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 June 30, 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 August 10, 2023 was 45,726,599.

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;
- general economic conditions, including 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 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)

	Note	As of June 30, 2023	As of December 31, 2022
Assets			
Current:			
Cash and cash equivalents		$ 5,077	$ 12,449
Restricted cash		64	439
Accounts receivable, net		2,590	2,252
Prepaids, deposits and other receivables	6	3,207	2,708
Inventories, net	5	7,470	8,399
Total current assets		18,408	26,247
Investment – Cansativa	7	5,777	5,679
Property, plant and equipment, net of accumulated depreciation of $7,990 and $7,120 for June 30, 2023 and December 31, 2022, respectively	9	13,094	13,963
Assets held for sale - Land		1,500	1,500
Intangible assets, net	8	2,987	3,354
Operating lease right-of-use assets, net	18	981	1,303
Other non-current assets		84	52
Total Assets		**$ 42,831**	**$ 52,098**
Liabilities			
Current:			
Accounts payable		$ 2,300	$ 2,299
Accrued expenses and other current liabilities		3,115	4,238
Loans and borrowings, current portion	10	471	465
Warrant liability		168	113
Operating lease liabilities, current portion	18	663	1,239
Deferred revenue		845	1,072
Total current liabilities		7,562	9,426
Loans and borrowing — long-term	10	908	1,065
Operating lease liabilities — long-term	18	389	1,087
Other long-term liabilities		24	112
Total Liabilities		**$ 8,883**	**$ 11,690**
Contingencies and commitments			
Shareholders' equity			
Preferred shares, without par value, unlimited shares authorized, nil shares issued and outstanding for each of June 30, 2023 and December 31, 2022		—	—
Common shares, without par value, unlimited shares authorized: 45,704,459 and 43,636,783 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	11	—	—
Additional paid-in capital		222,530	221,313
Accumulated deficit		(188,582)	(180,905)
Total shareholders' equity		**33,948**	**40,408**
Total liabilities and shareholders' equity		**$ 42,831**	**$ 52,098**

See accompanying notes to the condensed consolidated financial statements

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

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	**2023**	**2022**	**2023**	**2022**
Revenue, net	16	**$ 4,981**	$ 4,100	**$ 8,959**	$ 9,141
Cost of sales		**(2,255)**	(1,619)	**(3,999)**	(4,067)
Gross profit		**2,726**	2,481	**4,960**	5,074
Expenses					
General and administrative	12	**4,805**	6,424	**10,172**	13,422
Sales and marketing		**469**	728	**1,018**	1,461
Research and development		**403**	359	**615**	771
Restructuring expenses	13	**—**	—	**—**	3,842
Depreciation and amortization		**224**	318	**460**	644
Total expenses		**5,901**	7,829	**12,265**	20,140
Loss from operations		**(3,175)**	(5,348)	**(7,305)**	(15,066)
Other Expense (Income), net					
Interest and amortization of debt issuance cost		**35**	645	**18**	2,754
Loss (Gain) on remeasurement of warrant liability	11	**11**	(1,323)	**55**	(1,813)
Gain on investment	7	**—**	(6,851)	**—**	(6,851)
Loss on debt extinguishment, net	10	**—**	—	**—**	2,263
Foreign exchange loss		**67**	264	**22**	475
Other (income) expense, net		**(27)**	61	**12**	9
Total other expenses (income), net		**86**	(7,204)	**107**	(3,163)
Loss (income) before income taxes and equity investment loss		**$ (3,261)**	$ 1,856	**$ (7,412)**	$ (11,903)
Equity investment share of loss		**—**	—	**—**	64
Loss (income) from continuing operations		**$ (3,261)**	$ 1,856	**$ (7,412)**	$ (11,968)
Loss from discontinued operations		**(334)**	(2,902)	**(264)**	(5,218)
Net loss		**$ (3,595)**	$ (1,046)	**$ (7,676)**	$ (17,186)
Net loss per share:					
Basic and diluted from continuing operations	17	**$ (0.07)**	**$ 0.05**	**$ (0.17)**	**$ (0.35)**
Basic and diluted from discontinued operations		**(0.01)**	**(0.08)**	**(0.01)**	**(0.16)**
Net loss per share		**$ (0.08)**	$ (0.03)	**$ (0.18)**	$ (0.51)
Weighted-average common shares outstanding:		44,866,179	39,559,793	44,387,392	33,792,261
Basic and diluted	17	**(0.08)**	**(0.03)**	**(0.18)**	**(0.51)**

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 RSUs	247,453	—	—	—	—
Stock option exercise	116,112	—	22	—	22
Stock-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**
Issuance of common shares upon vesting RSUs	39,898	—	—	—	—
Stock option exercise	35,582	—	—	—	—
Stock-based compensation expense	—	—	1,148	—	1,148
Conversion of Convertible Note to common shares	900,000	—	2,039	—	2,039
Net loss	—	—	—	(1,046)	(1,046)
Balance at June 30, 2022	**39,599,409**	**$ —**	**$ 216,515**	**$ (131,926)**	**$ 84,589**

	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 RSUs		370,489	—	—	—	—
Stock-based compensation expense		—	—	468	—	468
Equity issuance costs		—	—	(25)	—	(25)
Net loss		—	—	—	(4,081)	(4,081)
Balance at March 31, 2023		**44,007,272**	**$ —**	**$ 221,756**	**$ (184,986)**	**$ 36,770**
Issuance of common shares upon vesting RSUs	14	137,614	—	—	—	—
Stock-based compensation expense	12	—	—	433	—	433
Issuance of common stock - gross		1,559,573	—	438	—	438
Equity issuance costs		—	$ —	(97)	$ —	(97)
Net loss					(3,595)	(3,595)
Balance at June 30, 2023		**45,704,459**	**$ —**	**$ 222,530**	**$ (188,582)**	**$ 33,948**

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)

	Note	Six Months Ended June 30, 2023	2022
Cash Flow from Operating Activities:			
Loss from continuing operations		(7,412)	(11,968)
Loss from discontinued operations		(264)	(5,218)
Net loss		(7,676)	(17,186)
Adjustments to reconcile to net cash used in operating activities:			
Depreciation and amortization		1,242	1,984
Amortization of debt discount and debt issuance cost		—	1,949
Inventory provision	5	326	2,126
Restructuring and related costs	13	—	3,430
(Gain) loss on remeasurement of warrant liability	11	55	(1,813)
Loss on disposal of fixed assets		72	—
Non-cash lease expense	18	322	155
Foreign exchange loss		22	652
Stock-based compensation expense	14	901	1,648
Equity investment share of loss		—	64
Gain on investment	7	—	(6,851)
Loss on debt extinguishment, net	10	—	2,263
Other non-cash expense, net		—	600
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable		(338)	(1,169)
(Increase) in prepaid expenses	6	(499)	(1,014)
Decrease (increase) in other receivables and other non-current assets		(34)	178
(Decrease) in lease liability	18	(614)	—
(Increase) decrease in inventory		602	(3,458)
(Decrease) in accounts payable and other current liabilities		(2,059)	(1,957)
(Decrease) increase in accrued and other non-current liabilities		(86)	(185)
Net cash used in operating activities		**(7,764)**	**(18,584)**
Cash Flow from Investing Activities:			
Purchase of property, plant and equipment		(79)	(1,601)
Proceeds from partial sale of equity method of investment		—	2,498
Net cash provided by (used in) investing activities		**(79)**	**897**
Cash Flow from Financing Activities:			
Repayment of debt	10	(257)	(22,665)
Other borrowings		—	73
Proceeds from issuance of shares	11	438	23,400
Equity issuance costs	11	(123)	(1,177)
Stock option exercise		—	22
Net cash (used in) provided by financing activities		**58**	**(347)**
Effect of exchange rate changes on cash, cash equivalents & restricted cash		38	(202)
Decrease in cash, cash equivalents			

& restricted cash	(7,747)	(18,236)
Cash, cash equivalents & restricted cash, beginning of period [a]	12,888	37,699
Cash, cash equivalents & restricted cash, end of period [a]	**5,141**	**19,463**

[a] These amounts include restricted cash of $464 and $456 as of June 30, 2023 and June 30, 2022, respectively, which are comprised primarily of cash on deposits for certain lease arrangements.

See accompanying notes to the condensed consolidated financial statements.

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. Subsequently, the post harvest facility has been sold and preparations are currently underway for the sale process of the farm land 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 June 30, 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 condensed 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 from the date of issue.

As shown in the accompanying interim condensed financial statements, the Company had an accumulated deficit as of June 30, 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 June 30, 2023, the Company had cash and cash equivalents of $5,077. As of June 30, 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. ASU 2016-13 is effective for the Company's fiscal year beginning January 1, 2023. We have adopted the provisions of Accounting Standards

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)

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.

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 June 30, 2023				
Assets:				
Investment – Cansativa	—	—	5,777	5,777
Total Assets	**$ —**	**$ —**	**$ 5,777**	**$ 5,777**
Liabilities:				
Loans and borrowings	—	1,379	—	1,379
Warrant liability	—	—	168	168
Total Liabilities	$ —	**$ 1,379**	**$ 168**	**$ 1,547**
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 June 30, 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 six months ended June 30, 2023.

The following table provides a summary of changes in fair value of the Company's level 3 investments for the six months ended June 30, 2023:

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

		Level 3
Balance, December 31, 2022	$	5,679
Change in value due to foreign exchange gain		74
Balance, March 31, 2023	$	5,753
Change in value due to foreign exchange gain	$	24
Balance, June 30, 2023	$	5,777

During the six months ended June 30, 2023, there were no transfers between fair value measurement levels.

The change in fair value of warrant liabilities related to private warrants during the six months ended June 30, 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	**$**	**157**
Change in fair value of warrant liability		11
Warrant liabilities at June 30, 2023	**$**	**168**

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 June 30, 2023 and December 31, 2022:

	As of	
	June 30, 2023	**December 31, 2022**
Risk-free interest rate	4.69%	4.23%
Expected volatility	145%	105%
Share Price	$0.20	$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.

5. INVENTORIES, NET

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

		June 30, 2023		December 31, 2022
Raw materials	$	1,063	$	1,204
Work in progress – harvested cannabis and extracts		141		21
Finished goods – cannabis extracts		5,806		6,703
Finished goods – other		460		471
Total	**$**	**7,470**	**$**	**8,399**

During the three and six months ended June 30, 2023 the Company recorded inventory provisions for approximately $205 and $326, respectively, to cost of sales to write-down obsolete inventories. During the three and six months ended June 30, 2022, the Company recorded inventory provisions for approximately $236 and $548, respectively, to cost of sales to write-down obsolete inventory.

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

6. PREPAID, DEPOSITS AND OTHER RECEIVABLES

Prepaid and advances are comprised of the following items as of the periods presented:

	June 30, 2023	December 31, 2022
Prepaid expenses	$ 1,155	$ 590
Indirect tax receivables	1,981	2,007
Deposits	52	51
Other receivable and advances	19	60
Total	**$ 3,207**	**$ 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 EUR 322.97 per preferred share, and as cash contributions from the Company to Cansativa. The seed EUR 322.97 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 accounted 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 EUR 999.92, 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 EUR 650, or approximately $722, for 2,138 shares in Cansativa, thereby increasing its equity ownership to 16.6% 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

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

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 EUR 2,300.
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 then 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 and six months ended June 30, 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 six months ended June 30, 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 June 30, 2023 and 2022 the Company recorded $175 and $191, respectively, of amortization related to its finite-lived intangible assets. During the six months ended June 30, 2023 and 2022 the Company recorded $366 and $382, respectively, of amortization related to its finite-lived intangible assets.The following tables present details of the Company's total intangible assets as of June 30, 2023 and December 31, 2022. The value of product formulation intangible asset is included in the value of Brand:

	June 30, 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**	**745**	**255**	**2.8**
Customer list	**650**	**542**	**107**	**0.8**
Trade name	**4,516**	**1,891**	**2,625**	**5.8**
Total finite-lived intangible assets	**$ 7,091**	**$ 4,103**	**$ 2,987**	

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

	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
Trade name		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 six months ended June 30 2023, no impairment was recognized related to the carrying value of any of the Company's finite lived intangible assets. The Company will perform an impairment test at fiscal year ending December 31, 2023.

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 June 30, 2023.

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

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 June 30, 2023:

	Estimated Amortization Expense
2023	$ 336
2024	585
2025	541
2026	482
2027	452
Thereafter	591
Total	**$ 2,987**

9. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following:

	June 30, 2023	December 31, 2022
Land	$ 1,806	$ 1,806
Building & warehouse	7,736	7,658
Laboratory equipment	6,426	6,416
Agricultural equipment	1,480	1,477
Computer equipment	1,397	1,397
Furniture & appliances	785	785
Construction in progress	130	240
Other	1,324	1,304
Property, plant and equipment, gross	**21,084**	**21,083**
Less: accumulated depreciation	**(7,990)**	**(7,120)**
Property, plant and equipment, net	**$ 13,094**	**$ 13,963**

10. DEBT

	June 30, 2023	December 31, 2022
Loans and borrowings, current portion	$ 471	$ 465
Loans and borrowings, non-current portion	908	1,065
Total debt	**$ 1,379**	**$ 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 June 30, 2023 and 2022, the company recognized interest expense of approximately €10 ($11) and €7 ($8), respectively, and repaid principal of approximately €63 ($68) and €63 ($67), respectively, of the Portugal Debt in accordance with the terms of the loan agreement. For the six months ended June 30, 2023 and 2022, the company recognized interest expense of approximately €20 ($21) and €15 ($17), respectively, and repaid principal of approximately €125 ($134) and €125 ($137), respectively, of the Portugal Debt in accordance with the terms of the loan agreement. As of June 30, 2023 and December 31, 2022, the outstanding principal balance of the Portugal Debt was €625 ($671) and €875 ($1,076), 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 repaid six months after receiving the loan. After the first payment, the principal and interest will be repaid semi-annually. For the period ended June 30, 2023 and December 31, 2022, the outstanding principal balance was approximately COP$3,390,173 ($708) and COP$3,471,576 ($725), respectively.

