ 2,708**

Prepaid expenses and deposits represent amounts paid upfront to vendors for director and officer's insurance, security deposits and supplies.

7. INVESTMENTS

Cansativa

On December 21, 2018, the Company, through its subsidiary Northern Swan Deutschland Holdings, Inc., entered into a seed investment agreement with the existing stockholders of Cansativa GmbH ("Cansativa"), a German limited liability company primarily focused on the import and sale of cannabis products for medical use and related supplements and nutraceuticals. Prior to the Company's investment, Cansativa's registered and fully paid-in share capital amounted to 26,318 common shares. Under the investment agreement, the Company has agreed with the existing stockholders to invest up to EUR 7,000 in Cansativa in three separate tranches of, respectively, EUR 1,000, EUR 3,000 and up to a further EUR 3,000. The first EUR 1,000 (specifically, EUR 999.92, approximately $1,075, or "Seed Financing Round") was invested in Cansativa to subscribe for 3,096 newly issued preferred voting shares at EUR322.97 per preferred share, and as cash contributions from the Company to Cansativa. The seed EUR322.97 per share price was based on a fully diluted pre-money valuation for Cansativa of EUR 8,500, and the increase of Cansativa's registered share capital by the 3,096 preferred shares in the Seed Financing Round provided the Company with 10.53% of the total equity ownership of Cansativa. The Company paid the seed investment subscription by, first, an initial nominal payment of EUR 3.1, (i.e., EUR 1.00 per share) upon signing the investment agreement to demonstrate the Company's intent to invest, and the remainder of EUR 996.82 was settled in January 2019 to officially close the investment deal after certain closing conditions have been met by the existing stockholders and Cansativa. The Company accounts for its investment in Cansativa using the equity accounting method, due to the Company's significant influence, in accordance with ASC 323, *Investments — Equity Method and Joint Ventures.*

The Company recorded its investment in Cansativa at the cost basis of an aggregated amount of EUR999.92, approximately $1,075, which is comprised of EUR 3.10 for the initial nominal amount of the Seed Financing Round and EUR 996.82 for the remaining Seed Financing Round (i.e., Capital Reserve Payment), with no transaction costs.

In accordance with the seed investment agreement, in September 2019, the Company made an additional investment of approximately EUR650, or approximately $722, for 2,138 shares in Cansativa, thereby increasing its equity ownership to16.6% of the book value of Cansativa's net assets of approximately EUR 1,233, and approximately EUR 1,122 of equity method goodwill as Cansativa was still in the process of getting the licenses and expanding its operations. As of September 30, 2020, the balance of Tranche 2 option expired un-exercised and as a result the Company recognized a loss on investment of approximately $370 in its Statement of Operations and Comprehensive Loss and the carrying value of the Tranche 2 option was reduced to nil.

In December 2020, Cansativa allocated shares of its common stock to a newly installed employee-stock ownership plan ("ESOP"). As a result of the ESOP installment, the Company's equity ownership of Cansativa, on a fully-diluted basis, decreased from 16.59% to 15.80% of the book value of Cansativa's net assets. Additionally, Cansativa raised additional capital through the issuance of Series A preferred stock ("Cansativa Series A Shares") to a third-party investor at a per share price of EUR 543.31. As a result of the Series A Share issuance, the Company's equity ownership of Cansativa, on a fully diluted basis, decreased from 15.80% to 14.22% of the book value of Cansativa's net assets. The Company accounted for the transaction as a proportionate sale of ownership share and recognized a gain of approximately $211 in its consolidated statement of operations within loss on investments line. This change did not impact the equity method classification.

In April 2022, the Company sold 1,586 shares in Cansativa to an unrelated third-party for approximately EUR2,300. Additionally Cansativa issued 10,184 series B and 992 ESOP shares. As a result, the Company's equity ownership of Cansativa, on a fully diluted basis, decreased from 14.22% to 7.6% of the book value of Cansativa's net assets. Furthermore, the Company relinquished the board seat, indicating that the Company's influence was no longer "significant", to which the equity method of accounting was applicable. The Company started to account for this investment under ASC 321, Investments – Equity Securities. The Company utilized the practical expedient under ASC 321 as the investment does not qualify for the practical expedient under ASC 820 and there is no readily determinable fair value for these privately held shares of Cansativa on a recurring basis.

At the time of the sale, the Company compared the transaction value of the shares sold to the carrying value of shares sold and recognized a gain of $1,983. Immediately following the sale, the Company remeasured its retained interest which resulted in an additional gain of $4,868. No gain or loss on investments was recorded in other income in the Consolidated Statements of Operations during the three months ended March 31, 2023. Using the measurement alternative, as defined in ASC 321, the Company will remeasure the value of its retained interest if and when additional sales of Cansativa shares occur with third parties. For the three months ended March 31, 2023 and 2022, the Company's share of net losses from the investment were $nil and $64, respectively.

8. INTANGIBLE ASSETS, NET

As part of the Herbal Brand acquisition in 2019, the Company acquired finite-lived intangible assets with a gross value of approximately $7,091. During the three months ended March 31, 2023 and 2022 the Company recorded $191 and $191, respectively, of amortization related to its finite-lived intangible assets.

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The following tables present details of the Company's total intangible assets as of March 31, 2023 and December 31, 2022. The value of product formulation intangible asset is included in the value of Brand:

	March 31, 2023			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Useful Life (in Years)
Finite-lived intangible assets:				
Customer contracts	**$ 925**	**$ 925**	**$ —**	**0.0**
Customer relationships	**1,000**	**715**	**285**	**2.9**
Customer list	**650**	**509**	**141**	**1.0**
Trade name	**4,516**	**1,778**	**2,738**	**6.0**
Total finite-lived intangible assets	**$ 7,091**	**$ 3,927**	**$ 3,164**	

	December 31, 2022			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Useful Life (in Years)
Finite-lived intangible assets:				
Customer contracts	$ 925	$ 925	$ —	0.0
Customer relationships	1,000	669	331	3.0
Customer list	650	478	172	1.3
Brand	4,516	1,665	2,851	6.3
Total finite-lived intangible assets	$ 7,091	$ 3,737	$ 3,354	
Indefinite-lived intangible assets:				
Licenses	$ 19,000	N/A	$ 19,000	
Impairment Charge	$ (19,000)	N/A	$ (19,000)	
Total indefinite-lived intangible assets	$ —		$ —	
Total intangible assets	$ 7,091	$ 3,737	$ 3,354	

Annual Impairment Testing

In accordance with ASC Topic 350, "Intangibles – Goodwill and Other," the Company performs its annual impairment test as of December 31 of each year. As part of the review, the Company has performed a qualitative assessment to determine whether indicators of impairment existed, along with considering, among other factors, the financial performance, industry conditions, as well as microeconomic developments. The Company also reviews intangibles for impairment whenever events or changes in circumstances indicate that the carrying value of its intangibles may not be recoverable. After the close of each interim quarter, management assesses whether any indicators of impairment exist requiring the Company to perform an interim goodwill and other intangible assets impairment analysis.

Impairment Testing - Finite-Lived Intangibles

In conjunction with the 2022 annual impairment testing, the Company reviewed finite-lived intangible assets for impairment. In performing such review, the Company makes judgments about the recoverability of purchased finite lived intangible assets whenever events or changes in circumstances indicate that an impairment may exist. The Company recognizes an impairment if the carrying amount of the long-lived asset group exceeds the Company’s estimate of the asset group’s undiscounted future cash flows. For the three months ended March 31 2023, no impairment was recognized related to the carrying value of any of the Company's finite lived intangible assets.

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

Impairment Testing - Indefinite-Lived Intangibles

In 2022, due to the continued decline in the Company’s stock price and the projected revenues falling behind target, the Company performed an interim impairment assessment on its indefinite-lived intangible assets, consisting of cannabis related licenses for its Colombian operations. Significant assumptions used in the impairment analysis include financial projections of free cash flow (including assumptions about revenue projections, regulations, operating margins, capital requirements and income taxes), long-term growth rates for determining terminal value beyond the discretely forecasted periods and discount rates. Utilizing a discounted cash flow model with a weighted average cost of capital (“WACC”) of 24%, the Company performed the assessment and recognized an impairment charge of $19,000 along with the related deferred tax liability write-off of $6,650 for the year ended December 31, 2022. As a result of this recognition in 2022, no indefinite-lived intangible assets exist as of March 31, 2023.

Amortization Expense

The following table reflects the estimated future amortization expense for each period presented for the Company’s finite-lived intangible assets as of March 31, 2023:

	Estimated Amortization Expense
Remainder of 2023	$ 624
2024	585
2025	542
2026	482
2027	452
Thereafter	479
Total	**$ 3,164**

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

9. PROPERTY, PLANT AND EQUIPMENT, NET

The Company has property, plant, and equipment related to land, buildings and warehouses, leasehold improvements, laboratory, and construction in progress. Property, plant and equipment, net consisted of the following:

	March 31, 2023	December 31, 2022
Land	$ 1,806	$ 1,806
Building & warehouse	7,660	7,658
Laboratory equipment	6,376	6,416
Agricultural equipment	1,477	1,477
Computer equipment	1,397	1,397
Furniture & appliances	785	785
Construction in progress	217	240
Other	1,304	1,304
Property, plant and equipment, gross	**21,022**	**21,083**
Less: accumulated depreciation	**(7,531)**	**(7,120)**
Property, plant and equipment, net	**$ 13,491**	**$ 13,963**

10. DEBT

	March 31, 2023	December 31, 2022
Loans and borrowings, Current portion	457	465
Loans and borrowings, Long term	1,020	1,065
Total Debt	**$ 1,477**	**$ 1,530**

Portugal Debt

In January 2021, Clever Leaves Portugal Unipessoal LDA borrowed €1,000 ($1,213) (the "Portugal Debt"), from a local lender (the "Portugal Lender") under the terms of its credit line agreement. The Portugal Debt pays interest quarterly at a rate of Euribor plus 3.0 percentage points. For the three months ended March 31, 2023 and 2022, the company recognized interest expense of approximately €10 ($11) and €8 ($9), respectively, and repaid principal of approximately €63 ($66) and €63 ($70), respectively, of the Portugal Debt in accordance with the terms of the loan agreement. As of March 31, 2023 and December 31, 2022, the outstanding principal balance of the Portugal Debt was €680 ($739) and €750 ($805), respectively.

Colombia Debt

Ecomedics S.A.S. has entered into loan agreements with multiple local lenders (collectively, the "Colombia Debt"), under which the Company borrowed approximately COP$5,305,800 ($1,295) of mainly working capital loans. The working capital loans are secured by mortgage of our farm land in Colombia as collateral. These loans bear interest at a range of 10.96% to 12.25% per annum denominated in Colombian pesos. The first payment of the principal and interest will be repaidsix months after receiving the loan. After the first payment, the principal and interest will be repaid semi-annually. As of March 31, 2023 and December 31, 2022, the outstanding principal balance was approximately COP$3,427,534 ($738) and COP$3,471,576 ($725), respectively.

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11. CAPITAL STOCK

Common Shares

As of March 31, 2023 and December 31, 2022, a total of 44,007,272 and 43,636,783 common shares were issued and outstanding, respectively.

Equity Distribution Agreement

On January 14, 2022, the Company entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with Canaccord Genuity LLC, as sales agent (the "Agent"). Under the terms of the Equity Distribution Agreement, the Company may issue and sell its common shares, without par value, having an aggregate offering price of up to $50,000 from time to time through the Agent. The issuance and sale of the common shares under the Equity Distribution Agreement have been made, and any such future sales will be made, pursuant to the Company's effective registration statement on Form S-3 (File No. 333-262183), which includes an "at-the-market" ("ATM") offering prospectus supplement (the "Prospectus Supplement"), as amended from time to time.

Following the filing of the 2022 Form 10-K, we are subject to the limitations under General Instruction I.B.6. of Form S-3. As such, we filed Amendment No. 3 to the Prospectus Supplement, updating our proposed maximum offering amount based on the aggregate market value of our outstanding common shares held by non-affiliates as of March 27, 2023. On such date our public float was $22,548, which is calculated based on 40,996,523 of our common shares outstanding held by non-affiliates at a price of $0.55 per share. This calculation of our public float reduced our proposed offering amount to up to $7,516. If our public float increases such that we may sell additional amounts under the Equity Distribution Agreement and the Prospectus Supplement, we will file another amendment to the Prospectus Supplement prior to making additional sales.

For the three months ended March 31, 2023, no shares were sold pursuant to the ATM offering. As of March 31, 2022, the Company had issued and sold 11,047,567 shares pursuant to the ATM offering, for aggregate net proceeds of $22,223, which consisted of gross proceeds of $23,400 and $1,177 equity issuance costs.

Warrants

As of March 31, 2023, excluding the Rock Cliff warrants, the Company had 12,877,361 of its public warrants classified as a component of equity and 4,900,000 of its private warrants recognized as liability. Each warrant entitles the holder to purchase one common share at an exercise price of $11.50 per share commencing 30 days after the closing of the Business Combination and will expire on December 18, 2025, at 5:00 p.m., New York City time, or earlier upon redemption. Once the warrants are exercisable, the Company may redeem the outstanding public warrants at a price of $0.01 per warrant if the last reported sales price of the Company's common shares equals or exceeds $18.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading day period ending on the third trading day prior to the date on which the Company will send the notice of redemption to the warrant holders. The private warrants were issued in the same form as the public warrants, but they (i) are not redeemable by the Company and (ii) may be exercised for cash or on a cashless basis at the holder's option, in either case as long as they are held by the initial purchasers or their permitted transferees (as defined in the warrant agreement). Once a private warrant is transferred to a holder other than an affiliate or permitted transferee, it is treated as a public warrant for all purposes. The terms of the warrants may be amended in a manner that may be adverse to holders with the approval of the holders of at least a majority 50.1% of the then outstanding warrants.

In accordance to ASC 815, certain provisions of private warrants that do not meet the criteria for equity treatment are recorded as liabilities with the offset to additional paid-in capital and are measured at fair value at inception and at each reporting period in accordance with ASC 820, *Fair Value Measurement*, with changes in fair value recognized in the statement of operations and comprehensive loss in the period of change.

As of March 31, 2023, the Company performed a valuation of the private warrants and as a result recorded a net gain on remeasurement for the three months ended March 31, 2023, of approximately $44 in its statement of operations.

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

As of March 31, 2022, the Company performed a valuation of the private warrants and as a result recorded a net gain on remeasurement for the three months ended March 31, 2022, of approximately $490 in its statement of operations.

12. GENERAL AND ADMINISTRATION

The components of general and administrative expenses were as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Salaries and benefits	**$ 2,665**	$ 3,767
Office and administration	**678**	998
Professional fees	**1,363**	1,548
Share based compensation	**468**	500
Rent	**187**	231
Other [(a)]	**6**	(46)
Total	**$ 5,367**	$ 6,998

[(a)] For the three months ended March 31, 2023 and 2022, other general and administrative costs includes freight-out cost of approximately $110 and $157, respectively, related to costs of packaging, labelling, and courier services, respectively.

13. RESTRUCTURING EXPENSE

The Company has been reviewing, planning and implementing various strategic initiatives targeted principally at reducing costs, enhancing organizational efficiency and optimizing its business model. As part of this process, the Company recorded a restructuring charge of approximately $nil and $3,843 related to asset write off, severance, and other related costs for the three months ended March 31, 2023 and 2022, respectively.

Our restructuring charges are comprised primarily of costs related to asset abandonment, including future lease commitments, and employee termination costs related to headcount reductions.

The following table summarizes the activities related to the restructuring program for the three months ended March 31, 2023:

	Employee severance and related benefits	Asset Impairment	Costs associated with Exit and Disposal Activities	Total
Balance at December 31, 2022	$ 1,407	$ —	$ 830	$ 2,237
Charges against the reserve	—	—	—	—
Cash payment	(792)	—	(317)	(1,109)
Balance at March 31, 2023	**$ 615**	**$ —**	**$ 513**	**$ 1,128**

14. SHARE-BASED COMPENSATION

Stock-Based Compensation Plans

The Company's 2018 Equity Incentive Plan, 2020 Equity Incentive Plan and Earnout Plan are described in the Company's 2022

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

Form 10-K.

Share-Based Compensation Expense

The following table summarizes the Company's share-based compensation expense for each of its awards, included in the Consolidated Statements of Operations for the three months ended March 31, 2023.

	Three Months Ended March 31,	
	2023	**2022**
Share-based compensation award type:		
RSUs	380	315
Stock options	88	185
Total Shared Based Compensation Expense	**$ 468**	$ 500

The Company recognized share-based compensation expense in general and administrative expense.

Stock Options

The following table is a summary of options activity for the Company's equity incentive plans for the three months ended March 31, 2023:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance as at December 31, 2022	**410,477**	**$ 7.15**	**2.56**	**$ —**
Granted	—	$ —	—	—
Exercised	—	$ —	—	$ —
Forfeited	(3,484)	$ 10.41	—	—
Expired	(31,923)	$ 12.12	—	—
Balance as of March 31, 2023	**375,070**	**$ 6.70**	**2.47**	**$ —**
Vested and expected to vest as of March 31, 2023	**364,537**	**$ 6.59**	**2.51**	**$ —**
Vested and exercisable as of March 31, 2023	**321,191**	**$ 5.82**	**2.06**	**$ —**

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common shares for all stock options that had exercise prices lower than the fair value of the Company's common shares.

The weighted-average grant-date fair value per share of stock-options granted during the three months ended March 31, 2023 and 2022 was $nil and $1.72, respectively.

The share-based compensation expense related to unvested stock options awards not yet recognized as of March 31, 2023 and December 31, 2022, was $282 and $961, respectively, which is expected to be recognized over a weighted average period of 2.5 years and 1.2 years, respectively.