11. CAPITAL STOCK

Common Shares

As of June 30, 2023 and December 31, 2022, a total of 45,704,459 and 43,636,783 common shares were issued and outstanding, respectively. The increase in outstanding shares was primarily the result of shares issued under the ATM. See Equity Distribution Agreement disclosed below.

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 and six months ended June 30, 2023, 1,559,573 shares and 1,559,573 shares, respectively were sold for total gross proceeds of $438 pursuant to the ATM offering and $123 of equity issuance costs.

As of June 30, 2023, 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 of equity issuance costs.

Warrants

As of June 30, 2023, 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.

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

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 June 30, 2023, the Company performed a valuation of the private warrants and as a result recorded a net loss on remeasurement for the three and six months ended June 30, 2023, of approximately $11 and $55, respectively, in its statement of operations.

As of June 30, 2022, the Company performed a valuation of the private warrants and as a result recorded, in the statement of operations, a net gain on remeasurement for the three and six months ended June 30, 2022 of approximately $1,323 and $1,813, respectively.

12. GENERAL AND ADMINISTRATION

The components of general and administrative expenses were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Salaries and benefits	**$ 2,536**	$ 3,171	**$ 5,201**	$ 6,938
Office and administration	**754**	1,074	**1,432**	2,073
Professional fees	**903**	850	**2,266**	2,398
Share based compensation	**434**	1,148	**901**	1,648
Rent	**199**	200	**386**	430
Other [(a)]	**(21)**	(19)	**(14)**	(65)
Total	**$ 4,805**	$ 6,424	**$ 10,172**	$ 13,422

(a) For the six months ended June 30, 2023 and 2022, other general and administrative costs includes freight-out cost of approximately $328 and $438, 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 related to asset write off, severance, and other related costs during the year 2022. For the six months ended

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

June 30, 2023 and 2022, the Company recorded no restructuring charge related to asset write off, severance, and other related costs

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 six months ended June 30, 2023:

	Employee severance and related benefits	Costs associated with Exit and Disposal Activities	Total
Balance at December 31, 2022	$ 1,407	$ 830	$ 2,237
Cash payment	(857)	$ (319)	$ (1,176)
Balance at June 30, 2023	**$ 550**	**$ 511**	**$ 1,061**

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 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 and six months ended June 30, 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Share-based compensation award type:				
Stock Options	39	85	127	270
RSUs	395	1,063	774	1,378
Total Shared Based Compensation Expense	**$ 434**	$ 1,148	**901**	1,648

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

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

Stock Options

The following table is a summary of options activity for the Company's equity incentive plans for the six months ended June 30, 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**	**$ —**
Forfeited	(8,029)	$ 11.03	—	—
Expired	(48,066)	$ 15.54	—	—
Balance as of June 30, 2023	**354,382**	**$ 5.93**	**2.28**	**$ —**
Vested and expected to vest as of June 30, 2023	**343,849**	**$ 5.79**	**2.32**	**$ —**
Vested and exercisable as of June 30, 2023	**314,495**	**$ 5.11**	**1.97**	**$ —**

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 share-based compensation expense related to unvested stock options awards not yet recognized as of June 30, 2023 and December 31, 2022, was $211 and $392, respectively, which is expected to be recognized over a weighted average period of 1.1 and 1.0 years respectively.

Restricted Share Units

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 six months ended June 30, 2023:

	Restricted Share Units	Weighted-Average Grant Date Fair Value
Non-vested as of December 31, 2022	**1,368,151**	**$ 3.50**
Granted	1,358,000	0.25
Vested	(508,103)	2.65
Canceled/forfeited	(12,269)	7.34
Non-vested as of June 30, 2023	**2,205,779**	**$ 1.67**

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 six months ended June 30, 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.

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

The following table summarizes the changes in the Company's market-based restricted share unit activity during the six months ended June 30, 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	(63,428)	13.34
Non-vested as of June 30, 2023	**466,365**	**$ 12.71**

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 June 30, 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 June 30, 2023, the Company's deferred revenue, included in current and non-current liabilities was $845 and $nil, respectively.

As of December 31, 2022, the Company's deferred revenue, included in current and non-current liabilities was $1,072 and $nil, 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 June 30, 2023, the Company's operations were organized in the following two 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 nutraceutical and other natural remedies, wellness products, detoxification products, nutraceutical, 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.

CLEVER LEAVES HOLDINGS INC.
Notes to the Unaudited Condensed Consolidated Financial Statements
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The following table is a comparative summary of the Company's net sales and segment profit by reportable segment for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022 (*)**	**2023**	**2022 (*)**
Segment Net Sales:				
Cannabinoid	**$ 1,873**	$ 745	**$ 3,095**	$ 2,553
Non-Cannabinoid	**3,108**	3,355	**5,864**	6,588
Total net sales	**4,981**	4,100	**8,959**	9,141
Segment Profit (Loss):				
Cannabinoid	**(1,697)**	(2,706)	**(4,012)**	(8,412)
Non-Cannabinoid	**831**	666	**1,278**	1,014
Total segment loss	**$ (866)**	$ (2,040)	**$ (2,734)**	$ (7,398)
Reconciliation:				
Total segment loss	**(866)**	(2,040)	**(2,734)**	(7,398)
Unallocated corporate expenses	**(2,571)**	(1,843)	**(4,129)**	(5,376)
Non-cash share-based compensation	**(434)**	(1,148)	**(902)**	(1,648)
Depreciation and amortization	**696**	(317)	**460**	(644)
Loss from continuing operations before income taxes	**$ (3,175)**	$ (5,348)	**$ (7,305)**	$ (15,066)
Loss on debt extinguishment, net	**—**	—	**—**	2,263
Loss (Gain) on remeasurement of warrant liability	**11**	(1,323)	**55**	(1,813)
Gain on investment	**—**	(6,851)	**—**	(6,851)
Foreign exchange loss	**67**	264	**22**	475
Interest and amortization of debt issuance cost	**35**	645	**18**	2,754
Other (income) expense, net	**(27)**	61	**12**	9
Income (loss) before loss from equity investment	**$ (3,261)**	$ 1,856	**$ (7,412)**	$ (11,903)

(*)Prior period numbers are re-stated to exclude discontinued operations to make it comparative with current period numbers.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Mass retail	**$ 2,991**	$ 1,683	**$ 5,515**	$ 4,496
Distributors	**1,552**	1,664	**2,815**	3,322
Specialty, health and other retail	**94**	560	**254**	952
E-commerce	**344**	193	**375**	371
Total	**$ 4,981**	$ 4,100	**$ 8,959**	$ 9,141

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
United States	**$ 3,108**	$ 3,275	**$ 5,864**	$ 6,508
Israel	**350**	$ 69	**$ 600**	$ 707
Australia	**671**	—	**707**	368
Brazil	**384**	277	**1,271**	920
Germany	**—**	300	**9**	445
Other	**468**	179	**508**	193
Total	**$ 4,981**	$ 4,100	**$ 8,959**	$ 9,141

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				Percentage of Accounts Receivable	
	Three Months Ended June 30,		Six Months Ended June 30,		June 30,	December 31,
	2023	2022	2023	2022	2023	2022
Customer A [(a)]	11%	10%	13%	10%	*	18%
Customer B [(b)]	*	*	*	*	14%	13%
Customer C [(b)]	*	*	12%	*	*	*
Customer D [(b)]	*	*	*	*	*	15%
Customer E [(b)]	*	*	*	*	*	10%
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 and six months ended June 30, 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 Israel, Brazil and Australia.

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

	June 30, 2023	December 31, 2022
Long-lived assets		
Cannabinoid	**$ 12,978**	$ 15,308
Non-Cannabinoid	**116**	155
Total	**$ 13,094**	$ 15,463

Long-lived assets consist of non-current assets other than goodwill; intangible assets, net; investments in unconsolidated subsidiaries and equity securities; and financial instruments.

(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 June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Numerator:				
Income (loss) from continuing operations	**$ (3,261)**	$ 1,856	**$ (7,412)**	(11,968)
Loss from discontinued operations	**$ (334)**	$ (2,902)	**$ (264)**	(5,218)
Net loss - basic and diluted	**$ (3,595)**	**$ (1,046)**	**$ (7,676)**	**$ (17,186)**
Denominator:				
Weighted-average common shares outstanding - basic and diluted	**44,866,179**	39,559,793	**44,387,392**	33,792,261
Net loss per common share - basic and diluted:				
Income (loss) from continuing operations	**$ (0.07)**	$ 0.05	**$ (0.17)**	$ (0.35)
Loss from discontinued operations	**$ (0.01)**	$ (0.08)	**$ (0.01)**	$ (0.16)

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 June 30, 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:

	June 30, 2023	**June 30, 2022**
Common stock warrants	**17,777,361**	17,840,951
SAMA earnout shares	**570,211**	570,211
Stock options	**354,382**	498,798
Unvested restricted share units	**2,672,145**	2,370,289
Total	**21,374,099**	21,280,249

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	**Three Months Ended June 30, 2023**	**Six Months Ended June 30, 2023**
Operating lease costs:			
Fixed lease costs	Operating expenses	**$ 185**	$ 365
Total lease costs		**$ 185**	$ 365

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 and six months ended June 30, 2023, cash paid for amounts associated with our operating lease liabilities was approximately $213 and $428, respectively, For the six months ended June 30, 2022, Operating lease cost was $448 cash paid for amounts associated with our operating lease liabilities was approximately $475, which was classified as operating activities in the consolidated statement of cash flows.

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)

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 June 30, 2023:

Leases and a reconciliation to the operating lease liabilities as of June 30, 2023		
Remainder of Year 2023	$	**687**
2024		**112**
2025		**111**
2026		**117**
2027		**91**
Thereafter		**65**
Total future fixed operating lease payments	$	**1,183**
Less: Imputed interest	$	**131**
Total operating lease liabilities	$	**1,052**
Weighted-average remaining lease term - operating leases		**2.89**
Weighted-average discount rate - operating leases		**8.0 %**

(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 three and six months ended June 30, 2023, and the three and six months ended June 30, 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenue, net	**$ 215**	$ 556	**$ 552**	740
Cost of sales	$ —	(1,734)	$ —	(2,472)
Gross profit (loss)	**$ 215**	(1,178)	**552**	(1,733)
Expenses				
General and administrative	$ 564	1,589	$ 846	2,852
Restructuring expenses	$ —	(135)	$ —	30
Depreciation and amortization	$ —	220	$ —	410
Total expenses	**$ 564**	1,673	**846**	3,291
Loss from operations	**$ (350)**	(2,851)	**(294)**	(5,024)
Interest (income) expense and amortization of debt issuance cost	$ 9	8	$ 20	17
Loss on investments	$ (47)	—	$ (47)	
Foreign exchange (gain) loss	$ —	43	$ (4)	177
Other expense, net	$ 21	—	$ 1	—
Net loss	**$ (333)**	$ (2,902)	**$ (264)**	$ (5,218)

20. SUBSEQUENT EVENTS

Sale of Processing Assets in Portugal to Curaleaf International Subsidiary

Subsequent to June 30, 2023, the Company has closed the sale of the assets, including lab and processing equipment, previously used in its EU-GMP certified cannabis processing facility in Setúbal, Portugal for gross proceeds of approximately €2.5 million ($2.7 million). Proceeds from the sale are expected to improve Clever Leaves' cash position. Clever Leaves plans to use the proceeds for working capital and general corporate purposes.

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 nutraceutical, 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 multi-national operator 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 and six months ended June 30, 2023 and 2022:

	Three months ended June 30,							
Operational information:		**2023**		**2022(*)**		**Change**		
(In $000s, except kilogram and per gram data)								
Kilograms (dry flower) harvested [a] [d]		1,132		—		1,132		— %
Costs to produce [b]	$	789	$	881	$	(92)		(10)%
Costs to produce per gram	$	0.70	$	—	$	0.70		— %
Selected financial information:								
Revenue	$	1,873	$	867	$	1,006		116 %
Kilograms sold [c]		6,748		1,422		5,326		375 %
Revenue per gram sold	$	0.28	$	0.61	$	(0.33)		(54)%

	Six Months Ended June 30,							
Operational information:		**2023**		**2022(*)**		**Change**		
(In $000s, except kilogram and per gram data)								
Kilograms (dry flower) harvested [a]		1,850		6,765		(4,915)		(73)%
Costs to produce [b]	$	1,715	$	1,682	$	33		2 %
Costs to produce per gram	$	0.93	$	0.25	$	0.68		273 %
Selected financial information:								
Revenue	$	3,095	$	2,642	$	453		17 %
Kilograms sold [c]		9,466		5,681		3,785		67 %
Revenue per gram sold	$	0.33	$	0.47	$	(0.14)		(30)%

(*)Prior period numbers are re-stated to exclude discontinued operations to make it comparative with current period numbers.

(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.

(d) During the second quarter of 2022, there was no production.

During the three months ended June 30, 2023 and 2022 we sold 6,748 and 1,422 kilograms, respectively, of dry flower equivalent. For the three months ended June 30, 2023, our Cannabinoid segment sales were primarily in Australia, Israel and Brazil. The increase in cannabinoid revenues is the result of strong extract sales.

During the six months ended June 30, 2023 and 2022 we sold 9,466 and 5,681 kilograms, respectively, of dry flower equivalent. For the six months ended June 30, 2023, the increase in cannabinoid revenues was primarily driven by ongoing sales strength for the Company’s extract products, particularly in Brazil, Australia, and Israel.