Restricted Share Units

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

Time-based Restricted Share Units

The fair value for time-based RSUs is based on the closing price of the Company's common shares on the grant date.

The following table summarizes the changes in the Company's time-based restricted share unit activity during the three months ended March 31, 2023:

	Restricted Share Units	Weighted-Average Grant Date Fair Value
Non-vested as of December 31, 2022	**1,368,151**	**$ 3.50**
Granted	—	—
Vested	(370,489)	3.23
Canceled/forfeited	(7,520)	7.33
Non-vested as of March 31, 2023	**990,142**	**$ 3.57**

Market-based Restricted Share Units

The Company has previously granted RSUs with both a market condition and a service condition (market-based RSUs) to the Company's employees.No such market-based RSUs were granted during the three months ended March 31, 2023. The market-based condition for these awards requires that (i) the Company's common shares maintain a closing price equal to or greater than $12.50 for any 20 trading days within any consecutive 30 trading day period on or before December 18, 2022 (which condition was met on March 16, 2021) or (ii) the Company's common shares maintain a closing price equal to or greater than $15.00 for any 20 trading days within any consecutive 30 trading day period on or before December 18, 2024. Provided that the market-based condition is satisfied, and the respective employee remains employed by the Company, the market-based restricted share units will vest in four equal annual installments on the applicable vesting date.

The following table presents the weighted-average assumptions used in the Monte Carlo simulation model to determine the fair value of the market-based restricted share units granted in the three months ended March 31, 2023:

	Weighted Average Assumptions
Grant date share price	**$ 2.53**
Risk-free interest rate	**1.6 %**
Expected dividend yield	**0.0 %**
Expected volatility	**75 %**
Expected life (in years)	**2.1 - 2.4**

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The following table summarizes the changes in the Company's market-based restricted share unit activity during the three months ended March 31, 2023:

	Restricted Share Units	Weighted-Average Grant Date Fair Value
Non-vested as of December 31, 2022	**529,793**	**$ 12.79**
Granted	—	—
Vested	—	—
Canceled/forfeited	(31,415)	13.28
Non-vested as of March 31, 2023	**498,378**	**$ 12.75**

15. REVENUE

The Company's policy is to recognize revenue at an amount that reflects the consideration that the Company expects that it will be entitled to receive in exchange for transferring goods or services to its customers. The Company's policy is to record revenue when control of the goods transfers to the customer. The Company evaluates the transfer of control through evidence of the customer's receipt and acceptance, transfer of title, the Company's right to payment for those products and the customer's ability to direct the use of those products upon receipt. Typically, the Company's performance obligations are satisfied at a point in time, and revenue is recognized, either upon shipment or delivery of goods. In instances where control transfers upon customer acceptance, the Company estimates the time period it takes for the customer to take possession and the Company recognizes revenue based on such estimates. The transaction price is typically based on the amount billed to the customer and includes estimated variable consideration where applicable.

Disaggregation of Revenue

Refer to Note 16 Segment Reporting to our unaudited condensed consolidated interim financial statements for the period ended of March 31, 2023 included in this Form 10-Q for disaggregation of revenue data.

Contract Balances

The timing of revenue recognition, billing and cash collections results in billed accounts receivable and deferred revenue primarily attributable to advanced customer payment, on the Consolidated Statements of Financial Position. Accounts receivables are recognized in the period in which the Company's right to the consideration is unconditional. The Company's contract liabilities consist of advance payment from a customer, which is classified on the Consolidated Statements of Financial Position as current and non-current deferred revenue.

As of March 31, 2023, the Company's deferred revenue, included in current and non-current liabilities was $988 and $0, respectively.

As of December 31, 2022, the Company's deferred revenue, included in current and non-current liabilities was $1,072 and $0, respectively.

16. SEGMENT REPORTING

Operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the Company's Chief Executive Officer, "CEO") in deciding how to allocate resources and in assessing the Company's performance.

Operating segments for the Company are organized by product type and managed by segment managers who are responsible for the operating and financial results of each segment. Due to the similarities in the manufacturing and distribution processes for the Company's products, much of the information provided in these consolidated financial statements and the footnotes to the consolidated financial statements, is similar to, or the same as, that information reviewed on a regular basis by the Company's CEO.

The Company's management evaluates segment profit/loss for each of the Company's operating segments. The Company defines segment profit/loss as income from continuing operations before interest, taxes, depreciation, amortization, share-based compensation expense, gains/losses on foreign currency fluctuations, gains/losses on the early extinguishment of debt and miscellaneous expenses. Segment profit/loss also excludes the impact of certain items that are not directly attributable to the reportable segments' underlying operating performance. Such items are shown below in the table reconciling segment profit/(loss) to consolidated income/(loss) from continuing operations before income taxes. The Company does not have any material inter-segment sales. Information about total assets by segment is not disclosed because such information is not reported to or used by the Company's CEO. Segment intangible assets, net, are disclosed in Note 8.

As of March 31, 2023, the Company's operations were organized in the followingtwo reportable segments:

1. The Cannabinoid operating segment: comprised of the Company's cultivation, extraction, manufacturing and commercialization of cannabinoid products. This operating segment is in the early stages of commercializing cannabinoid products internationally pursuant to applicable international and domestic legislation, regulations, and other permits. The Company's principal customers and sales for its products are primarily outside of the U.S.

2. Non-Cannabinoid operating segment: comprised of the brands acquired as part of the Herbal Brands acquisition in April 2019. The segment is engaged in the business of formulating, manufacturing, marketing, selling, distributing, and otherwise commercializing nutraceuticals and other natural remedies, wellness products, detoxification products, nutraceuticals, and nutritional and dietary supplements. The Company's principal customers for its Herbal Brands products include mass retailers, specialty and health retailer and distributors in the U.S.

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The following table is a comparative summary of the Company's net sales and segment loss by reportable segment for the periods presented:

	Three Months Ended March 31,	
	2023	**2022**
Segment Net Revenue:		
Cannabinoid	**$ 1,222**	$ 1,811
Non-Cannabinoid	**2,756**	3,230
Total Net Revenue	**3,978**	5,041
Segment Profit (Loss):		
Cannabinoid	**(2,315)**	(5,705)
Non-Cannabinoid	**447**	348
Total Loss	**$ (1,868)**	$ (5,357)
Reconciliation:		
Total Segment Loss	**(1,868)**	(5,357)
Unallocated corporate expenses	**(1,558)**	(3,535)
Non-cash share-based compensation	**(468)**	(500)
Depreciation and amortization	**(236)**	(327)
Loss from operations	**$ (4,130)**	$ (9,719)
Loss on debt extinguishment, net	**—**	2,263
Loss (gain) on remeasurement of warrant liability	**44**	(490)
Foreign exchange (gain) loss	**(45)**	211
Interest (income) expense and amortization of debt issuance cost	**(17)**	2,109
Other expense (income), net	**39**	(51)
Loss from operations before income taxes and equity investment loss	**$ (4,151)**	$ (13,761)

The following table disaggregates the Company's revenue by channel for the periods presented:

	Three Months Ended March 31,	
	2023	**2022**
Mass retail	**$ 2,524**	$ 2,814
Distributors	**1,262**	1,658
Specialty, health and other retail	**161**	392
E-commerce	**31**	177
Total	**$ 3,978**	$ 5,041

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

The following table represents the Company's revenues attributed to countries based on location of customer:

	Three Months Ended March 31, 2023	2022
United States	**$ 2,756**	$ 3,233
Brazil	**887**	643
Israel	**250**	638
Australia [(a)]	**36**	368
Other	**49**	159
Total	**$ 3,978**	$ 5,041

(a) During the quarter, we made additional sales of Portuguese flowers of approximately $ 300 to Australia, recognized as part of our discontinued operation. See Note 19 for further information.

Customers with an accounts receivable balance of 10% or greater of total accounts receivable and customers with net revenue of 10% or greater of total revenues are presented below for the periods indicated:

	Percentage of Revenues: Three Months Ended March 31, 2023	Percentage of Revenues: Three Months Ended March 31, 2022	Percentage of Accounts Receivable: March 31, 2023	Percentage of Accounts Receivable: December 31, 2022
Customer A [(a)]	15%	11%	12%	18%
Customer B [(b)]	*	13%	*	13%
Customer C [(b)]	*	*	*	15%
Customer D [(b)]	*	13%	*	*
Customer E [(b)]	20%	*	28%	*
Customer F [(b)]	*	*	*	10%

** denotes less than 10%*

(a) net sales attributed are reflected in the non-cannabinoid segments
(b) net sales attributed are reflected in the cannabinoid segments

During the three months ended March 31, 2023 and 2022, the Company's net sales for the non-cannabinoid segment were in the U.S; cannabinoid net sales were mostly outside of the U.S., primarily in Colombia, Israel, Brazil and Australia.

The following table disaggregates the Company’s long-lived assets, by segment for the periods presented:

	March 31, 2023	December 31, 2022
Long-lived assets		
Cannabinoid	**$ 14,861**	$ 15,308
Non-Cannabinoid	**130**	155
Total	**$ 14,991**	$ 15,463

Long-lived assets consist of non-current assets other than goodwill; intangible assets, net; deferred tax assets; investments in unconsolidated subsidiaries and equity securities; and financial instruments. The Company’s largest market in terms of long-lived assets is in Colombia.

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

17. NET INCOME (LOSS) PER SHARE

Basic net loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the year, without consideration for common share equivalents. Diluted net loss per share is computed by dividing net loss by the weighted-average number of common share equivalents outstanding for the year determined using the treasury-stock method. For purposes of this calculation, common share warrants and stock options are considered to be common share equivalents and are only included in the calculation of diluted net income per share when their effect is dilutive.

The following table sets forth the computation of basic and diluted net loss and the weighted average number of shares used in computing basic and diluted net loss per share:

	Three months ended	
	March 31, 2023	**March 31, 2022**
Numerator:		
Loss from continuing operations	**$ (4,151)**	$ (13,825)
Income (loss) from discontinued operations	**70**	(2,315)
Net loss - basic and diluted	**$ (4,081)**	$ (16,140)
Denominator:		
Weighted-average common shares outstanding - basic and diluted	**43,903,285**	27,960,584
Net Loss per common share - basic and diluted:		
Loss from continuing operations	**$ (0.09)**	$ (0.50)
Loss from discontinued operations	**$ —**	$ (0.08)

The Company's potentially dilutive securities, which include common stock, warrants, stock options, and unvested restricted stock have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common shareholders is the same.

The Company excluded the following potential common shares, presented based on amounts outstanding as of March 31, 2023 and 2022, from the computation of diluted net loss per share attributable to common shareholders because including them would have had an anti-dilutive effect:

	March 31, 2023	**March 31, 2022**
Common stock warrants	**17,840,951**	17,840,951
SAMA earnout shares	**570,211**	570,211
Stock options	**375,070**	601,223
Unvested restricted share units	**1,488,520**	2,234,928
Total	**20,274,752**	21,247,313

18. LEASES

On January 1, 2022, we adopted the accounting standard ASC 842, Leases, using the modified retrospective method. We elected this adoption date as our date of initial application. As a result, we have not updated financial information related to, nor have we provided disclosures required under ASC 842 for, periods prior to January 1, 2022. The primary changes to our policies relate to recognizing most leases on our statement of financial position as liabilities with corresponding right-of-use ("ROU") assets.

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

The Company has entered into agreements under which we lease various real estate spaces in North America, Europe and Latin America, under non-cancellable leases that expire on various dates through calendar year 2029. Some of our leases include options to extend the term of such leases for a period from 12 months to 60 months, and/or have options to early terminate the lease. Some of our leases require us to pay certain operating expenses in addition to base rent, such as taxes, insurance and maintenance costs.

As the Company's leases do not typically provide an implicit rate, the Company utilizes the appropriate incremental borrowing rate, determined as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term and in a similar economic environment.

Practical Expedients

The modified retrospective approach included a package of optional practical expedients that we elected to apply. Among other things, these expedients permitted us not to reassess prior conclusions regarding lease identification, lease classification and initial direct costs under ASC 842. The Company does not separate lease and non-lease components in determining ROU assets or lease liabilities for real estate leases. Additionally, the Company does not recognize ROU assets or lease liabilities for leases with original terms or renewals of one year or less.

	Financial Statement Classification	**March 31, 2023**
Operating lease costs:		
Operating lease costs-Fixed	General and administrative	$ 177,305
Total lease costs		$ 177,305

The table above includes amounts relating to the Company's lease costs, which includes net costs recognized in our operating expenses during the period, including amounts capitalized as part of the costs of Inventory, in accordance with ASC 330. Variable lease costs primarily include maintenance, utilities and operating expenses that are incremental to the fixed base rent payments and are excluded from the calculation of operating lease liabilities and ROU assets. For the three months ended March 31, 2023, cash paid for amounts associated with our operating lease liabilities was approximately $215,424, which was classified as operating activities in the consolidated statement of cash flows.

The following table shows our undiscounted future fixed payment obligations under our recognized operating leases and a reconciliation to the operating lease liabilities as of March 31, 2023:

Leases and a reconciliation to the operating lease liabilities as of March 31, 2023	
2024	**$ 745**
2025	**219**
2026	**109**
2027	**116**
2028	**103**
Thereafter	**80**
Total future fixed operating lease payments	**$ 1,372**
Less: Imputed interest	**$ 154**
Total operating lease liabilities	**$ 1,218**
Weighted-average remaining lease term - operating leases	**2.90**
Weighted-average discount rate - operating leases	**8.4 %**

(Amounts in thousands of U.S. dollars, except share and per share amounts and where otherwise noted)

19. DISCONTINUED OPERATIONS

As part of the restructuring activities, the Company conducted a comprehensive review of its production capacity for cannabis extracts. This evaluation led to the decision to scale back on certain extraction capacity and related assets, resulting in asset write-off charges. The Company also approved the shutdown of its cultivation activities in Portugal to preserve cash and improve operating margins. The wind-down of the entire Portuguese operations, including flower cultivation, post-harvest processes, and manufacturing activities, is expected to be completed by the end of the second quarter of 2023. Additionally, the Company has initiated the sale process of these assets with the goal of concluding the sale during the fiscal year ending December 31, 2023.

The company determined that shutdown of Portugal operations met the criteria to be classified as a discontinued operation, and, as a result, its historical financial results are reflected in the Company's financial statements as a discontinued operation and, assets and liabilities were classified as assets and liabilities held for sale.

To provide transparency and facilitate comparison, the table below presents the major line items constituting the pretax profit or loss of the discontinued operations for the current period ended March 31, 2023, and the prior period ended March 31, 2022:

	Three Months Ended March 31,	
	2023	**2022**
Revenue, net	**$ 337**	$ 183
Cost of sales	—	(738)
Gross profit	**337**	(555)
Expenses		
General and administrative	**282**	1,263
Restructuring expenses	—	165
Depreciation and amortization	—	190
Total expenses	**282**	**1,618**
Income (loss) from operations	**55**	**(2,173)**
Other (income) expense, net	**(15)**	142
Net income (loss)	**$ 70**	$ (2,315)

20. SUBSEQUENT EVENTS

Subsequent to March 31, 2023, through May 8, 2023,941,745 shares were issued and sold under the ATM offering.

No events have occurred subsequent to March 31, 2023 and through the date of this filing that would require adjustment to or disclosure in the financial statements, except as noted above.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Amounts in thousands of U.S. dollars, except as otherwise noted.

Our Company

We are a multi-national operator in the botanical cannabinoid and nutraceutical industries, with operations and investments in Colombia, Germany, the United States, and Canada We are working to develop one of the industry's leading, low-cost global supply chains with the goal of providing high quality, pharmaceutical grade cannabis and wellness products to customers and patients at competitive prices produced in a sustainable and environmentally friendly manner. Our customers consist of retail distributors and pharmaceutical and cannabis companies, and pharmacies.

We have invested in ecologically sustainable, large-scale, cultivation and processing, as the cornerstone of our medical cannabinoid business, and we seek to continue to develop strategic distribution channels and brands.

We currently own approximately 1.8 million square feet of greenhouse cultivation capacity in Colombia. In addition, our pharmaceutical-grade extraction facility is capable of processing 108,000 kilograms of dry flower per year.

In July 2020, we became one of a small number of vertically integrated cannabis companies in the world to receive European Union Good Manufacturing Practices ("EU GMP") certification for our Colombian operations. We believe this certification will provide us with one of the largest quality-certified licensed capacities for cannabis cultivation and cannabinoid extraction globally, while our strategically located operations allow us to produce our products at a fraction of the average cost of production incurred by our peers in Canada and the United States.

In addition to the cannabinoid business, we are also engaged in the non-cannabinoid business of formulating, manufacturing, marketing, selling, distributing, and otherwise commercializing nutraceutical and other natural remedies, and wellness products to more than 20,000 retail locations across the United States, through our wholly owned subsidiary Herbal Brands, Inc. Herbal Brands has an Arizona based GMP-compliant, FDA registered facility and is a national distributor of nutraceutical products. Herbal Brands' nationwide customer base provides a platform we intend to leverage for greater potential cannabinoid distribution in the future, should U.S. federal laws change and regulations permit.

Our business model is focused on partnering with leading and emerging cannabis and pharmaceutical businesses by providing them with lower cost product, variable cost structures, reliable supply throughout the year, and accelerated speed to market. We believe this is achievable due to our production locations, capacity, product registrations and various product certifications.

We manage our business in two segments: the Cannabinoid and Non-Cannabinoid segments.

1. The Cannabinoid operating segment is comprised of the Company's cultivation, extraction, manufacturing, commercialization, and distribution of cannabinoid products. This operating segment is in the early stages of commercializing cannabinoid products internationally subject to applicable international and state laws and regulations. Our customers and sales for our cannabinoid segment products are mostly outside of the U.S.