We harvested 1,132 kilograms of cannabinoids in the three months ended June 30, 2023, as compared to nil kilograms in the three months ended June 30, 2022. The increase is due to the agricultural output from new harvests, along with the ongoing extraction and processing costs at its Colombian operations. The Company did not harvest new crops at its Colombian operations for the three months ended June 30, 2022.

We harvested 1,850 kilograms of cannabinoids in the six months ended June 30, 2023, as compared to 6,765 kilograms in the six months ended June 30, 2022. The decrease was primarily attributable to a decrease in our production capacity at our Colombia facility.

Costs to produce were approximately $0.70 per gram of dry flower equivalent for the three months ended June 30, 2023, as compared to $nil per gram of dry flower equivalent for the three months ended June 30, 2022. The increase is attributable to the Company's significantly reduced agricultural output, along with ongoing extraction and processing costs at its Colombian operations. The Company did not harvest new crops at its Colombian operations for the three months ended June 30, 2022.

Costs to produce were approximately $0.93 per gram of dry flower equivalent for the six months ended June 30, 2023, as compared to $0.25 per gram of dry flower equivalent for the six months ended June 30, 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 Requirement” (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.

On June 28, 2023, the board of directors of the Company approved a 1-for-30 reverse share split. The Company plans to effect the reverse share split at such a time that will allow them to demonstrate compliance with Nasdaq’s Minimum Bid Price Requirement prior to the end of the Second Compliance Period, in accordance with Nasdaq rules. As a result of the reverse share split, the Company’s outstanding common shares will be reduced from approximately 45.7 million to approximately 1.5 million, based on the number of common shares outstanding as of August 10, 2023. No fractional shares will be issued in connection with the reverse share split. Instead, pursuant to the *Business Corporations Act* (British Columbia), each fractional share remaining after completion of the reverse share split that is less than half of a whole share will be rounded down and canceled without consideration to the holders thereof and each fractional share that is at least half of a whole share will be rounded up to one whole common share. The reverse share split will apply to all of the Company’s outstanding common shares and therefore will not affect any shareholder’s ownership percentage of the shares, except for changes as a result of the elimination of fractional shares. The reverse share split will not alter the voting rights or other rights attached to the shares.

The common shares issuable upon exercise of the Company’s warrants, as well as the exercise price per share, will be ratably adjusted. The number of shares available for issuance under each of the Company’s 2020 Incentive Award Plan, as amended (the “Incentive Award Plan”), and the Company’s 2020 Earnout Award Plan (the “Earnout Plan”) will be equitably adjusted to reflect the reverse share split. The number of common shares underlying each award of restricted share units (whether vesting based on time or performance) issued under the Incentive Award Plan and the 2020 Earnout Plan that are outstanding as of immediately prior to the reverse share split will be ratably adjusted to reflect the reverse share split. Each award of restricted share units issued under the Earnout Award Plan that vests based on the achievement by the Company of certain threshold share prices, outstanding as of immediately prior to the reverse share split, will have its share price targets ratably adjusted to reflect the reverse share split. The number of common shares underlying stock option awards issued under each of the Northern Swan Holdings, Inc. 2018 Omnibus Incentive Compensation Plan and the Incentive Award Plan that are outstanding and unexercised as of immediately prior to the reverse share split and the exercise price of such stock options will be ratably adjusted to reflect the reverse share split.

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.

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 and six months ended June 30, 2023, 1,559,573 shares and 1,559,573 shares, respectively were sold for a gross proceeds of $438 pursuant to the ATM offering and 123 of equity issuance costs. The Company did not sell any common shares under the ATM and Equity Distribution Agreement during the six months ended June 30, 2022. As of June 30, 2023, the Company had issued and sold 16,554,338 shares pursuant to the ATM offering, for aggregate net proceeds of $26,640, which consisted of gross proceeds of $28,124 and $1,484 of 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 cannabidiol isolate, full spectrum and standardized extracts as well as dry smokable flowers. In our Non-Cannabinoid segment, revenue is primarily composed of sales of our nutraceutical products to our retail customers. As we continue to grow 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, post-harvest and shipment and fulfillment 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. Shipment and fulfillment costs include the costs of packaging, labelling, courier services 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 employees, other than in sales and marketing and research and development, including share-based compensation, costs of legal expenses, professional services, general liability insurance, rent and other office and general expenses.
- *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 and six months ended June 30, 2023 compared to three and six months ended June 30, 2022

Consolidated Statements of Operations

(In thousands of U.S. dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022 (*)	2023	2022 (*)
Revenue, net	$ 4,981	$ 4,100	$ 8,959	$ 9,141
Cost of sales	(2,255)	(1,619)	(3,999)	(4,067)
Gross Profit	**2,726**	**2,481**	**4,960**	**5,074**
Expenses				
General and administrative expenses	4,805	6,424	10,172	13,422
Sales and marketing expenses	469	728	1,018	1,461
Research and development	403	359	615	771
Restructuring expenses	—	—	—	3,842
Depreciation and amortization expenses	224	318	460	644
Total expenses	**5,901**	**7,829**	**12,265**	**20,140**
Loss from operations	**(3,175)**	**(5,348)**	**(7,305)**	**(15,066)**
Other Expense (Income), net				
Interest and amortization of debt issuance cost	35	645	18	2,754
Loss (Gain) on remeasurement of warrant liability	11	(1,323)	55	(1,813)
Gain on investment	—	(6,851)	—	(6,851)
Loss on debt extinguishment, net	—	—	—	2,263
Foreign exchange loss	67	264	22	475
Other (income) expense, net	(27)	61	12	9
Total other expenses (income), net	86	(7,204)	107	(3,163)
Loss (income) before income taxes and equity investment loss	**$ (3,261)**	**$ 1,856**	**$ (7,412)**	**$ (11,903)**
Equity investments share of loss	—	—	—	64
Net income (loss)	**$ (3,261)**	**$ 1,856**	**$ (7,412)**	**$ (11,967)**

(*)Prior period numbers are re-stated to exclude discontinued operations to make it comparative with current period numbers.

Revenue by Channel

(In thousands of U.S. dollars)

The following table provides our revenue by channel for the three and six months ended June 30, 2023 and 2022.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Mass retail	**$ 2,991**	$ 1,683	**$ 5,515**	$ 4,496
Distributors	**1,552**	1,664	**2,815**	3,322
Specialty, health and other retail	**94**	560	**254**	952
E-commerce	**344**	193	**375**	371
Total	**$ 4,981**	$ 4,100	**$ 8,959**	$ 9,141

Revenue

Revenue increased to $4,981 for the three months ended June 30, 2023, as compared to $4,100 for the three months ended June 30, 2022. The increase was driven by an increase in cannabinoid segment revenues compared to the same period in 2022, partially offset by lower revenues in the non-cannabinoid segment. The increase in cannabinoid segment revenues was primarily driven by ongoing sales strength for the Company's extract products, particularly in Brazil, Australia, and Israel. The decrease in non-cannabinoid revenues was due to continued demand headwinds in the segment's specialty channel, which resulted in lower inventory orders during the quarter.

Revenue decreased to $8,959 for the six months ended June 30, 2023, as compared to $9,141 for the six months ended June 30, 2022. The decrease was driven by lower revenues in the non-cannabinoid segment partially offset by an increase in cannabinoid segment revenues compared to the same period in 2022. The increase in cannabinoid segment revenues was primarily driven by ongoing sales strength for the Company's extract products, particularly in Brazil, Australia, and Israel. The decrease in non-cannabinoid revenues was due to continued demand headwinds in the segment's specialty channel, which resulted in lower inventory orders during the quarter.

Cost of sales

Cost of sales increased to $2,255 for the three months ended June 30, 2023, as compared to $1,619 for the three months ended June 30, 2022. Approximately 45% of the increase was due to higher sales volumes and approximately 55% due to customer and product mix differences compared to the year ago period.

Cost of sales decreased to $3,999 for the six months ended June 30, 2023, as compared to $4,067 for the six months ended June 30, 2022. The decrease was primarily due to a decrease in inventory write-down related to aged, obsolete or unusable inventory, during the six months ended June 30, 2023 as compared to the comparable period last year

Operating expenses

(In thousands of U.S. dollars)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Change	
General and administrative expenses	$ **4,805**	$ 6,424	$ (1,619)	(25)%
Sales and marketing expenses	**469**	728	(259)	(36)%
Research and development	**403**	359	44	12 %
Depreciation and amortization expenses	**224**	318	(94)	(30)%
Total operating expenses	$ **5,901**	$ **7,829**		
(As a percentage of revenue)				
General and administrative expenses	96 %	157 %		
Sales and marketing expenses	9 %	18 %		
Research and development	8 %	9 %		
Depreciation and amortization expenses	4 %	8 %		
Total operating expenses	118 %	191 %		

N/M: Not a meaningful percentage

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change	
General and administrative expenses	$ **10,172**	$ 13,422	$ (3,250)	(24)%
Sales and marketing expenses	**1,018**	1,461	(443)	(30)%
Research and development	**615**	771	(156)	(20)%
Restructuring expenses	—	3,842	(3,842)	N/A
Depreciation and amortization expenses	**460**	644	(184)	(29)%
Total operating expenses	$ **12,265**	$ **20,140**		
(As a percentage of revenue)				
General and administrative expenses	114 %	147 %		
Sales and marketing expenses	11 %	16 %		
Research and development	7 %	8 %		
Restructuring expenses	— %	42 %		
Depreciation and amortization expenses	5 %	7 %		
Total operating expenses	137 %	220 %		

N/M: Not a meaningful percentage

Three months ended June 30, 2023 compared to three months ended June 30, 2022

General and administrative. General and administrative expenses decreased to $4,805 for the three months ended June 30, 2023, as compared to $6,424 for the three months ended June 30, 2022, primarily due to cost cutting measures, especially related to share-based compensation and salaries & benefits.

Sales and marketing. Sales and marketing expenses decreased to $469 for the three months ended June 30, 2023, as compared to $728 for the three months ended June 30, 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 increased slightly to $403 for the three months ended June 30, 2023 as compared to $359 for the three months ended June 30, 2022. The increase 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 June 30, 2023 and 2022, respectively.

Depreciation and amortization. Depreciation and amortization expenses decreased to $224 for the three months ended June 30, 2023, from $318 for the three months ended June 30, 2022. The decrease is mainly attributable to the write-off of assets as part of restructuring.

Six Months Ended June 30, 2023 compared to six months ended June 30, 2022

General and administrative. General and administrative expenses decreased to $10,172 for the six months ended June 30, 2023, as compared to $13,422 for the six months ended June 30, 2022, primarily due to the due to cost cutting measures, especially related to share-based compensation and salaries & benefits.

Sales and marketing. Sales and marketing expenses decreased to $1,018 for the six months ended June 30, 2023, as compared to $1,461 for the six months ended June 30, 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 $615 for the six months ended June 30, 2023 as compared to $771 for the six months ended June 30, 2022. The decrease is primarily due to the decrease in research and development activities related to our cannabinoid products development.

Restructuring. We recorded a restructuring charge of $3,842 related to asset write off, severances, and other related costs for the six months ended June 30, 2022. No such restructuring expense was charged during the six months ended June 30, 2023.

Depreciation and amortization. Depreciation and amortization expenses decreased to $460 for the six months ended June 30, 2023, from $644 for the six months ended June 30, 2022. The decrease is mainly attributable to the write-off of assets related to restructuring.

Non-operating income and expenses

(In thousands of U.S. dollars)

	Three months ended June 30,		Change	
	2023	**2022 (*)**		
Interest and amortization of debt issuance cost	**$ 35**	$ 645	$ (610)	(95)%
Gain on remeasurement of warrant liability	**11**	(1,323)	1,334	(101)%
Gain on investment	**—**	(6,851)	6,851	(100)%
Foreign exchange loss	**67**	264	(197)	(75)%
Other expense, net	**(27)**	61	(88)	(144)%
Total	**$ 86**	$ (7,204)	$ 7,290	(101)%

	Six Months Ended June 30,		Change	
	2023	**2022 (*)**		
Interest and amortization of debt issuance cost	**$ 18**	$ 2,754	$ (2,736)	(99)%
Gain on remeasurement of warrant liability	**55**	(1,813)	1,868	(103)%
Gain on investment	**—**	(6,851)	6,851	(100)%
Loss on debt extinguishment, net	**—**	2,263	(2,263)	(100)%
Foreign exchange loss	**22**	475	(453)	(95)%
Other expense, net	**12**	9	3	33 %
Total	**$ 107**	$ (3,163)	$ 3,270	(103)%

(*)Prior period numbers are re-stated to exclude discontinued operations to make it comparative with current period numbers.

Three months ended June 30, 2023 compared to three months ended June 30, 2022

Interest and amortization of debt issuance cost, net. Interest and amortization of debt issuance cost, net for the three months ended June 30, 2023 decreased to $35, as compared to $645 for the three months ended June 30, 2022. The decrease was primarily due to the interest expense associated with the Catalina LP Convertible Note issued in connection with the Notes Purchase Agreement, dated July 19, 2021 (the "Catalina Note") and the Loan and Security Agreement, dated May 3, 2019 in the comparable prior year period, which were fully re-paid in the fiscal year ended December 31, 2022.

Gain on remeasurement of warrant liability. Gain on remeasurement of warrant liability was $11 for the three months ended June 30, 2023, as compared to a loss of $1,323 for the three months ended June 30, 2022. The gains are directly attributable to the remeasurement of the warrant liability as of June 30, 2023 and June 30, 2022, respectively, due to the change in the underlying value related to the private warrants during those periods.

Gain on investments. Gain on investments for the three months ended June 30, 2023 was nil, as compared to a loss of $6,851 for the three months ended June 30, 2022. The gain on investments for the three months ended June 30, 2022 was related to the sale of Cansativa shares to an unrelated third-party and the revaluation of the Company's retained interest of the shares still held.