2. The Non-Cannabinoid operating segment is comprised of the brands and manufacturing assets acquired as part of our acquisition of Herbal Brands. The segment is engaged in the business of formulating, manufacturing, marketing, selling, distributing, and otherwise commercializing wellness products and nutraceuticals, excluding cannabinoid products. Our principal customers for the Herbal Brands products include specialty and health retailers, mass retailers and specialty and health stores in the United States.

Factors Impacting our Business

We believe that our future success will primarily depend on the following factors:

Globalization of the industry. Due to our MNO model focused on geographic diversification, which distinguishes us from many of our competitors and allows us to scale our production in low-cost regions of the world, we believe we are well positioned to capitalize in markets where the medical cannabis and hemp industry offers a reasonably regulated and free flow of goods across national boundaries. While certain countries, such as Canada, have historically not welcomed imported cannabis or hemp products for commercial purposes, other countries, such as Germany and Brazil, depend primarily on imports.

Global medical market expansion. Medical cannabis is now authorized at the national or federal level in over 41 countries, and more than half of these countries have legalized or introduced significant reforms to their cannabis-use laws to broaden the scope of permitted medical uses beyond the original parameters. Over the past three years, we have established regional operations in Colombia, Germany, the United States and Canada, and we have invested significant resources in personnel and partnerships to build the foundation for new export channels. The Company also owned agricultural and post-harvest facilities in Portugal which have since been wound down as a result of a restructuring initiative that was undertaken by management during December 2022.

Product development and innovation. Because of the rapid evolution of the cannabis industry, the disparate regulations across different geographies, and the time required to develop and validate pharmaceutical-grade products, the pace at which we can expand our portfolio of products and formulations will impact market acceptance for our products. To increase our output while maintaining or reducing unit costs, we may need to enhance our cultivation, extraction, and other processing methods. We believe our focus on the production of proprietary and exclusive products or formulations that comply with stringent regulations, or that result in enhanced benefits for patients or consumers, could create advantages in various markets.

Regulatory expertise and adaptation. As more markets welcome the importation of cannabis or hemp products for commercial purposes, this will require navigating and complying with the strict and evolving cannabis regulations across the different geographies. We have built a global regulatory team that is experienced in developing good relationships with regulatory agencies and governments that govern and shape the cannabis industry in their respective jurisdictions. Key expertise includes complying with and securing quotas, product approvals, export permits, import permits and other geographic specific licenses.

Strategically expanding productive capacity and manufacturing capabilities. It is beneficial to have low operating costs and to control the production process to generate consistency and quality on a large scale. As we seek to expand into new markets and grow our presence in existing markets, we will need significant investments in cultivation and processing, which will necessitate additional capital. We also aim to increase productive capacity through innovation in cultivation or processing methods, improving yields and output levels of our existing assets. While we believe our core cultivation and extraction operations in Colombia are adequately sized for our current business operations, as our cannabis sales grow and expand to flower products, we plan to expand our operations in Colombia and invest in advanced processing or finished good manufacturing capabilities.

Key Operating Metrics

We use the following key operating metrics to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance and make strategic decisions. Other companies, including companies in our industry, may calculate key operating metrics with similar names differently, which may reduce their usefulness as comparative measures.

The following table presents select operational and financial information of the Cannabinoid segment for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,			
Operational information:	**2023**	**2022**	**Change**	
(In $000s, except kilogram and per gram data)				
Kilograms (dry flower) harvested [a]	718	6,765	(6,047)	(89)%
Costs to produce [b]	$ 926	$ 801	$ 125	16 %
Costs to produce per gram	$ 1.29	$ 0.12	$ 1.17	990 %
Selected financial information:				
Revenue	$ 1,222	$ 1,811	$ (589)	(33)%
Kilograms sold [c]	2,718	4,259	(1,541)	(36)%
Revenue per grams sold	$ 0.45	$ 0.43	$ 0.03	5 %

As of March 31, 2023, the amounts presented exclude Portugal operations, as such prior year results have been restated to conform to current period reporting.

(a) Kilograms (dry flower) harvested - represents the weight of dried plants post-harvest both for sale and for research and development purposes. This operating metric is used to measure the productivity of our farms.

(b) Costs to produce - includes costs associated with cultivation, extraction, depreciation, quality assurance and supply chain related to kilograms (dry flower) harvested.

(c) Kilograms sold - represents the amount in kilograms of product sold in dry plant equivalents. Extract is converted to dry plant equivalent for purposes of this metric.

During the three months ended March 31, 2023 and 2022 we sold 2,718 and 4,259 kilograms, respectively, of dry flower equivalent. For the three months ended March 31, 2023, our cannabinoid segment sales were primarily in Australia, Germany, Israel, and Brazil. The decrease in cannabinoid revenues is the result of a one-time order from Brazilian customers in Q1 2022.

We harvested 718 kilograms of cannabinoids in the three months ended March 31, 2023, as compared to 6,765 kilograms in the three months ended March 31, 2022. The decrease was primarily attributable to a decrease in our production capacity at our Colombia and shut-down of our Portugal facilities.

Costs to produce were approximately $1.29 per gram of dry flower equivalent for the three months ended March 31, 2023, as compared to $0.12 per gram of dry flower equivalent for the three months ended March 31, 2022. The increase is attributable to the Company's significantly reduced agricultural output, along with ongoing extraction and processing costs at its Colombian operations.

Recent Developments

Bid Price Deficiency

On September 29, 2022, the Company received a notice (the “Notice”) from the Listing Qualifications department (the “Staff”) of Nasdaq notifying the Company that, based upon the closing bid price of the Company’s common shares for the 30 consecutive business day period between August 17, 2022 through September 28, 2022, the Company did not meet the minimum bid price of $1.00 per share required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Requirement”). The Notice also indicated that the Company would be provided 180 calendar days, or until March 28, 2023, to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

On March 29, 2023, the Company received a second notice (the “Second Notice”) from Nasdaq indicating that, while the Company has not regained compliance with the Minimum Bid Price Requirement, the Staff has determined that the Company is eligible for an additional 180 calendar day period, or until September 25, 2023 (the “Second Compliance Period”), to regain compliance. According to the Second Notice, the Staff’s determination was based on (i) the Company meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and (ii) the Company’s written notice of its intention to cure the deficiency during the second compliance period by effecting a reverse share split, if necessary. If at any time the Second Compliance Period, the closing bid price of the Company's common shares is at least $1.00 per share for a minimum of 10 consecutive business days, the Staff will provide the Company written confirmation of compliance. The Staff may, in its discretion, require the Company to maintain a bid price of at least $1.00 per share for a period in excess of ten consecutive business days, but generally no more than 20 consecutive business days, before determining that the Company has demonstrated an ability to maintain long-term compliance. If the Company chooses to implement a reverse share split, it must complete the split no later than 10 business days prior to the expiration of the Second Compliance Period. If compliance cannot be demonstrated by September 25, 2023, the Staff will provide written notification that the Company's securities will be delisted. At that time, the Company may appeal the Staff's determination to a Hearings Panel.

The Company is actively monitoring the bid price for its common shares and will consider available options to resolve the deficiency and regain compliance with the Nasdaq minimum bid price requirement

Licensing Requirement - Decree 811

In late July 2021, the Colombian government passed Decree 811, which replaced Decree 613. Decree 811 removed the prohibition contained in Decree 613 to allow the exportation of cannabis flowers. In February 2022, the Colombian government passed Regulation 227, which defines the procedures to begin cultivating cannabis for exporting the flower for medicinal use. Later, in April 2022, a joint resolution 539 was passed, which allows us to export cannabis flower for medicinal use.

Impact of COVID-19 Pandemic

The COVID-19 pandemic and restrictions aimed at stopping its spread have had, and may continue to have, an adverse impact on our performance and results of operations. Such restrictions have resulted in disruptions in global supply chains, including the business operations of our third-party manufacturers, suppliers and vendors. This has resulted in our inability to secure adequate supply of certain intermediate goods on which our business depends, longer lead times for receiving such goods, and inflationary pressures. It has also delayed our planned expansion of certain product line and production processes. If new variants emerge, such disruptions may persist. In addition, the effects of COVID-19 may delay our research and development programs and our ability to execute certain of our strategic plans, including recruiting senior management professionals, construction, new product launches, new market expansions, acquisitions and access to capital. Future GMP inspections, inclusions or certifications for new product capabilities could be delayed due backlogs or restrictions on travel. For example the COVID-19 pandemic affected the completion of licensing in Portugal due to INFARMED's delay conducting physical inspections of our facilities. Our licensing could also be delayed if regulators are directed to focus their time and resources on the health emergency instead of licensing activities. Similarly, such reprioritization may slow efforts to efficiently regulate or legalize cannabis in many countries.

Even after the pandemic subsides, our businesses could be negatively impacted if the effects of COVID-19 result in lasting changes in consumer behavior, including as a result of a decline in discretionary spending or changed preferences. We cannot predict the ongoing negative impact of the COVID-19 pandemic on our business, nor how long such effects will last.

Equity Distribution Agreement

On January 14, 2022, we entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with Canaccord Genuity LLC, as sales agent (the "Agent"). Under the terms of the Equity Distribution Agreement, we may issue and sell our common shares, without par value, having an aggregate offering price of up to $50,000 from time to time through the Agent. The issuance and sale of the common shares under the Equity Distribution Agreement have been made, and any such future sales will be made, pursuant to our effective registration statement on Form S-3 (File No. 333-262183), which includes an "at-the-market" ("ATM") offering prospectus supplement (the "Prospectus Supplement"), as amended from time to time.

Following the filing of the 2022 Form 10-K, we are subject to the limitations under General Instruction I.B.6. of Form S-3. As such, we filed Amendment No. 3 to the Prospectus Supplement, updating our proposed maximum offering amount based on the aggregate market value of our outstanding common shares held by non-affiliates as of March 27, 2023. On such date our public float was $22,548, which is calculated based on 40,996,523 of our common shares outstanding held by non-affiliates at a price of $0.55 per share. This calculation of our public float reduced our proposed offering amount to up to $7,516. If our public float increases such that we may sell additional amounts under the Equity Distribution Agreement and the Prospectus Supplement, we will file another amendment to the Prospectus Supplement prior to making additional sales.

For the three months ended March 31, 2023, no shares were sold pursuant to the ATM offering. Subsequent to March 31, 2023, 941,745 of shares were issued and sold under the ATM offering. As of March 31, 2022, the Company had issued and sold 11,047,567 shares pursuant to the ATM offering, for aggregate net proceeds of $22,223, which consisted of gross proceeds of $23,400 and $1,177 equity issuance costs.

Components of Results of Operations

Revenue — in our Cannabinoid segment, revenue is primarily comprised of sales of our cannabis products, which currently include cannabis flowers, cannabidiol isolate, full spectrum and standardized extracts. In our Non-Cannabinoid segment, revenue is primarily composed of sales of our nutraceutical products to our retail customers. As we have only recently begun to carry out our cannabinoid sales operations, our main revenues are derived from our Herbal Brands business.

Cost of Sales — in our Cannabinoid segment, cost of sales is primarily composed of pre-harvest and post-harvest costs. Pre-harvest costs include labor and direct materials to grow cannabis, which includes water, electricity, nutrients, integrated pest management, growing supplies and allocated overhead. Post-harvest costs include costs associated with drying, trimming, blending, extraction, purification, quality testing and allocated overhead. Total cost of sales also includes cost of sales associated with accessories and inventory adjustments. In our Non-Cannabinoid segment, cost of sales primarily includes raw materials, labor, and attributable overhead, as well as packaging labelling and fulfillment costs.

Operating Expenses — We classify our operating expenses as general and administrative, sales and marketing, and research and development expenses.

- *General and administrative* expenses include salary and benefit expenses for certain employees, including share-based compensation, costs of legal expenses, professional services, general liability insurance, rent and other office and general expenses. It also includes shipment and fulfillment costs which is made up of costs of packaging, labelling, courier services and allocated overhead.
- *Sales and marketing* expenses consist primarily of services engaged in marketing and promotion of our products and costs associated with initiatives and development programs and salary and benefit expenses for certain employees.
- *Research and development* expenses primarily consist of salary and benefit expenses for employees engaged in research and development activities, as well as other general costs associated with R&D activities.

Results of Operations

Three months ended March 31, 2023 compared to three months ended March 31, 2022

Consolidated Statements of Operations

(In thousands of U.S. dollars)

	Three Months Ended March 31,	
	2023	**2022**
Revenue, net	$ 3,978	$ 5,041
Cost of sales	(1,744)	(2,448)
Gross Profit	**2,234**	**2,593**
Expenses		
General and administrative expenses	5,367	6,998
Sales and marketing expenses	549	732
Research and development	212	412
Restructuring expenses	—	3,843
Depreciation and amortization expenses	236	327
Total expenses	**6,364**	12,312
Loss from operations	**(4,130)**	(9,719)
Other Expense (Income), net		
Interest (income)/expense and amortization of debt issuance cost	(17)	2,109
Loss (gain) on remeasurement of warrant liability	44	(490)
Loss on debt extinguishment, net	—	2,263
Foreign exchange (gain) loss	(45)	211
Other expense (income), net	39	(51)
Total other expenses, net	21	4,042
Loss before income taxes and equity investment loss	**$ (4,151)**	$ (13,761)
Equity investment share of loss	—	64
Loss from continuing operations	(4,151)	(13,825)
Income (loss) from discontinued operations	70	(2,315)
Net loss	**$ (4,081)**	$ (16,140)

Revenue by Channel

(In thousands of U.S. dollars)

The following table provides our revenue by channel for the three and three months ended March 31, 2023 and 2022.

	Three Months Ended March 31,	
	2023	**2022**
Mass retail	**$ 2,524**	$ 2,814
Distributors	**1,262**	1,658
Specialty, health and other retail	**161**	392
E-commerce	**31**	177
Total	**$ 3,978**	$ 5,041

Revenue

Revenue decreased to $3,978 for the three months ended March 31, 2023, as compared to $5,041 for the three months ended March 31, 2022. The decrease was driven by a decrease in sales in both our Cannabinoid and Non-Cannabinoid segments. The decreased sales in our Cannabinoid segment were primarily driven by a one-time influx of pipeline shipments to Brazil in the year-ago period that did not repeat during the first quarter of 2023. The decrease in Non-Cannabinoid revenue was due to some marketplace adjustments with the onboarding of a new online marketplace partner and implementing new sales terms in our specialty channels.

Cost of sales

Cost of sales decreased to $1,744 for the three months ended March 31, 2023, as compared to $2,448 for the three months ended March 31, 2022. The decrease was primarily due to a decrease in inventory write-down related to aged, obsolete or unusable inventory, during the three months ended March 31, 2023 as compared to the comparable period last year.

Operating expenses

(In thousands of U.S. dollars)

	Three months ended March 31,			
	2023	**2022**	**Change**	
General and administrative expenses	**$ 5,367**	$ 6,998	$ (1,631)	(23)%
Sales and marketing expenses	**549**	732	$ (183)	(25)%
Research and development	**212**	412	$ (200)	(49)%
Restructuring expenses	—	3,843	$ (3,843)	N/A
Depreciation and amortization expenses	**236**	327	$ (91)	(28)%
Total operating expenses	**$ 6,364**	**$ 12,312**		
(As a percentage of revenue)				
General and administrative expenses	135 %	139 %		
Sales and marketing expenses	14 %	15 %		
Research and development	5 %	8 %		
Restructuring expenses	— %	76 %		
Depreciation and amortization expenses	6 %	6 %		
Total operating expenses	160 %	244 %		

N/M: Not a meaningful percentage

General and administrative. General and administrative expenses decreased to $5,367 for the three months ended March 31, 2023, as compared to $6,998 for the three months ended March 31, 2022, primarily due to the decrease in salaries and benefits related to the shut-down of our Portugal operations, along with other cost-cutting measures.

Sales and marketing. Sales and marketing expenses decreased to $549 for the three months ended March 31, 2023, as compared to $732 for the three months ended March 31, 2022. The decrease in spending was primarily due to the cost-cutting measures related to our Cannabinoid segment.

Research and development. Research and development expenses decreased to $212 for the three months ended March 31, 2023 as compared to $412 for the three months ended March 31, 2022. The decrease is primarily due to the decrease in research and development activities related to our cannabinoid products development.

Restructuring. No restructuring expense was charged for the three months ended March 31, 2023, as compared to $3,843 for the three months ended March 31, 2022, which was related to asset write-off, severances, and other costs related to Portugal operations shut-down.

Depreciation and amortization. Depreciation and amortization expenses decreased to $236 for the three months ended March 31, 2023, from $327 for the three months ended March 31, 2022. The decrease is mainly attributable to the write-off of assets related our Portugal operations shut-down.

Non-operating income and expenses

(In thousands of U.S. dollars)

	Three months ended March 31,			
	2023	**2022**	**Change**	
Interest (income)/expense and amortization of debt issuance cost	**$ (17)**	$ 2,109	$ (2,126)	N/M
Loss (gain) on remeasurement of warrant liability	**44**	(490)	534	N/M
Loss on debt extinguishment, net	**—**	2,263	(2,263)	N/M
Foreign exchange (gain) loss	**(45)**	211	(256)	N/M
Other expense (income), net	**39**	(51)	90	N/M
Total	**$ 21**	$ 4,042	$ (4,021)	N/M

N/M: Not a meaningful percentage

Interest (income)/expense and amortization of debt issuance cost, net. For the three months ended March 31, 2023, the Company had interest income, net in the amount of $17 compared to $2,109 of interest expense net of amortization of debt issuance cost for the three months ended March 31, 2022. The interest expense net of amortization of debt issuance costs for the three months ended March 31, 2022 was associated with the 2022 Convertible Note and Herbal Brands loan in the prior year period, which were fully paid as of June 30, 2022.