Foreign exchange loss. The impact of foreign exchange for the three months ended June 30, 2023 was a loss of $67, as compared to a loss of $264 for the three months ended June 30, 2022. The foreign exchange losses for the three months ended June 30, 2023, were primarily driven by the currency fluctuations of the Euro versus the U.S. Dollar.

Other expense, net. Other expense, net includes items not individually material to our consolidated financial statements.

Six Months Ended June 30, 2023 compared to six months ended June 30, 2022

Interest and amortization of debt issuance cost, net. Interest and amortization of debt issuance cost, net for the six months ended June 30, 2023 decreased to $18, as compared to $2,754 for the six months ended June 30, 2022. The decrease was primarily due to writing off of debt discount costs recognized in connection with the beneficial conversion factor related to the Catalina LP Convertible Note issued in connection with the Notes Purchase Agreement, dated July 19, 2021 (the "Catalina Note") and the Loan and Security Agreement, dated May 3, 2019 in the comparable prior year period, which were fully re-paid in the fiscal year ended December 31, 2022.

Gain on remeasurement of warrant liability. Gain on remeasurement of warrant liability was $55 for the six months ended June 30, 2023, as compared to a loss of $1,813 for the six months ended June 30, 2022. The gain and loss are directly attributable to the remeasurement of the warrant liability as of June 30, 2023 and June 30, 2022, respectively, due to the change in the underlying value related to the private warrants during those periods.

Gain on investments. Gain on investments for the six months ended June 30, 2023 was nil, as compared to $6,851 for the six months ended June 30, 2022. The gain on investments was related to the sale of Cansativa shares to an unrelated third-party and the revaluation of the Company's retained interest of the shares still held.

Loss on debt extinguishment, net. Net loss on debt extinguishment was nil for the six months ended June 30, 2023 compared to $2,263 for the six months ended June 30, 2022. The loss was primarily related to the debt extinguishment as a result of the amendment of the Catalina Note on January 13, 2022.

Foreign exchange loss. The impact of foreign exchange for the six months ended June 30, 2023 was a loss of $22, as compared to a loss of $475 for the six months ended June 30, 2022. The foreign exchange losses for the six months ended June 30, 2023, were primarily driven by the currency fluctuations of the Euro versus the U.S. Dollar.

Other expense, net. Other expenses, 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 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. 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 June 30, 2023 included in this Form 10-Q.

Revenue by segment

(In thousands of U.S. dollars)

	Three months ended June 30,		Six Months Ended June 30,	
	2023	2022 (*)	2023	2022 (*)
Segment Revenue:				
Cannabinoid	**$ 1,873**	$ 745	**$ 3,095**	$ 2,553
Non-Cannabinoid	**3,108**	3,355	**5,864**	6,588
Total revenue	**$ 4,981**	$ 4,100	**$ 8,959**	$ 9,141

(*)Prior period numbers are re-stated to exclude discontinued operations to make it comparative with current period numbers.

Cannabinoid. Cannabinoid revenue increased to $1,873 for the three months ended June 30, 2023, as compared to $745 for the three months ended June 30, 2022. For the six months ended June 30, 2023, Cannabinoid revenue increased to $3,095 as compared to $2,553 for the six months ended June 30, 2022. The increases in cannabinoid segment revenues were primarily driven by increased sales efforts for the Company’s extract products, particularly in Brazil, Australia, and Israel.

Non-Cannabinoid. Non-Cannabinoid revenue decreased to $3,108 for the three months ended June 30, 2023, as compared to $3,355 the three months ended June 30, 2022. For the six months ended June 30, 2023, non-cannabinoid revenue decreased to $5,864 as compared to $6,588 for the six months ended June 30, 2022. The decrease in non-cannabinoid revenues was due to continued demand headwinds in the segment’s specialty channel, which resulted in lower inventory orders during the quarter.

Segment profit/loss

(In thousands of U.S. dollars)

	Three months ended June 30,		Change	
	2023	2022 (*)	$	%
Segment Profit/(Loss):				
Cannabinoid	**$ (1,697)**	$ (2,706)	1,009	(37)%
Non-Cannabinoid	**831**	666	165	25 %
Total Segment Loss [(a)]	**$ (866)**	$ (2,040)	1,174	(58)%

	Six Months Ended June 30,		Change	
	2023	2022 (*)	$	%
Segment Profit/(Loss):				
Cannabinoid	**$ (4,012)**	$ (8,412)	4,400	(52)%
Non-Cannabinoid	**1,278**	1,014	264	26 %
Total Segment Loss [(a)]	**$ (2,734)**	$ (7,398)	4,664	(63)%

[a] For a reconciliation of segment (loss) to loss before income taxes see Note 16 to our unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023, included in this Form 10-Q.

Prior period numbers are re-stated to exclude discontinued operations to make it comparative with current period numbers.

Cannabinoid — Cannabinoid segment loss decreased to $1,697 for the three months ended June 30, 2023 compared to a loss of $2,706 for the three months ended June 30, 2022, primarily due to the decrease in expenses related to the effective implementation of cost-cutting measures.

Cannabinoid segment loss decreased to $4,012 for the six months ended June 30, 2023 compared to a loss of $8,412 for the six months ended June 30, 2022, primarily due to the effective implementation of cost-cutting measures.

Non-Cannabinoid — Non-Cannabinoid segment profit increased to $831 for the three months ended June 30, 2023, compared to a profit of $666 for the three months ended June 30, 2022. The increase was primarily attributable to decreased payroll related costs and sales and marketing costs.

Non-Cannabinoid segment profit increased to $1,278 for the six months ended June 30, 2023, compared to a profit of $1,014 for the six months ended June 30, 2022. The increase was primarily attributable to decreased payroll related costs and sales and marketing costs.

Liquidity and Capital Resources

We are actively seeking sources of financing or proceeds from sales of assets to fund our continued operations. There can be no assurance that we will be able to complete any financing or asset sale 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)

	Six months ended June 30,	
	2023	**2022**
Net cash used in operating activities	**$ (7,764)**	$ (18,584)
Net cash provided by (used in) investing activities	**(79)**	897
Net cash (used in) provided by financing activities	**58**	(347)
Effect of foreign currency translation on cash and cash equivalents	**38**	(202)
Cash, cash equivalents, and restricted cash beginning of period	**12,888**	37,699
Cash, cash equivalents, and restricted cash end of period	**5,141**	19,463
Decrease in cash and cash equivalents	**$ (7,747)**	$ (18,236)

Cash flows used in operating activities

The decrease in net cash used by operating activities decreased during the six months ended June 30, 2023 compared to the six months ended June 30, 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 six months ended June 30, 2023 compared to the six months ended June 30, 2022, was primarily due to net cash provided by proceeds from partial sale of equity method of investments during 2022.

Cash flows from financing activities

The increase in net cash provided by financing activities during the six months ended June 30, 2023 compared to the six months ended June 30, 2022, was primarily driven by the net proceeds from issuance of shares under the Equity Distribution Agreement and the related shelf registration statement in the six months ended June 30, 2022 being offset by repayment of substantial outstanding debt in the six months ended June 30, 2022. For more information refer to Note 11 to our unaudited condensed consolidated interim financial statements for the period ended June 30, 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 June 30, 2023 and December 31, 2022, we had cash and cash equivalents (excluding restricted cash) of $5,077 and $12,449, respectively, which were held for working capital, repayment of loans and general corporate purposes. This represents an overall decrease of $7,372.

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. For more information refer to Note 11 to our unaudited condensed consolidated interim financial statements for the period ended June 30, 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 and proceeds from the sale of assets. 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 or sell additional assets, 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 June 30, 2023 and December 31, 2022 was $1,379 and $1,530, respectively. The debt outstanding as of June 30, 2023 was comprised of our current and non-current portions of other borrowings of $471 and $908, respectively, related to the Colombia and Portugal working capital loans. The debt outstanding as of June 30, 2023 was comprised of our current and non-current portions of other borrowings of $457 and $922, 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 $1,065, respectively, related to the Colombia and Portugal working capital loans. For more information refer to Note 10 to our unaudited condensed consolidated interim financial statements for the period ended of June 30, 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 June 30, 2023 and 2022, the company recognized interest expense of approximately €10 ($11) and €7 ($8), respectively, and repaid principal of approximately €63 ($68) and €63 ($67), respectively, of the Portugal Debt in accordance with the terms of the loan agreement. For the six months ended June 30, 2023 and 2022, the company recognized interest expense of approximately €20 ($21) and €15 ($17), respectively, and repaid principal of approximately €125 ($134) and €125.00 ($137.00) , respectively, of the Portugal Debt in accordance with the terms of the loan agreement. As of June 30, 2023 and December 31, 2022, the outstanding principal balance of the Portugal Debt was €625 ($671) and €875 ($1,076), 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 period ended June 30, 2023 and December 31, 2022, the outstanding principal balance was approximately COP$3,390,173 ($708) and
COP$3,471,576 ($725), respectively.

Contingencies

In the normal course of business, we receive inquiries or become involved in legal disputes regarding various litigation matters. Other than as disclosed in Item 1A Risk Factor of this Form 10-Q. In the opinion of management, as of June 30, 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 June 30, 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 June 30, 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 six months ended June 30, 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 June 30, 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

The following discussion supplements the discussion of risk factors affecting the Company as set forth in Part I, Item 1A, “Risk Factors” in our 2022 Form 10-K and Cautionary Note Regarding Forward-Looking Statements on page 4 of this Form 10-Q. The discussion of risk factors, as so supplemented, sets forth the material risk factors that could affect the Company’s financial condition and operations. Readers should not consider any descriptions of such factors to be a complete set of all potential risks that could affect the Company.

The reverse share split may adversely impact the liquidity of our common shares and warrants and may not be effective in facilitating our efforts to regain compliance with the continued listing requirements of Nasdaq.

The liquidity of our common shares and warrants may be adversely affected by the reverse share split, given the significantly reduced number of common shares that will be outstanding following the reverse share split, especially if the market price of our common shares does not increase as a result.

The reverse share split, if effected, should have the effect of increasing the per share trading price of our common shares in proportion to the reduction in the number of common shares outstanding before the reverse share split; however, there can be no assurance that the trading price of our common shares after the reverse share split will rise (or remain constant). The trading performance following reverse share splits effected by other companies is varied, particularly because some investors may view a reverse share split negatively. We cannot predict the impact of the reverse share split on the trading price of our common shares or warrants, and it may result in a greater percentage decline than would occur in the absence of the reverse share split, and the liquidity of our common shares and warrants could be adversely affected following the reverse share split.

In addition, the reverse share split may result in some shareholders owning “odd lots” of less than 100 common shares on a post-reverse share split basis. Odd lots may be more difficult to sell, or require greater transaction costs per share to sell, than shares in “round lots” of even multiples of 100 shares.

The reverse share split is intended to regain compliance with the Nasdaq Minimum Bid Price Requirement, in order to maintain our Nasdaq listing and an active trading market for our common shares and warrants. However, there can be no assurance that we will regain compliance with the Minimum Bid Price Requirement by effecting the reverse share split, or that even if we do, we will not become deficient with respect to other Nasdaq listing requirements following, or as a result of, the reverse share split.

Failure to resolve a dispute regarding the alleged default under Herbal Brands’ lease agreement for its facilities in Tempe, Arizona could have a material adverse effect on the Company.

Herbal Brands is currently in dispute with Double G Enterprises, LLC (“Double G”), the landlord for the facility out of which Herbal Brands conducts substantially all of its operations, including the manufacture and distribution of Herbal Brands’ products, regarding the lease between Double G and Herbal Brands. Double G has alleged that Herbal Brands is in default under the lease agreement’s “change of control” provision, suggesting that more than 49% of the ownership interest in Herbal Brands has been transferred without Double G’s prior written consent, in contravention of the lease terms. Double G sent a letter noticing acceleration of all future rents due under the lease (approximately $460,000) and termination of the right to possess the premises. Double G has not provided a basis for its claim regarding Herbal Brands’ transfer of ownership. Herbal Brands was acquired by us prior to entering into the lease agreement. No action has been filed in any court, in any jurisdiction, for this dispute. Even though we believe that Herbal Brands is presently in compliance with all material provisions of its lease with Double G, there can be no assurance that this dispute will be resolved in our favor. If this dispute evolves to require formal dispute resolution there is no guarantee that it will be decided that Herbal Brands is not in default. In the event that Herbal Brands is found to be in default, and the actions we take are not sufficient to cure the default raised by Double G, the remedies available to Double G may include acceleration of all future rents under the lease agreement and/or termination of the lease.

The lease is set to expire in April 2024. Acceleration of rents due and early termination of the lease would significantly reduce the value of Herbal Brands' operations, and would materially curtail, if not completely eliminate, our ability to obtain revenues from Herbal Brands.

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).
10.1	Asset Purchase Agreement dated July 1, 2023, by and among Clever Leaves Holdings Inc., Clever Leaves Portugal Unipessoal, Lda. and Terra Verde, Lda. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC by on Clever Leaves Holdings Inc. on July 5, 2023)
10.2	Clever Leaves Holdings Inc. Amendment to the 2020 Incentive Award Plan (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC by on Clever Leaves Holdings Inc. on June 2, 2023)
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.

August 14, 2023

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

ASSET PURCHASE AGREEMENT

between

CLEVER LEAVES PORTUGAL UNIPESSOAL, Lda.

(As Seller),

and

TERRA VERDE, Lda.

(as Purchaser)

and

Clever Leaves Holdings Inc.