Loss (gain) on remeasurement of warrant liability. Loss on remeasurement of warrant liability was $44 for the three months ended March 31, 2023, as compared to a gain of $490 for the three months ended March 31, 2022. The gain and loss are directly attributable to the remeasurement of the warrant liability as of March 31, 2023 and March 31, 2022, respectively, due to the change in the underlying value related to the private warrants during those periods. For more information refer to Note 11 to our unaudited condensed consolidated interim financial statements for the period ended March 31, 2023 included in this Form 10-Q.

Loss on debt extinguishment, net. Net loss on debt extinguishment was $nil for the three months ended March 31, 2023 compared to $2,263 for the three months ended March 31, 2022. The loss was primarily related to the net of debt discount and debt issuance costs in connection to the beneficial conversion feature we had recognized in the prior period. For more information refer to Note 10 to our unaudited condensed consolidated interim financial statements for the period ended March 31, 2023 included in this Form 10-Q.

Foreign exchange loss. The impact of foreign exchange for the three months ended March 31, 2023 was a gain of $45, as compared to a loss of $211 for the three months ended March 31, 2022. The foreign exchange losses for the three months ended March 31, 2023, were primarily driven by the currency fluctuations of the Euro versus the U.S. Dollar.

Other expense (income). Other expenses (income), net includes items not individually material to our consolidated financial statements.

Operating Results by Business Segment

Our management evaluates segment profit/loss for each of our reportable segments. We define segment profit/loss as income from operations before interest, taxes, depreciation, amortization, share-based compensation expense, gains/losses on foreign currency fluctuations, gains/losses on the early extinguishment of debt and miscellaneous expenses. Segment profit/loss also excludes the impact of certain items that are not directly attributable to the reportable segments' underlying operating performance. For a reconciliation of segment profit to loss from continuing operations before income taxes, see Note 16 to our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 included in this Form 10-Q.

Revenue by segment

(In thousands of U.S. dollars)

	Three months ended March 31,	
	2023	**2022**
Segment Revenue:		
Cannabinoid	**$ 1,222**	$ 1,811
Non-Cannabinoid	**2,756**	3,230
Total revenue	**$ 3,978**	$ 5,041

Cannabinoid. Cannabinoid revenue decreased to $1,222 for the three months ended March 31, 2023, as compared to $1,811 for the three months ended March 31, 2022. The decrease was primarily driven by a one-time influx of pipeline shipments to Brazil in the year-ago period that did not repeat during the first quarter of 2023.

Non-Cannabinoid. Non-Cannabinoid revenue decreased to $2,756 for the three months ended March 31, 2023, as compared to $3,230 for the three months ended March 31, 2022. The decrease was primarily driven by some marketplace adjustments with the onboarding of a new online marketplace partner and implementing new sales terms in our specialty channels.

Segment profit/loss

(In thousands of U.S. dollars)

	Three months ended March 31,		Change	
	2023	**2022**	**$**	**%**
Segment Profit/(Loss):				
Cannabinoid	**$ (2,315)**	$ (5,705)	3,390	(59)%
Non-Cannabinoid	**447**	348	99	28 %
Total Segment Loss [(a)]	**$ (1,868)**	$ (5,357)	3,489	(65)%

(a) For a reconciliation of segment profit/(loss) to loss before income tax (recovery) see Note 16 to our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023, included in this Form 10-Q.

Cannabinoid — Cannabinoid segment loss decreased to $2,315 for the three months ended March 31, 2023 compared to a loss of $5,705 for the three months ended March 31, 2022, primarily due to the decrease in expenses related to our Portugal operations, which we are in the process of shutting down, along with other cost-cutting measures.

Non-Cannabinoid — Non-Cannabinoid segment profit increased to $447 for the three months ended March 31, 2023, compared to a profit of $348 for the three months ended March 31, 2022. The increase was primarily attributable to cost-cutting measures.

Liquidity and Capital Resources

We are actively seeking sources of financing to fund our continued operations. There can be no assurance that we will be able to complete any financing transaction in a timely manner or on acceptable terms or otherwise. If we are not able to raise additional cash, we may be forced to suspend or curtail planned programs, or cease operations altogether.

The following table sets forth the major components of our Consolidated Statements of Cash Flows for the periods presented:

(In thousands of U.S. dollars)

	Three months ended March 31,	
	2023	**2022**
Net cash used in operating activities	**$ (6,077)**	$ (10,371)
Net cash used in investing activities	**(35)**	(1,215)
Net cash (used in) provided by financing activities	**(107)**	18,691
Effect of foreign currency translation on cash and cash equivalents	**20**	(22)
Cash, cash equivalents, and restricted cash beginning of period	**12,888**	37,699
Cash, cash equivalents, and restricted cash end of period	**6,689**	44,782
(Decrease) increase in cash and cash equivalents	**$ (6,199)**	$ 7,083

Cash flows used in operating activities

The decrease in the net cash used in operating activities during the three months ended March 31, 2023 compared to the three months ended March 31, 2022 was primarily the result of decreased operating and other expenses due to implementation of cost cutting measures, and changes in operating assets and liabilities.

Cash flows from investing activities

The decrease in net cash used in investing activities during the three months ended March 31, 2023 compared to the three months ended March 31, 2022, was primarily related to lower capital expenditures in our Portugal operations, which we are in the process of shutting down, along with other cost-cutting measures.

Cash flows from financing activities

The decrease in net cash provided by financing activities during the three months ended March 31, 2023 compared to the three months ended March 31, 2022, is because the Company had no sales pursuant to the ATM offering during the three months ended March 31, 2023. For more information refer to Note 11 to our unaudited condensed consolidated interim financial statements for the period ended of March 31, 2023 included in this Form 10-Q.

Sources of Liquidity

We have historically financed our operations through the issuance of shares, the issuance of convertible debt and cash from operations. As of March 31, 2023 and December 31, 2022, we had cash and cash equivalents of $6,362 and $12,449, respectively, which were held for working capital, repayment of loans and general corporate purposes. This represents an overall decrease of $6,087.

On January 14, 2022, the Company entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with Canaccord Genuity LLC, as sales agent (the "Agent"). Under the terms of the Equity Distribution Agreement, the Company may issue and sell its common shares, without par value, having an aggregate offering price of up to $50,000 from time to time through the Agent. The issuance and sale of the common shares under the Equity Distribution Agreement have been made, and any such future sales will be made, pursuant to the Company's effective registration statement on Form S-3 (File No.

333-262183), which includes an “at-the-market” (“ATM”) offering prospectus supplement (the "Prospectus Supplement"), as amended from time to time.

We have had operating losses and negative cash flows from operations since inception and expect to continue to incur net losses for the foreseeable future until such time, if ever, that we can generate significant revenue from the sale of our available inventories. We anticipate that we will continue to incur losses from operations due to pre-commercialization activities, marketing and manufacturing activities, and general and administrative costs to support operations. Subsequent to March 31, 2023, through May 8, 2023, 941,745 of shares were issued and sold under the ATM offering. For more information refer to Note 20 to our unaudited condensed consolidated interim financial statements for the period ended March 31, 2023 included in this Form 10-Q.

We have historically been able to manage liquidity requirements through cost management and cost reduction measures, supplemented with raising additional financing. While we have been successful in raising financing in the past, there can be no assurances that additional financing will be available when needed on acceptable terms, or at all. The continued influence of the direct and indirect results of the outbreak of COVID-19 and uncertain market and regulatory conditions may further limit our ability to access capital. If we are not able to secure adequate additional funding, we may be forced to make reductions in spending, extend payment terms with suppliers, and suspend or curtail planned programs. Any of these actions could materially harm our business, results of operations, financial condition, and prospects.

Uses of Liquidity

Our primary need for liquidity is to fund working capital requirements, capital expenditures, debt service obligations and for general corporate purposes. Our ability to fund operations, make planned capital expenditures and debt service obligations depends on future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors. Our interim financial statements have been prepared on a going concern basis, which assumes that we will continue to be in operation for the foreseeable future and, accordingly, will be able to realize our assets and discharge our liabilities in the normal course of operations as they come due.

We manage our liquidity risk by preparing budgets and cash forecasts to ensure we have sufficient funds to meet obligations. In managing working capital, we may limit the amount of our cash needs by selling inventory at wholesale rates, pursuing additional financing sources, and managing the timing of capital expenditures.

However, the Company's current working capital needs, anticipated operating expenses and net losses, and the uncertainties surrounding its ability to raise additional capital as needed, raise substantial doubt as to whether existing cash and cash equivalents will be sufficient to meet its obligations as they come due within twelve months from the issuance date of the interim financial statements. The consolidated financial statements do not include any adjustments for the recovery and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company’s ability to execute its operating plans through 2023 and beyond depends on its ability to obtain additional funding, which may include several initiatives such as raising capital, reducing working capital, and monetizing non-core assets to meet planned growth requirements and to fund future operations, which may not be available on acceptable terms, or at all.