(as Guarantor)

CONTENTS

THIS AGREEMENT is made **BETWEEN**:

(1) **CLEVER LEAVES PORTUGAL UNIPESSOAL, Lda.**, a private company incorporated under the laws of Portugal, with registered offices at Avenida da Liberdade 144, 2.º Direito, Lisbon, Portugal, registered in the Lisbon Commercial Registry with the sole identification and taxpayer number [redacted], duly represented by Marta Maria Reynaud Pinto Leite de Areia, acting in the capacity of legal representant, duly empowered for this act as evidenced by the commercial registry certificate with the access code [redacted] ("**Clever Leaves Portugal"**, or the **Seller**);

And

(2) **Terra Verde, Lda.**, a private company incorporated under the laws of Portugal, with registered offices at Rua Castilho, n.13, D, 7º A, 1250-066 Lisbon, Portugal, registered at the Commercial Registry Office with the sole identification and taxpayer number [redacted], duly represented by Nuno Pedro Cristovão Martins Mendonça and Zafrin Abzal Samsudin , acting in the capacity of Directors, duly empowered for this act as evidenced by the commercial registry certificate with the access code [redacted] ("**Terra Verde"**, or the **Purchaser**);

And

(3) **Clever Leaves Holdings Inc.,** a public company incorporated under the laws of British Columbia, Canada, with registered offices at Bodega 19-B Parque Industrial Tibitoc P.H Tocancipá, Cundinamarca, 251017, Colombia, duly represented by Andres Fajardo Luna, acting in the capacity of legal representant duly empowered for this act as evidenced by the notice of articles sent to Purchaser, ("**Clever Leaves Holdings"**, or the **Guarantor**),

Seller and Purchaser hereinafter jointly referred to as the "**Parties**" and each, individually, as a "**Party**". **Guarantor** is considered as included in the expression "Parties" for the purposes of sections 8 through 12 below, as well as other sections or clauses where the **Guarantor** acts and is involved.

BACKGROUND:

(A) The Seller and Purchaser are companies engaged in the production of medical cannabis;

(B) The Seller is the legitimate owner of the **Company Assets** (as defined below), used in the connection with the **Division** (as defined below);

(C) In view of the above, the Seller wishes to sell and transfer to the Purchaser, and the Purchaser wishes to purchase from the Seller, all Company Assets along with other rights (the **Sale Assets**, as defined below), pursuant to the terms and subject to the conditions set out hereinafter.

(D) As part of the sale process arranged by the Seller, the Purchaser, with the assistance of advisers of its choice, conducted a due diligence review (the "**Due Diligence**") during which the Purchaser and its advisers has had access to the Information, which the Purchaser has had the opportunity to review prior to the Signature Date;

(E) Additionally, during 2023 the Purchaser and its advisers visited the Division, where they conducted on-site due diligence visits of the Division prior to the Signature Date, and have had the time and conditions to assess and evaluate the apparent characteristics and external appearance of the Company Assets but not including a verification of their operation and proper functioning;

(F) Having made the above-referred assessment and evaluation of the Sale Assets and having confirmed the verification of all conditions and requirements on its offer of 28 April 2023, the Purchaser confirmed its interest in acquiring the Sale Assets, and the Seller and the Purchaser have negotiated the final terms and conditions for the sale and purchase of the Sale Assets, which are the ones established herein.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1. Unless inconsistent with the context, in this Agreement the words and expressions set forth below shall bear the following meanings and cognate expressions shall bear corresponding meanings:

Affiliate means, with respect to any juristic person, any other person that, directly or indirectly, through one or more intermediaries, Controls, or is Controlled by, or is Under Common Control with, such person;

Agreed Form means, in relation to any document, the form of that document which has been initialled for the purpose of identification by or on behalf of the Seller and the Purchaser;

Agreement means this Sale of Assets agreement including all the Schedules hereto;

Business Day means any day other than a Saturday, Sunday or an official public holiday in Portugal;

Company Assets means the items owned or used by the Seller in connection with the Division and listed in Schedule 1;

Division means the manufacturing medical cannabis site identified as PH1 and conducted by the Seller located in Edifício 7, Blue Biz Parque, Estrada da Rosa, in Setubal, Portugal;

Due Diligence means the Due Diligence investigation that was conducted by the Purchaser in relation to the Company Assets, through the analysis of the documents that form the Information;

Encumbrance means any impairment of a right, including, without limitation, rights of ownership (whether such encumbrance sounds in money or not) and all other rights exercisable by third parties in relation to such right or rights, and unencumbered has a corresponding meaning;

Equipment means the set of tools and machinery as defined in Schedule 1;

EUR or Euro means Euro, the official currency of the Eurozone;

Excluded Assets means any item owned or used by the Seller in connection with the Division and not included within the definition of Sale Assets, including but not limited to:

(a) the manufacturing and GMP license issued by Infarmed to the Seller in connection with the Division;

(b) any documents and the respective copies of the facilities certification issued by the Police;

(c) any documents and the respective copies regarding the environmental and industrial licenses;

(d) any vehicles which ownership or use belongs to the Seller;

(e) any account balances held by or for the Seller in connection with the Division as at the Signature Date;

the Lease and Services Agreement with Parque Blue Biz; and

(f) any agreements concluded by the Seller with third parties in respect of the Division that are not being assigned to the Purchaser, that have been terminated or will terminate on or before the Signature Date, for which the Seller retains all liability.

Information means the information on the Division and the Sale Assets provided by the Seller or its advisers to the Purchaser or its representatives and advisors before the date of this Agreement, and which includes (i) the information that is included in the non-rewritable DVD-ROM attached hereto, and (ii) the information contained in this Agreement and its Schedules.

Intellectual Property means all right, title and interest in and to, under the applicable law, all copyright, know-how or trade secrets used by the Sellers in relation with the Quality Documental System as at the Signature Date;

GMP Inspection means the inspection carried out by the competent regulatory authority in Portugal, Infarmed, in 2022, following which the GMP License (as defined below) has been awarded by Infarmed to the Seller.

"**GMP License**" means the cannabis manufacturing license complying with the Guidelines on Good Manufacturing Practices (GMP), as issued by the competent regulatory authority in Portugal, Infarmed, in accordance with any applicable laws and regulations.

"**Losses**" means any direct damage, loss, loss of use due to malfunctioning of equipment for its purposes, liability, penalties, fines, judgments, awards, together with any costs including interests, court fees, expenses (including reasonable attorney's fees) and disbursements, except that "Losses" shall not include any loss of future profits or revenues, loss of goodwill, loss of an opportunity or exemplary or punitive damages, nor any consequential loss.

Parties means the Purchaser and the Seller, and **Party** shall, as the context requires, be a reference to any one of them. The Guarantor is considered as included in the expression "Parties" for the purposes of sections 8 through 12 below, as well as other sections or clauses where the Guarantor acts and is involved;

Purchase Price means the purchase price payable by the Purchaser for the Sale Assets under the terms of clause 3;

Quality Documental System means all the documents integrating the facility's Quality Management System, including Site Master File; Standard Operational Procedures; available validation protocols and reports; Batch records masters; Manufacturing instructions, operating and instruction manuals and other supplier or manufacturer documentation; Analytical methods and specifications; available IQ/OQ/PQ protocols and reports; available Supplier Qualification; CAPA Plans; Deviation Reports; available Calibration and Maintenance Protocols.

Sale Assets means all the assets of the Seller being sold to the Purchaser under this Agreement, including but not limited to:

(a) the Company Assets, as described in Schedule 1; and

(b) the Intellectual Property Rights regarding, in accordance with the applicable law, the facility's Quality Management System, including, but not limited to, Site Master File; Standard Operational Procedures; available validation protocols and reports; Batch records masters; available Manufacturing instructions, operating and instruction manuals and other supplier or manufacturer documentation; Analytical methods and specifications; IQ/OQ/PQ protocols and reports; available supplier Qualification; CAPA Plans; Deviation Reports; available calibration and Maintenance Protocols;

in respect of the Business and, for the avoidance of doubt, Sale Assets shall exclude the Excluded Assets;

Sellers' Bank Account means the following bank account:

Account in the name of: [redacted]

Bank: [redacted]

Account number: [redacted]

CC Code: [redacted]

SWIFT/BIC: [redacted]

Signature Date means the date of the signature of the Party last signing this Agreement in time;

Standard Operational Procedures (SoP) means the written procedures listed in Schedule 1 related to the activities performed by the entity;

Transaction means the sale and purchase of the Sale Assets between the Seller and the Purchaser pursuant to and subject to the conditions set out in this Agreement;

VAT means value-added tax (*Imposto sobre o Valor Acrescentado*) including any similar tax which may be imposed in place thereof from time to time;

VAT Code means the *Código do Imposto sobre o Valor Acrescentado*, approved by the Decree-Law 102/2008, of 20 June, as amended from time to time;

Warranties means the warranties listed in Schedule 2 to this Agreement, and **Warranty** shall have a corresponding meaning, as the context may require.

1.2. In this Agreement any reference, express or implied, to an enactment (which includes any legislation in any jurisdiction) includes:

(a) that enactment as amended, extended or applied by or under any other enactment (before, on or after the date of this Agreement);

(b) any enactment which that enactment re-enacts (with or without modification); and

(c) any subordinate legislation (including regulations) made (before, on or after the date of this Agreement) under that enactment, including (where applicable) that enactment as amended, extended or applied as described in paragraph (a), or under any enactment which it re-enacts as described in paragraph (b).

1.3. In this Agreement:

(a) the headings do not affect its interpretation;

(b) words denoting persons include bodies corporate and unincorporated associations of persons;

(c) references to an individual or a natural person include his estate and personal representatives;

(d) unless the contrary intention appears, a reference to a clause, subclause or schedule is a reference to a clause, subclause or schedule of or to this Agreement. The schedules form part of this Agreement;

(e) general words used in this Agreement shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words. The word **including** shall mean including without limitation;

(f) references to a party to this Agreement include the successors or assigns (immediate or otherwise) of that party; and

(g) any reference to time is to Lisbon, Portugal time.

2. TRANSFER OF ASSETS

2.1. Subject to the terms, conditions and exclusions of this Agreement, on the Signature Date, the Seller sells and transfers to the Purchaser, and the Purchaser purchases and acquires from the Seller, free and clear of any Encumbrances, the full ownership of, title to and interest in the Sale Assets.

2.2. The Seller shall not sell or transfer to the Purchaser, and the Purchaser shall not purchase and acquire the Excluded Assets.

2.3. The Seller is not transferring any liabilities to the Purchaser and nothing in this Agreement shall be construed as a transfer of a company, an economic unit or a business.

3. PURCHASE PRICE

3.1. As consideration for the purchase and transfer of the Sale Assets, the Purchaser shall pay to the Seller an amount equal to EUR 2,500,000.00 (two million and five hundred thousand euros) (the "**Purchase Price**"), excluding VAT, if any.

3.2. The Purchase Price is paid in full, without any kind of withholding, retention, or deduction due to applicable taxes, related costs and expenses or similar concepts, by wire transfer of immediately available funds to the Sellers' Bank Account.

4. TAXES

4.1. Value Added Tax

(a) VAT payable in connection with the transfer of the Assets to the Purchaser and the Transaction shall be borne and paid solely by the Purchaser when due in compliance with applicable Tax laws; if any such amount shall be incurred by the Sellers, the Purchaser must, subject to receipt of satisfactory evidence of the Sellers' payment thereof, promptly reimburse the Sellers.

(b) The Purchaser will pay the VAT due to Sellers not later than 7 (seven) business days prior to the date that Sellers are required to pay such VAT amount to the Portuguese Tax Authorities or alternatively, within thirty (30) days after the invoice date of the invoice issued by the Sellers, whichever date comes first. If a request for a VAT refund by the Purchaser has been denied due to an invalid invoice, the Sellers will cooperate to ensure that the Purchaser will be provided with a valid invoice by the Sellers.

(c) Should the Portuguese Tax Authorities determine that VAT was applied and paid in error, then (i) the Sellers shall provide Purchaser with a valid credit note or any other appropriate document according to Portuguese law; and (ii) if the VAT applied in error was paid by the Purchaser to the Sellers, the Sellers shall repay to Purchaser any such VAT under the condition that Purchaser cooperates in ensuring, where possible, that the Sellers will be able to correct this error under the applicable VAT regularization procedure and, if applicable, upon liaising with its competent tax office and obtain a VAT credit/refund from the Portuguese Tax Authorities for the VAT that was charged in error.

4.2. Stamp Tax

(a) In case the Portuguese Tax Authorities consider that this Agreement is subject to Stamp Tax, this tax (or any similar tax replacing or increasing it) shall be borne by the Purchaser.

(b) All tax penalties, administrative charges or compensatory or default interest arising from the non-prompt payment of Stamp Tax shall be borne by the Purchaser.

5. DELIVERIES BY THE PARTIES

5.1. On the Signature Date or except as otherwise stated in the relevant sub-clause below, in addition to any other action to be taken and any other instruments to be executed and/or delivered for the purposes of the transactions contemplated in this Agreement:

a) The Purchaser delivers to the Seller:

(i) Certified true copy of the relevant resolution or appropriate corporate powers of the Purchaser authorizing the execution of this Agreement and the completion of any relevant transactions contemplated hereunder; and

(ii) A copy of the irrevocable SWIFT order for the transfer of the Purchase Price to the Seller's Bank Account, identifying the name of the bank from which the relevant amount has been transferred, the Purchaser as the account holder, the IBAN and, if applicable, the SWIFT code.

b) The Seller and the Guarantor shall deliver to the Purchaser:

(i) As soon as reasonably practicable after the Signature Date, a certified true copy of the relevant resolution or appropriate corporate powers of the Seller and of the Guarantor authorizing the execution of this Agreement and the completion of any relevant transactions contemplated hereunder;

(ii) The Company Assets, which shall be considered as delivered by being made available to the Seller at the premises identified in section 5 of Schedule 2; and

(iii) The originals or copies of any documents pertaining to the Sale Assets.

5.2. The Parties agree to execute and deliver all documents and take all actions as may be appropriate or necessary to give full effect to the transfer of the Sale Assets. With the taking of possession of the Sale Assets by the Purchaser on Signature Date at the premises identified in section 5 of Schedule 2, the Purchaser shall take legal possession of the Sale Assets, and all risk and benefit shall pass from the Seller to the Purchaser.

5.3. The assignment of the relevant Intellectual Property under the applicable law shall be valid and effective as of the Signature Date. The Seller agrees, upon receiving the Purchase Price and at the request and expense of the Purchaser, to sign all documentation and do all other things which may be necessary to give effect to the assignment of the relevant Intellectual Property, including the filing of such assignment at the relevant intellectual property offices. Further, upon payment of the Purchase Price and at the request and expense of the Purchaser, the Seller shall deliver to the Purchaser all information and documentation necessary for the Purchaser to take possession of, edit, and otherwise manage and control the relevant Intellectual Property, including all know-how relating to the Division. From and after the Signature Date, Purchaser shall be responsible, in its discretion, for the management, prosecution and maintenance of all Intellectual Property Rights assigned under this Agreement.

6. RECORDS

Where the Seller is required by law or regulations to retain the originals of any of records of the Sale Assets, then the Seller shall retain such records but shall grant access to the Purchaser to review and provide Purchaser with copies of all such records. In respect of all other records, the Seller shall only be entitled to retain copies of records which refer to periods prior to the Signature Date and which are required by the Seller to meet its obligations arising prior to the Signature Date.

7. WARRANTIES

7.1. The Parties hereby make the representations and Warranties set forth in Schedule 2 which are true, accurate and not misleading in all respects as at Signature Date.

7.2. The Seller's obligation to indemnify the Purchaser for any Losses due to any breach, inaccuracy (including due to omission) or falsity of any of the Seller's Warranties shall be subject to the following limitations (except in relation to any claim which arises out of any fraud or willful misconduct (*dolo*) by the Seller, where these limitations shall not apply):

a) Seller's indemnification obligation shall remain in force for a period of 12 (twelve) months following the Signature Date, provided that any claim is sent to the Seller prior to the expiry of the above-mentioned period, in which case it will lead to the claims surviving the above mentioned deadlines until their full and final resolution;

b) The maximum amount of the Seller's liability shall be equivalent to the Purchase Price;

c) The Seller shall not be liable in respect of any individual claim regarding a Loss of an amount lower than EUR 10,000.00 (ten thousand euros), provided, however, that in the event of a series of claims based on the same or related facts, events or circumstances, such series of claims will be treated as a single claim;

d) The Purchaser shall not be entitled to recover damages or otherwise claim reimbursement or restitution more than once in respect of the same Loss; for the avoidance of doubt, a Loss that is ongoing or occurs in stages shall not be considered the same Loss and may be subject to additional recovery; and

e) The Seller shall not be liable to indemnify any contingent or threatened Losses, but only Losses that have effectively been incurred by the Purchaser (i.e. once the Purchaser has made a disbursement or payment in connection with such Losses) or that are or become due and payable by the Purchaser; however, if a claim, which may lead to an effective Loss, is sent to the Seller prior to the expiry of the 12-months period mentioned in paragraph a) above, such claim shall survive the above mentioned deadline until its full and final resolution.

7.3. The Seller shall also not be liable to the Purchaser in the following circumstances:

a) Where the liability originates from acts or omissions by the Seller acting in compliance with this Agreement, or as requested or authorized in writing by the Purchaser;

b) Where the circumstances or the events that give rise to the obligation to indemnify in relation to the Seller's Warranties have been Fairly Disclosed in the Information. For the purposes of this Agreement, "**Fairly Disclosed**" shall mean, that the Purchaser, acting reasonably and diligently, as a sophisticated buyer with adequate knowledge and expertise in the business of the Division, could properly identify and assess the nature, scope and impact of the relevant disclosed facts, data and information on the basis of the Information, without the need to make enquiries to third parties;

c) Where the Loss is covered by an insurance policy and full payment is made under such policy to the Purchaser. In the event that any Loss is covered and paid partially by said insurance policy, the Seller shall only be liable for the remaining amount;

d) Where the damages, costs or Losses are effectively recovered from third parties under a third party action directly by the Purchaser. In that event, the Purchaser shall pay to the Seller on a Euro per Euro basis the amount actually and effectively recovered by the Purchaser (net of any recovery cost and Taxes); or

e) Where the Loss arises as a result of actions taken, or transactions carried out, or omissions, by the Purchaser or by any of its directors, officers, agents and employees (or approved by such persons) after the Signature Date, other than acting in compliance with or to receive the benefit of this Agreement, or as requested or authorized in writing by the Seller.

7.4. Notwithstanding any other provisions in this Agreement, the Parties must cooperate diligently and in good faith with each other and procure that all commercially reasonable steps are taken and all commercially reasonable assistance is given to avoid or mitigate the scope and extent of any Losses suffered by them.

7.5. With the limitations provided for in this Clause 7, the Seller shall indemnify the Purchaser within a maximum period of 14 (fourteen) days after a claim that has been sent by the Purchaser to the Seller under this Agreement is definitely settled. Late interest shall be calculated as of the 15^{th} day following the sending of the claim by the Purchaser to the Seller.

7.6. The Parties agree that the rights of the Purchaser to be indemnified by the Seller under this Agreement shall (i) not be transferable to any third party who acquires the Sale Assets from the Purchaser or any other third party, except with the prior written consent of the Seller and (ii) be the sole remedy available to the Purchaser as against the Seller in respect of any breach, inaccuracy (including due to omission) or falsity of any of the Seller's Warranties, (except in case of *dolus* or fraud).

8. BREACH

8.1. Should any Party commit a breach of any of the provisions of this Agreement and fail to remedy that breach within fourteen (14) Business Days after having been called upon to do so by the other Party then, the non-defaulting Party shall have the right to claim damages for any Losses, except where the breach relates to late payment in which case late interest (*juros de mora*) shall be due at the applicable statutory rate.

8.2. The Guarantor declares that it guarantees the obligations of the Seller under this Agreement, exclusively relative to (i) liabilities under clause 6.4 of Schedule 2, and only for the period of 12 (twelve) months as of the Signature Date and (ii) verified malfunction of Equipment listed in Schedule 1 for the period of 6 (six) months as of the Signature Date. The total amount of the guarantee will not exceed, in any circumstances, 500.000 Euros (five hundred thousand euros) and undertakes the obligation of principal payor (*principal pagador*) renouncing to the benefit of prior foreclosure of the Seller's assets (*renunciando ao benefício da excussão previa*).

9. ANNOUNCEMENTS AND CONFIDENTIALITY

9.1. Subject to clauses 9.3 and 9.4, the Parties shall:

(a) not make any announcement concerning the sale and purchase of the Sale Assets or any related or ancillary matter; and

(b) keep confidential the provisions and subject matter of, and the negotiations relating to, this Agreement.

9.2. The provisions of clause 9.1 shall apply before, on and after the Signature Date.

9.3. Nothing in clause 9.1 prevents any announcement being made or any confidential information being disclosed:

(a) where such announcement is in the Agreed Form or the confidential information disclosed comprises only information set out in an announcement in the Agreed Form;

(b) with the written approval of the Parties, which in the case of any announcement shall not be unreasonably withheld or delayed; or

(c) to the extent required by Portuguese law or any other law indirectly or directly applicable to the Seller, Purchaser or its respective Affiliates, any court of competent jurisdiction or any competent regulatory body, but if a person is so required to make any announcement or to disclose any confidential information, the relevant party shall promptly notify the other Parties, where practicable and lawful to do so, before the announcement is made or disclosure occurs (as the case may be) and shall co-operate with the other Parties regarding the timing and content of such announcement or disclosure (as the case may be) or any action which the other Parties may reasonably elect to take to challenge the validity of such requirement.

9.4. Nothing in clause 9.1 prevents any confidential information being disclosed to the extent:

(a) required to enable any person to enforce its rights under this Agreement or for the purpose of any judicial proceedings;

(b) that the information is disclosed on a strictly confidential basis by a person to its professional advisers, auditors or bankers;

(c) that the information is disclosed by the Seller on a strictly confidential and need to know basis to an Affiliate of the Seller or by the Purchaser on a strictly confidential and need to know basis to an Affiliate of the Purchaser;

(d) that the information is disclosed on a strictly confidential and need to know basis in order to comply with any other obligation under the terms of this Agreement; or

(e) that the information is in or comes into the public domain.

10. DISPUTE RESOLUTION

10.1. In the event of there being any dispute or difference between the Parties arising out of this Agreement (including but not limited to any dispute as to the validity or otherwise of this Agreement, or as to the enforceability of this Agreement), such dispute shall be submitted to arbitration under the Rules of Arbitration of the Arbitration Centre of the Portuguese Chamber of Commerce and Industry, upon written demand by either Party.

10.2. Within 10 (ten) calendar days after receipt of a notice of intention to arbitrate sent by one Party, the Seller (and or the Guarantor, in case the Guarantor is involved in the dispute), on one side, and the Purchaser, on the other, shall each designate in writing 1 (one) arbitrator to resolve the dispute, which 2 (two) arbitrators shall, in turn, jointly select a 3rd (third) arbitrator within 20 (twenty) calendar days of their designation, failing which the 3rd (third) arbitrator shall be appointed by the Arbitration Centre of the Portuguese Chamber of Commerce and Industry.

10.3. The outcome of the arbitral tribunal's decision shall be final and binding on the Parties. The arbitral tribunal shall decide in accordance with the applicable Portuguese law.

10.4. The place of arbitration proceedings shall be in Lisbon and the language of the arbitration proceedings and hearings shall be English.

10.5. The Parties shall treat as confidential details of the dispute submitted to arbitration, the conduct of the arbitration proceedings and the outcome of the arbitration.

10.6. This clause 10 will continue to be binding on the Parties notwithstanding any termination or cancellation of the Agreement.

10.7. The Parties declare that it is their intention that this clause 10 will regulate the manner in which they will resolve any dispute or difference regarding the validity or otherwise of this Agreement, regardless of the fact that one of the Parties may dispute the validity or enforceability of the Agreement.

10.8. Notwithstanding the provisions of this clause 10, the Parties shall be entitled to approach a court of competent jurisdiction for interim relief in respect of any dispute arising from this Agreement or for enforcement of an arbitral decision reached under this clause.

11. GENERAL

11.1. Communications between the Parties

All notices, demands and other oral or written communications given or made by or on behalf of any of the Parties to any other Party shall be in English.

11.2. Severance

If any provision of this Agreement is rendered void, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

11.3. Costs

Each Party shall bear its own costs incurred by its attorneys and other professional advisers for the preparation and signing of this Agreement and its schedules.

11.4. Termination and survival of rights, duties and obligations

Termination of this Agreement for any cause shall not release a Party from any liability which at the time of termination has already accrued to such Party or which thereafter may accrue in respect of any act or omission prior to such termination.

11.5. Entire Agreement

(a) This Agreement, together with the schedules, constitutes the entire agreement between the Parties and save as otherwise expressly provided, no modification, amendment or waiver of any of the provisions of this Agreement or any agreement to cancel or terminate it shall be effective unless made in writing specifically referring to this Agreement and duly signed by the Parties.

(b) For purposes of clause 11.5(a) **in writing** shall exclude any electronic communication made in relation to the modification, amendment, waiver, cancellation or termination of this Agreement.

11.6. Variations

No agreement to vary, add to or cancel this Agreement shall be of any force or effect unless recorded in writing and signed by or on behalf of all of the Parties.

11.7. Assignment

This Agreement shall be binding on the Parties hereto and their respective successors and assignees. The Purchaser shall be entitled to cede, assign or delegate this Agreement or any of its rights and/or obligations hereunder to any other person without the consent of the Seller. The Seller shall not be entitled to cede, assign or delegate this Agreement or any of its rights and/or obligations hereunder to any other person without the prior written consent of the Purchaser.

11.8. No partnership

Nothing in this Agreement shall be deemed to constitute a partnership between the Parties or, except as specifically provided for in this Agreement, constitute either Party the agent of the other Party for any purpose.

11.9. Further assurance

Each Party shall co-operate in good faith with the other Party and execute and deliver to the other Party such other instruments and documents and take such other actions as may be reasonably requested from time to time in order to carry out, evidence and confirm their rights and the intended purpose of this Agreement.

11.10. Survival of Rights, Duties and Obligations

Termination of this Agreement for any cause shall not release any Party from any liability which at the time of termination has already accrued to any other Party or which thereafter may accrue in respect of any act or omission prior to such termination.

11.11. Conflicts with other Agreements

If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the Parties to this Agreement and as between the Sellers and their Affiliates) unless (a) such other agreement expressly states that it overrides this Agreement in the relevant respect and (b) the Parties are either also Parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

11.12. Governing Law and Jurisdiction

This Agreement and the rights and obligations of the Parties, including all non-contractual obligations arising under or in connection with this Agreement, shall be governed by, and construed and enforced in accordance with, the laws of the Republic of Portugal.

11.13. Rights of Third Parties

Unless expressly provided otherwise in this Agreement, a person who is not a party to this Agreement shall have no right under any applicable legislation giving rights to such persons or on any other basis, to enforce any of its terms, and the consent of such persons shall not be needed in respect of any amendment or termination of this Agreement.

11.14. Specific performance

The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to an order to prevent breaches of this Agreement or to enforce specifically (*execução específica*) the performance of the terms and provisions hereof, in addition to any other remedy to which they are entitled at law.