Debt

Total debt outstanding as of March 31, 2023 and December 31, 2022 was $1,477 and $1,530, respectively. The debt outstanding as of March 31, 2023 was comprised of our current and non-current portions of other borrowings of $457 and $1,020, respectively, related to the Colombia and Portugal working capital loans. The debt outstanding as of December 31, 2022 was comprised of our current and non-current portions of other borrowings of $465 and $1,530, respectively, related to the Colombia and Portugal working capital loans. Other borrowing consists of the debt related to the Portugal Line of Credit and Colombia working capital loan. For more information refer to Note 10 to our unaudited condensed consolidated interim financial statements for the period ended of March 31, 2023 included in this Form 10-Q.

Portugal Debt

In January 2021, Clever Leaves Portugal Unipessoal LDA borrowed €1,000 ($1,213) (the "Portugal Debt"), from a local lender (the "Portugal Lender") under the terms of its credit line agreement. The Portugal Debt pays interest quarterly at a rate of

Euribor plus 3.0 percentage points. For the three months ended March 31, 2023 and 2022, the company recognized interest expense of approximately €10 ($11) and €8 ($9), respectively, and repaid principal of approximately €63 ($66) and €63 ($70), respectively, of the Portugal Debt in accordance with the terms of the loan agreement. As of March 31, 2023 and 2022, the outstanding principal balance of the Portugal Debt was €680 ($739) and €938 ($1,143), respectively. In December 2022, the Company approved a plan to shut-down its cultivation activities in Portugal in order to preserve cash. The Portugal Debt was not discharged as part of the restructuring and remains outstanding. For more information on the Restructuring, see Note 21 to our audited consolidated financial statements for the year ended December 31, 2022 included in our 2022 Form 10-K.

Colombia Debt

Ecomedics S.A.S. has entered into loan agreements with multiple local lenders (collectively, the "Colombia Debt"), under which the Company borrowed approximately COP$5,305,800 ($1,295) of mainly working capital loans. The working capital loans are secured by mortgage of our farm land in Colombia as collateral. These loans bear interest at a range of 10.96% to 12.25% per annum denominated in Colombian pesos. The first payment of the principal and interest will be repaid six months after receiving the loan. After the first payment, the principal and interest will be repaid semi-annually. For the three months ended March 31, 2023 and 2022, the outstanding principal balance was approximately COP$3,427,534 ($738) and COP$4,515,503 ($1,151), respectively.

Contingencies

In the normal course of business, we receive inquiries or become involved in legal disputes regarding various litigation matters. In the opinion of management, as of March 31, 2023 any potential liabilities resulting from claims we have received would not have a material adverse effect on our consolidated financial statements.

Off-Balance Sheet Arrangements

We did not have off-balance sheet arrangements during the periods presented, other than the obligations discussed above.

Critical Accounting Policies and Significant Judgments and Estimates

See Part II, Item 7, "Critical Accounting Policies and Estimates" in our 2022 Form 10-K. There have been no material changes to our critical accounting policies and estimates since our 2022 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Controls and Procedures

Management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of as March 31, 2023. The term "disclosure control and procedures" as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of March 31, 2023 were not effective due to a material weakness as described below.

Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting

Because of their inherent limitations, our disclosure controls and procedures and our internal control over financial reporting may not prevent material errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to risks, including that the control may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate.

Material Weakness in Internal Control over Financial Reporting

As initially reported in the Annual Report on Form 10-K for the year ended December 31, 2020, Management did not maintain effective control environment attributed to the following:

- The Company's insufficient number of trained professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately.

- Insufficient segregation of duties, lack of structure, reporting lines and appropriate authorities and responsibilities to achieve financial reporting objectives. Lack of evidence to support the performance of controls and the adequacy of review procedures, including the completeness and accuracy of information used in the performance of controls.

During the year ended December 31, 2022, an additional material weakness was identified as follows:

- Information technology general controls were not properly designed and implemented in user access over certain information technology systems that support the Company's financial reporting process. The access issues relate to the extent of privileges afforded to certain users as well as the Company's user access review controls.

Management Plan to Remediate Material Weaknesses

During the year ended December 31, 2022 and the three months ended March 31, 2023, we made the following enhancements to our control environment:

a. We enhanced our controls to improve the preparation and review over complex accounting measurements, and the application of GAAP to significant accounts and transactions, and our financial statement disclosures; and,

b. We engaged outside consultants to assist us in our evaluation of the design, implementation, and documentation of internal controls that address the relevant risks, and that provide for appropriate evidence of performance of our internal controls (including completeness and accuracy procedures) and to provide technical Sarbanes-Oxley Act training to individuals throughout the organization that are responsible for executing internal controls.

Our remediation activities are ongoing during calendar year 2023. In addition to the above actions, we expect to engage in additional activities, including, but not limited to:

a. Adding more technical accounting resources to enhance our control environment and to allow for proper segregation of duties;

b. Enhance the Company's accounting software system with a system designed with the functionality to properly segregate duties and implement appropriate user access controls;

c. Until we have sufficient technical accounting resources, we will continue to engage external consultants to provide support and to assist us in our evaluation of more complex applications of GAAP, and to assist us with documenting and assessing our accounting policies and procedures; and,

d. Engaging outside consultants to assist us in performing testing in order to evaluate the operating effectiveness of our internal controls.

Under the direction of the audit committee of the board of directors, management will continue to take measures to remediate the material weaknesses in calendar year 2023. As such, we will continue to enhance corporate oversight over process-level controls and structures to ensure that there is appropriate assignment of authority, responsibility, and accountability to enable remediation of our material weaknesses. We believe that our remediation plan will be sufficient to remediate the identified material weaknesses and strengthen our internal control over financial reporting.

We believe the corrective actions and controls need to be in operation for a sufficient period for management to conclude that the control environment is operating effectively and has been adequately tested through audit procedures. Therefore, the material weaknesses have not been remediated as of the date of this report.

Changes in Internal Control over Financial Reporting

The Company is in the process of implementing certain changes in its internal controls to remediate the material weakness described above. Except as noted above, no change to our internal control over financial reporting occurred during the three months ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various investigations, claims and lawsuits arising in the normal conduct of our business, none of which, in our opinion, will have a material adverse effect on our financial condition, results of operations, or cash flows. We cannot assure you that we will prevail in any litigation. Regardless of the outcome, any litigation may require us to incur significant litigation expense and may result in significant diversion of management attention.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our 2022 Form 10-K, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common and capital stock. There have been no material changes to our risk factors since our 2022 Form 10-K.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Articles of Clever Leaves Holdings Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on December 23, 2020).
4.2	Specimen Common Share Certificate of Clever Leaves Holdings Inc. (incorporated by reference to Exhibit 4.1 to the Current Report on Form 10-Q filed with the SEC by Clever Leaves Holdings Inc. on May 17, 2021).
4.3	Specimen Warrant Certificate of Clever Leaves Holdings Inc. (incorporated by reference to Exhibit 4.5 to Amendment No. 2 to the Registration Statement on Form S-4 (File No. 333-241707) filed with the SEC by Clever Leaves Holdings Inc. on November 9, 2020).
4.4	Warrant Agreement, dated December 10, 2018, between Schultze Special Purpose Acquisition Corp. and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.1 of Schultze Special Purpose Acquisition Corp.'s Current Report on Form 8-K, filed with the SEC on December 14, 2018).
4.5	Assignment, Assumption and Amendment Agreement, dated as of December 18, 2020, among Clever Leaves Holdings Inc., Schultze Special Purpose Acquisition Corp. and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.4 of the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on December 28, 2020).
4.6	Waiver of Certain Rights, dated February 2, 2022, between Schultze Special Purpose Acquisition Sponsor, LLC and Clever Leaves Holdings Inc. (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8_K filed with the SEC by Clever Leaves Holdings Inc. on February 2, 2022.
4.7	Assignment, Assumption and Amendment Agreement No. 2, dated as of April 12, 2021, among Clever Leaves Holdings Inc., Continental Stock Transfer & Trust Company and Computershare Inc. (incorporate by reference to Exhibit 4.3 to Current Report on Form 10-Q file with the SEC by Clever Leaves Holdings, Inc. on May 17, 2021).
31.1**	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document
101. PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Date File - (formatted as Inline XBRL and contained in Exhibit 101)

** Filed herewith
*** Furnished herewith

SIGNATURES

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 thereunto duly authorized.

Clever Leaves Holdings Inc.

May 11, 2023

By:	/s/ Andres Fajardo
Name:	Andres Fajardo
Title:	Chief Executive Officer

Exhibit 31.1

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andres Fajardo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clever Leaves Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 3a-15(f) and 15d-15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2023

/s/ Andres Fajardo

Andres Fajardo

Director and Chief Executive Officer

Exhibit 31.2

CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Henry R. Hague, III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clever Leaves Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 3a-15(f) and 15d-15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2023

/s/ Henry R. Hague, III

Henry R. Hague, III
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Clever Leaves Holdings Inc., a corporation organized under the laws of British Columbia, Canada (the "Company"), on Form 10-Q for the quarter ending March 31, 2023 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002), that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2023	/s/ Andres Fajardo
	Andres Fajardo
	Director and Chief Executive Officer

Date: May 11, 2023	/s/ Henry R. Hague, III
	Henry R. Hague, III
	Chief Financial Officer