11.15. Completion of Agreement

a) This Agreement is to be signed by the Parties in a digital support by means of DocuSign or other electronic signature platform accepted by the Parties.

b) The Parties expressly accept and acknowledge that the signatures made in accordance with the previous paragraph of this Clause, represent full evidence of the authorship and integrity of electronic documents, in accordance with the provisions of no. 9 of article 3.º of the Decree Law no. 12/2021, of 9 February, and article 376.º of the Civil Code, guaranteeing the authenticity and integrity of said signatures.

c) The Parties expressly acknowledge, for all legal effects, that the electronic signatures made in accordance with this Clause possess the technical characteristics of a qualified signature, except for the intervention of a certifying entity, namely its authenticity, integrity and stability therefore undertaking not to reject the Contract on the basis of this mutually agreed signing method.

d) The Parties agree to complete this Agreement in counterparts signed by the method provided for herein, for all due legal effects.

e) Additionally, the Parties shall sign this Agreement by hand (including initials on all pages) and send the respective signed counterpart to the other Party in PDF format via e-mail and subsequently the original via courier.

12. ADDRESSES FOR LEGAL PROCESS AND NOTICES

12.1. The Parties choose for the purposes of this Agreement the following addresses, email addresses and, for the purpose of any notices, designated officers:

(a) Seller

(i) address: Bodega 19-B Parque Industrial Tibitoc P.H Tocancipá, Cundinamarca, 251017, Colombia

(ii) e-mail: [redacted]

(iii) attention: Andres Fajardo, CEO

(b) Purchaser

(i) address: Rua Castilho, n.13, D, 7º A, 1250-066 Lisbon, Portugal

(ii) e-mail: [redacted]

(iii) attention: Nuno Mendonca, General Manager (Iberia); Luis Teixeira, VP, Operations, Curaleaf International

(c) Guarantor

(i) address: Bodega 19-B Parque Industrial Tibitoc P.H Tocancipá, Cundinamarca, 251017, Colombia

(ii) e-mail: [redacted]

(iii) attention: Andres Fajardo, CEO

Any legal process to be served on any of the Parties may be served on it at the physical address specified for it in this Clause 12.1 and it chooses that address as its *domicilium citandi et executandi* for all purposes under this Agreement.

12.2. Any notice or other communication to be given to any of the Parties in terms of this Agreement shall be valid and effective only if it is given in writing.

12.3. A notice to any of the Parties which is sent by recorded or special delivery or courier using an internationally recognised courier company in a correctly addressed envelope to the postal address specified for it in Clause 12.1 shall be deemed to have been received within 3 (three) days from the date it was posted, or which is delivered to the Party by hand at the physical address specified for it in Clause 12.1 shall be deemed to have been received on the day of delivery, provided it was delivered to a responsible person during ordinary Business hours.

12.4. Notwithstanding anything to the contrary in this Clause 12, a written notice or other communication actually received by any of the Parties (and for which written receipt has been obtained) shall be adequate written notice or communication to it notwithstanding that the notice was not sent to or delivered at its chosen address.

12.5. Any Party may by written notice to the other Parties change its physical or postal address or email address for the purposes of Clause 12.1 to any other physical or postal address or email address provided the physical or postal address is in Portugal and the change shall become effective on the 7th (seventh) day after the receipt of the notice.

12.6. The Parties acknowledge that whilst they may correspond via email during the execution of this Agreement for operational reasons, no formal notice, legal processes nor any amendment or variation to this Agreement may be given or concluded via email.

SCHEDULE 1

1. **EQUIPMENT**

Farmacêutico	PR03	Aralab	Fitoclima 20000	Câmara climática para secagem de flôr
Farmacêutico	PR04	Aralab	Fitoclima 20000	Câmara climática para secagem de flôr
Farmacêutico	PR06	Mobius	M108S	Mobius Trimming Machine
Farmacêutico	PR06	Mobius	M108S	Mobius Trimming Machine
Farmacêutico	Zona Técnica II	Aralab		Aralab D001 Humidifier
Farmacêutico	Zona Técnica II	Aralab		Aralab D002 Humidifier
Farmacêutico	Zona Técnica II	Aralab	OP-MPXM068MLP00E	Aralab D001 Dehumidifier
Farmacêutico	Zona Técnica II	Aralab	OP-MPXM068MLP00E	Aralab D002 Dehumidifier
Manutenção	Zona Técnica I	Sandometal	eSDM 4/6	UTA
Manutenção	Zona Técnica I			Ventilador UTA1
Manutenção	Zona Técnica II	Sandometal	eSDM 0/1	UTAs saida
Manutenção	Zona Técnica II			Ventilador UTA2
Manutenção	Zona Técnica I	Carel	UR020HL204	Humidificador da AHU01
Manutenção	Zona Técnica II	Sandometal	eSDM 2/2	UTA salas entrada
Manutenção	Zona Técnica II			Ventilador UTA 3
Manutenção	SN01	Sandometal		UTA salas saida

Manutenção	SN01			VentiladorUTA 4
Manutenção	Exterior	Sandometal		UTA office entrada
Manutenção	Exterior			Ventilador UTA 5
Manutenção	AD03	Sandometal		UTA office saida
Manutenção	AD03			Ventilador UTA 6
Manutenção	Cobertura Edi.7	Daikin	EWAT290B-SSB1004	Chiller frio
Manutenção	Cobertura Edi.7	Daikin	EWYT175B-SSA1023	Chiller quente
Armazém	Exterior	Kaysun	K2UF-400 DN4S	Unidade de AC para "Cofre"
Manutenção	PR08	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	PR08	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	PR08	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	PR11	Kaysun	KFC-CI-4T-300D	Unidade AC
Manutenção	PR11	Kaysun	KFC-CI-4T-300D	Unidade AC
Manutenção	AD01	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	AD01	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	AD01	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	AD02	Kaysun		Unidade AC
Manutenção	AD03	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	CO03	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	AD06	Kaysun	KFC-CI-4T-300D	Unidade AC
Manutenção	CO03	Kaysun	KFC-CI-4T-300D	Unidade AC

Manutenção	Zona Técnica II	Kaysun	KFC-PD-4T-300-1	Unidade AC
Manutenção	Zona Técnica II	Kaysun	KFC-PD-4T-800-1	Unidade AC
Manutenção	Zona Técnica II	Kaysun	KFC-PD-4T-300-1	Unidade AC
Manutenção	LR01	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	LR01	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	LR01	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	LR01	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	LR02	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	LR02	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	LR02	Kaysun	KFC-CIS-4T-600D2	Unidade AC
Manutenção	AD04	Kaysun	KFC-CI-4T-300D	Unidade AC
Manutenção	AD05	Kaysun	KFC-CI-4T-300D	Unidade AC
Manutenção	AD07	Kaysun	KFC-CI-4T-300D	Unidade AC
Manutenção	AD08	Kaysun	KFC-CI-4T-300D	Unidade AC
Manutenção	AD09	Kaysun	KFC-CI-4T-300D	Unidade AC
Manutenção	WH02	Kaysun	KPDHF-400 DN4.0 (ST)	Unidade AC
Farmacêutico	Cobertura Edi.7	KSB	AL112M-04	Bomba do circuito frio
Farmacêutico	Cobertura Edi.7	KSB	AL100L-04	Bomba do circuito de quente
Manutenção	Sala Caldeiras	Grundfos	ALPHA2 25-60 N 180	Bomba da AQS
Farmacêutico	PR03			Bomba dreno D001

Farmacêutico	PR04			Bomba dreno D002
Farmacêutico	WR01	Merck miliQ		Agua purificada
Farmacêutico	Zona Técnica II			Osmoze D001
Farmacêutico	Zona Técnica II			Osmoze D002
Farmacêutico	Zona Técnica I			Osmoze DH003 da AHU001
Farmacêutico	Zona Técnica II			Ventilador D001
Farmacêutico	Zona Técnica II			Ventilador D002
Farmacêutico	Zona Técnica II			Resistencia ventilador D001
Farmacêutico	Zona Técnica II			Resistencia ventilador D002
Farmacêutico	Zona Técnica II			Camara de frio sala CC01
Farmacêutico	CC01			Fan coil CC01
Farmacêutico	CC01			Resistência CC01
Farmacêutico	Zona Técnica II			Camara de frio sala CC02
Farmacêutico	CC02			Fan coil CC02
Farmacêutico	CC02			Resistência CC02
Farmacêutico	Cobertura Edi.7	Reflex	NG 25	Vaso expansão circuito de frio
Farmacêutico	Cobertura Edi.7	Reflex	NG 25	Vaso expansão circuito de quente
Manutenção	Cobertura Edi.7			Tanque do circuito de frio CHW
Manutenção	Cobertura Edi.7			Tanque do circuito de quente- HW
Manutenção	Sala Caldeiras	Kaysun	Compak KHPA 300	Tanque AQS
Manutenção	Sala Caldeiras	Kaysun	Compak KHPA 300	Tanque AQS

Manutenção	Exterior			Compressor de ar comprimido
Manutenção	Exterior			Reservatório de ar comprimido
Farmacêutico				Gerador de emergência
Farmacêutico	Zona Técnica II	DehuTech	DA/DT-800	Desumidificador silica D001
Farmacêutico	Zona Técnica II	DehuTech	DA/DT-800	Desumidificador silica D002
Manutenção	Zona Técnica I			Controlador do AVAC
Farmacêutico	PR03			Controlador D001
Farmacêutico	PR04			Controlador D002
Manutenção	Zona Técnica I			Controlador Humidificador Carel AHU1
Farmacêutico	Zona Técnica I			UPS para equipamentos
Farmacêutico	PR03			Drenos CC01
Farmacêutico	PR04			Drenos CC02
Manutenção				Ventilador extracção WR01
Farmacêutico	PR05			Máquina de embalagem Swifty Bagger Junior
Farmacêutico	PR05			Distribuidor de flor_ primo combi
Farmacêutico	PR05			Alimentador- Vibratory Feed Pan
Farmacêutico	PR05			Pre-cheq analyzer
Farmacêutico	PR05			Etiquetadora - Lay flat labeler
Farmacêutico	PR01			Máquina de Selagem
Farmacêutico	PR01			Resistencia da maquina de selar MS001
Farmacêutico	PR01			Bomba de vácuo da MS001

Farmacêutico	PR01			Compressor de ar da MS001
Manutenção	Exterior			Secador de ar comprimido do compressor de ar K001
Manutenção	Exterior			Filtro separador de óleo de ar comprimido
Manutenção	Zona Técnica I			QBT - Qadro Eléctrico de Baixa Tensão
Manutenção	CO03			Q. Parcial Quadro eléctrico Parcial ed.VII
Manutenção	Zona Técnica I	ReléMarket		Q UPS Quadro elétrico da UPS
Farmacêutico	PR08	Nilfisk	Multi II 22 inox EU	Aspirador
Farmacêutico	PR05	Nilfisk	Multi II 22 inox EU	Aspirador
Farmacêutico	PR04	Nilfisk	Multi II 22 inox EU	Aspirador
Farmacêutico	AD02	Waldmann	STZL 12 R 00559571	candeeiro
Farmacêutico	AD02	Waldmann	STZL 12 R 00559571	candeeiro
Manutenção				Andaime 5m
Manutenção				Berbequim sem fios
Manutenção				Escadote de 3,7 m
Farmacêutico	PR08	Entreposto		Porta-paletes produção
Farmacêutico				Carro de secagem
Farmacêutico				Carro de secagem
Farmacêutico				Carro de secagem
Farmacêutico				Carro de secagem
Farmacêutico				Carro de secagem
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Farmacêutico				Carro de secagem
Farmacêutico				Carro de secagem
Farmacêutico				Carro de secagem
Manutenção	Zona Técnica II	Sandometal	eSDM 290/635	UTA extracção WR01
Manutenção	Zona Técnica I	ReléMarket		Quadro Elétrico UPS
Manutenção	Zona Técnica I	ReléMarket		Quadro Elétrico Siemens
Manutenção	Zona Técnica I	ReléMarket		Quadro Elétrico Desenfumagem
Manutenção	Sala Caldeiras	ReléMarket	025/21	Quadro Elétrico AQS
Segurança	CO05			Carretel RIA CO05
Segurança	CO05			Carretel RIA CO05
Segurança	CO03			Carretel RIA CO03
Segurança	CO04			Carretel RIA CO04
Segurança	WH03			Carretel RIA WH03
Segurança	PR12			Carretel RIA PR12

Segurança	PR12			Carretel RIA PR12
Segurança	AD01			Carretel RIA AD01
Segurança				Extintores
Segurança	AD04			Central de Incêndios
QC	LB01			BOMBA P001 ON
QC	LB01			BOMBA P002 ON
QC	LB03			Braço extração (LB03)
QC	LB04			Braço extração (LB04)
QC	LB01			Hotte (LB01)
QC	LB01			Campanula de extração (LB01)
Farmacêutico	PR01	Marques	MSC-LC 5000gr Div 0,01	Balança
Farmacêutico	PR06	Marques	MC SS 40 6/15Kg	Balança
Farmacêutico	PR11	Marques	MC SS 40 3/6Kg	Balança
Farmacêutico	PR08	Marques	MC SS 40 3/6Kg	Balança
Farmacêutico	PR01	Marques	MC SS 40 3/6Kg	Balança

SCHEDULE 1

2. QUALITY DOCUMENTAL SYSTEM – LIST OF DOCUMENTS

- Site Master File;
- Standard Operational Procedures;
- available validation protocols and reports;
- Batch records masters;
- Available Manufacturing instructions, operating and instruction manuals and other supplier or manufacturer documentation;
- Analytical methods and specifications;
- Available IQ/OQ/PQ protocols and reports;
- Available Supplier Qualification;
- CAPA Plans;
- Deviation Reports;
- Available Calibration and Maintenance Protocols.

All documents are available at Clever Leaves sharepoint or in paper format at the Division.

3. SOFTWARE

BMS system

SCHEDULE 2

REPRESENTATIONS AND WARRANTIES

The **Seller** warrants and represents to the Purchaser the following:

1. Capacity and authority

1.1. Right, power, authority and action

The Seller has the right, power and authority, and have taken all action necessary, to execute, deliver and exercise its rights, and perform its obligations, under this Agreement and each document to be executed at the Signature Date.

1.2. Binding agreements

The Seller's obligations under this Agreement and each document to be executed at the Signature Date in terms hereof are, or when the relevant document is executed will be, enforceable in accordance with their terms.

1.3 No Government Authorization Required

No consent, approval, authorization or order of, or qualification with, any court, regulatory authority or other governmental body is required for the consummation by Seller of the transaction contemplated by this Agreement.

1.4 Effect of Agreement

The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time or both, (a) violate any provision of law, statute, rule or regulation to which the Seller is subject; (b) violate any judgment, order, writ or decree of any court applicable to the Purchaser; or (c) result in the breach of, or conflict with, any term, covenant, condition or provision of, result in the modification or termination of, constitute a default under, any corporate charter, by-law, commitment, contract or other agreement or instrument to which the Seller is a party.

2. Assets

2.1. Title and condition

(a) The rights in respect of the Sale Assets are:

(i) legally and beneficially owned solely by the Seller free from any Encumbrance; and

(ii) where capable of possession, in the possession or under the control of the Seller.

(b) No person or entity has any right (whether pursuant to any option, right of first refusal or otherwise) to purchase or acquire (whether as security or otherwise) the Sale Assets and no person or entity has brought any claim in relation to any of the Sale Assets, including but not limited to any claim that may affect or impact on the transfer of the Sale Assets to the Purchaser, on the Seller's obligations under this contract, on the full and free enjoyment of the Sale Assets by the Purchaser, and or on the economic and functional value of the Sale Assets;

(c) All the Sale Assets being sold in accordance with the terms of this Agreement are the only assets required by the Purchaser;

(d) The Seller is aware that the Purchaser intends to use the site and the Sale Assets as a GMP cannabis manufacturing facility and confirms to the Purchaser that no changes or removals took place in the site or were made to the Sales Assets after the GMP Inspection. The equipment included in the Sale Assets is not currently in operation but was appropriately decommissioned by the Seller and was working properly and according to its design specifications before being decommissioned. The equipment is fit for its purpose, functional, complete, and in good condition, and is ready to be used provided it is re-commissioned by the Purchaser in line with the respective operating instructions and specifications.

3. Intellectual property

3.1. Each of the Intellectual Property rights in respect of the Quality Documental System is:

(a) valid and enforceable and nothing has been done or omitted to be done by which it may cease to be valid and enforceable;

(b) legally and beneficially owned by, and validly granted to, the Seller alone, free from any licence, Encumbrance, restriction on use or disclosure obligation; and

(c) not, and will not be, the subject of a claim or opposition from a person (including, without limitation, an employee of the Sellers) as to title, validity, enforceability, entitlement or otherwise.

3.2. The Seller have not infringed any third party's Intellectual Property or render the Sellers liable to an action in respect of the infringement of any Intellectual Property belonging to a third party or to the Purchaser, and there is and during the two years ending on the date of this Agreement has been, no civil, criminal, arbitration, administrative or other proceeding or dispute in any jurisdiction concerning any of the Intellectual Property. No civil, criminal, arbitration, administrative or other proceeding or dispute concerning any of the Intellectual Property is pending or threatened. To the best of the Sellers' knowledge, information and belief, no fact or circumstance exists which might give rise to a proceeding of that type.

4. Contracts

4.1. The contracts concluded by the Seller with third parties in respect of the Division, that are not being assigned or novated to the Purchaser have been: (i) disclosed to the Seller as part of the Information; and (b) validly terminated on or prior to the Signature Date such that Purchaser shall have no liability of any kind arising in respect of such contracts.

5. Blue Biz Lease

5.1. The Seller entered into an agreement ("the Blue Biz Lease") on 17 March 2021 with "Aicep Global Parques - Gestão de Áreas Empresariais e Serviços, S. A." ("Global Parques"), the owner of the building where the Division is located at Edifício 7, Blue Biz Parque, Estrada da Rosa, in Setubal, Portugal ("the Premises"), for the lease and use of such Premises. The Seller warrants to the Purchaser that (i) the Blue Biz Lease terminated on the day before Signature Date lawfully and with the confirmation of Global Parques; (ii) Global Parques has authorised that the Company Assets remain in the premises so that the Purchaser will take possession of the Company Assets there on Signature Date; (iii) the Seller has fully complied with the Blue Biz Lease terms and the applicable law, has no outstanding obligations in relation to the premises namely, but not limited to, repairs and maintenance, and has paid all amounts due to Global Parques or to any third parties in relation to the premises.

5.2. The Seller expressly undertakes to indemnify and hold harmless the Purchaser in respect of any claim from any person or entity in connection to the premises related to the period prior to Signature Date. Limitations provided for in clause 7.2 shall not apply in this context.

6. Employees

6.1. All employees working for the Seller, of which 17 working at the Division, had their contracts with the Seller lawfully and regularly terminated before signature of this Agreement, except for employees Marta Maria Reynaud Pinto de Leite de Areia and Gonçalo Bruno de Almeida Gonçalves who remaining working for several entities of the Seller's group.

6.2. No issues have been raised or claims have been brought by the authorities in respect of the termination of the employees' contracts, or by employees, except for two employees, Ana Paula Mendes Paias and Rodrigo Filipe Rafael João, who were not working at the Division, but rather at the Seller's agricultural site in Odemira which is unrelated to this Asset Sale Agreement. There is a court case underway brought by these two employees, but Seller warrants to Purchaser that this shall have no impact or consequences to the Purchaser or to the present Asset Sale Agreement.

6.3. This Transaction does not involve any transfer of employees to the Purchaser, given that all employees have been lawfully and regularly dismissed prior to signature of this Agreement in collective dismissal procedures which were fully legal and endorsed by the competent labour authority, all salaries and compensations were fully paid to the employees, all employees have signed the respective agreement and have stated in writing that they renounce to all credits they may have against the employer, and the procedure of transfer of employees provided for in articles 285 ff of the Labour Code is not applicable to the present Transaction considering inter alia that it does not consist in a transfer of a company, economic unit or business, but merely on a transfer of assets, and the employees were dismissed prior and regardless of this Transaction.

6.4. In any case, the Seller expressly undertakes to indemnify and hold harmless the Purchaser in respect of any claim brought against the Purchaser by any person who has been an employee (or service provider equivalent to employee) of the Purchaser or by any authority in respect of any such employee(s) or related to the dismissal or to an alleged right of transfer of such employee(s); the Seller shall indemnify the Purchaser for any Losses in relation thereto and the limitations provided for in clause 7.2 shall not apply. In case any employees have to be reintegrated as employees by the Purchaser, the Parties hereby agree that the appropriate compensation for such damage shall be the payment by the Seller to the Purchaser of an amount of EUR 50,000.00 per employee, in addition to indemnification for all other Losses suffered by the Seller in relation to such employees (including but not limited to salaries and any compensations due to the employee in connection to his employment with the Seller and his dismissal by the Seller).

The **Purchaser** warrants and represents to the Seller the following:

7. Capacity and authority

7.1. Right, power, authority and action

(a) The Purchaser has the right, power and authority, and has taken all action necessary, to execute, deliver and exercise its rights, and perform its obligations, under this Agreement and each document to be executed at the Signature Date.

(b) The Purchaser's obligations under this Agreement and each document to be executed at the Signature Date in terms hereof are, or when the relevant document is executed will be, enforceable in accordance with their terms.

7.2. No Government Authorization Required

No consent, approval, authorization or order of, or qualification with, any court, regulatory authority or other governmental body is required for the consummation by Purchaser of the transaction contemplated by this Agreement.

7.3. Effect of Agreement

The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time or both, (a) violate any provision of law, statute, rule or regulation to which the Purchaser is subject; (b) violate any judgment, order, writ or decree of any court applicable to the Purchaser; or (c) result in the breach of, or conflict with, any term, covenant, condition or provision of, result in the modification or termination of, constitute a default under, any corporate charter, by-law, commitment, contract or other agreement or instrument to which the Purchaser is a party.

7.4. Disclosure

Purchaser acknowledges that it has been provided with the opportunity to visit the Division and assess the apparent characteristics and external appearance of the Sale Assets but not including a verification of their operation and proper functioning.

7.5. Terms of Sale

The Sale Assets are being sold to the Purchaser on an "as it was, where it was" basis at the date of the conclusion of the GMP inspection pursuant to which the GMP license has been awarded to the Seller by Infarmed.

7.6. Available funds

The Purchaser has and will have available the necessary funds to conclude the Transaction hereunder, namely to the transfer of the Purchase Price to the Sellers' Bank Account in exchange for the Sale Assets.

Stamp Tax provided for in item 10.2 of the General Chart of the Stamp Tax Code is assessed on this date by the Purchaser at the rate of 0.5% on the amount of the guarantee of clause 8.2. hereof. Notwithstanding, as provided by the Stamp Tax Code, the corresponding Stamp Tax burden should be borne by the Seller.

SIGNATORIES

In witness whereof

For and on behalf of Clever Leaves Portugal Unipessoal Lda

(as **Seller)**

Marta Pinto-Leite

Signatory: Marta Pinto Leite

Capacity: Director

For and on behalf of Terra Verde, Lda

(as **Purchaser)**

Nuno Mendonça
Nuno Mendonça (Jul 1, 2023 12:11 GMT+1)

Signatory: Nuno Mendonça

Capacity: Director

For and on behalf of Terra Verde, Lda

(as **Purchaser)**

Zafrin Samsudin
Zafrin Samsudin (Jul 1, 2023 11:44 GMT+1)

Signatory: Zafrin Samsudin

Capacity: Director

For and on behalf of Clever Leaves Holdings Inc.

(as **Guarantor)**

Signatory: Andres Fajardo

Capacity: Director

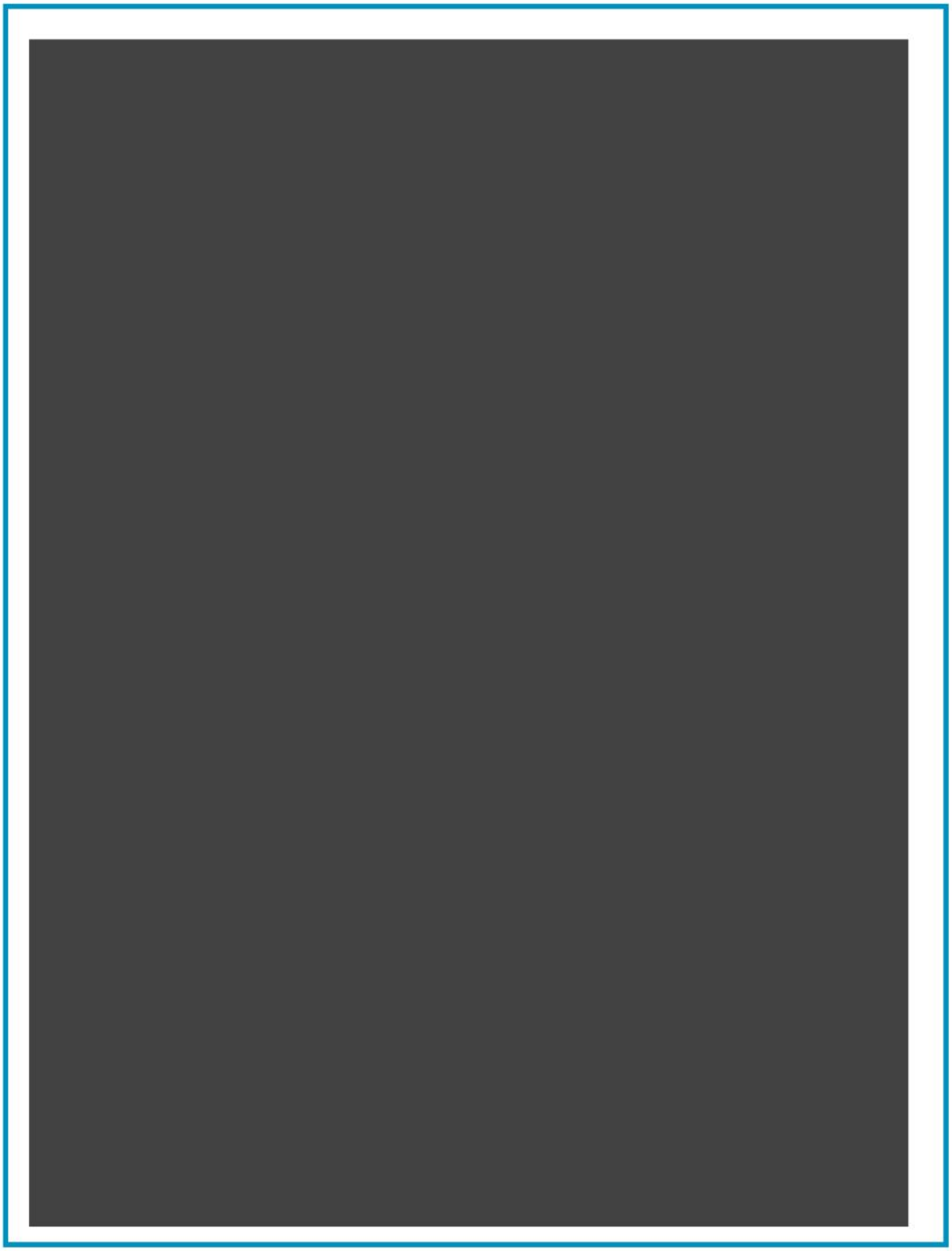

Exhibit 31.1

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: August 14, 2023

/s/ Andres Fajardo

Andres Fajardo
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: August 14, 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 June 30, 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: August 14, 2023	/s/ Andres Fajardo
	Andres Fajardo
	Chief Executive Officer
Date: August 14, 2023	/s/ Henry R. Hague, III
	Henry R. Hague, III
	Chief Financial Officer