

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2023

or

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

For the transition period from to
Commission File Number: 001-39820

Clever Leaves Holdings Inc.
(Exact Name of Registrant as Specified in its Charter)

British Columbia, Canada
(State or other jurisdiction of incorporation or organization)

**Bodega 19-B Parque Industrial Tibitoc P.H,
Tocancipá - Cundinamarca, Colombia**
(Address of principal executive offices)

Not Applicable
(I.R.S. Employer Identification No.)

N/A
(Zip Code)

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

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 1/30th common share at an exercise price of \$11.50	CLVRW	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's voting and non-voting common shares held by non-affiliates was approximately \$ 11.9 million as of June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter (based on a closing price of \$6.08 per share as reported by the Nasdaq Stock Market LLC on June 30, 2023). For purposes of this calculation, common shares held as of June 30, 2023, by each of the registrant's executive officers and directors, as well as shares held by holders of 10% or more of the registrant's common shares known to the registrant, have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of the registrant's common shares outstanding as of March 19, 2024 was 1,754,795.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2024 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the U.S. Securities and Exchange

CLEVER LEAVES HOLDINGS INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Form 10-K”) 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 Form 10-K provide examples of risks, contingencies, uncertainties, and events that may cause our actual results to differ materially from the expectations described by us in such forward-looking statements, including among other things:

- our ability to continue as a going concern;
- our ability to maintain the listing of our securities on Nasdaq;
- changes adversely affecting the industry in which we operate;
- our restructuring plans;
- the availability or terms of future financing;
- our ability to achieve our business strategies or to manage our expenses;
- 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 this Form 10-K under the heading “*Risk Factors*” and elsewhere in this Form 10-K.

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

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-K. 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-K or to reflect the occurrence of unanticipated events.

This Form 10-K 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.

PART I

Item 1. Business

Our Mission

Our mission is to innovate in cannabis products and services, from raw materials to finished products, in an environmentally friendly manner and to be an industry-leading global cannabinoid company recognized for our principles, people, and performance while fostering a healthier global community.

Our Company

We are a multi-national operator in the botanical cannabinoid and nutraceutical industries, with operations and investments in Colombia, 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, 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.

The Company approved a plan to shut down its cultivation activities in Portugal in December 2022 and further approved the wind-down of the entire Portuguese operations in January 2023 to preserve cash and to cease all operations in Portugal. In July 2023, we sold certain laboratory and processing equipment for the production of cannabinoid products, as well as informational rights to policies and procedures for the production and manufacture of such cannabinoids that we used in our EU-GMP certified cannabis processing facility in Setubal, Portugal, which was a key milestone of the wind-down process. On January 26, 2024, we sold certain real property with certain existing furniture and structures in Portugal, which completed the wind-down of our Portugal operations.

In addition to the cannabinoid business, we were 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") for the year ended December 31, 2023.

Our principal operations are in two key geographies:

- **Colombia.** We believe we have one of the largest licensed production capacity footprints to produce medical cannabis in Colombia with 18 greenhouses creating 1.8 million square feet of cultivation space. We have let our option to acquire additional square feet of agricultural land to lapse. With 6 million square feet of leased or owned land, our greenhouse cultivation can be expanded to approximately 2.5 million square feet at our existing operating site. In 2020, our greenhouses, propagation area, and post-harvest facility were granted Good Agricultural and Collection Practices ("GACP") certification by Control Union Medical Cannabis Standard ("CUMCS") which in 2022 was complemented with the Israeli standard certification also by Control Union ("IMC-GAP GACP"). As a quality assurance standard, we believe GACP and IMC-GAP GACP certifications increase our ability to attract customers and enable us to produce pharmaceutical-grade flower and cannabis derived products for domestic and international markets. Our Colombian manufacturing facilities were granted Colombian GMP certification by the National Institute of Surveillance of Pharmaceuticals and Food (*Instituto Nacional de Vigilancia de Medicamentos y Alimentos*), Colombia's food and drug regulatory agency ("INVIMA") in August 2019 and EU GMP

certification by the Croatian Agency for Medicinal Products and Medical Devices “HALMED”) in July 2020. Our post-harvest facility also received EU GMP certification in July 2020. With 39 genetic strains of cannabinoids registered in Colombia (and 133 more in our genetics bank which we will seek to register as we test them), we are mainly focused on cultivation, extraction and manufacturing activities. In May 2023, we were GMP certified by the Agencia Nacional de Vigilancia Sanitaria (“ANVISA”), the Brazilian regulatory body. In September 2023 we were granted the EU-GMP re-certification from HALMED, and in December 2023, we received Australian GMP certifications for our facilities in Colombia by the Therapeutic Goods Administration (“TGA”), the regulatory body for health products in Australia. This certification authorizes Clever Leaves to manufacture cannabis products for patients in Australia.

Our Competitive Strengths

We believe we distinguish ourselves from our competitors by virtue of the following strengths:

Leader in low-cost, high-quality pharma-grade cannabinoid cultivation and extraction

In Colombia, we believe we have one of the largest licensed productive capacity footprints to produce medical cannabis with 18 greenhouses creating 1.8 million square feet of cultivation space. With 6 million square feet of leased or owned land, our greenhouse cultivating can be expanded to approximately 2.5 million square feet at our existing operating site. We have 108,000 kilograms of dry flower extraction capacity per year in one of the world’s few EU GMP certified vertically-integrated operations. In addition to the favorable climate, 12 hours of daily sunlight year-round and topographical benefits, Colombia’s lower cost of living, labor and construction costs (as compared to the United States or Canada) help to reduce labor overhead and capital expenditure, enabling us to operate and scale our business with operating costs that are competitive across our industry.

Pharmaceutical-grade, GMP-certified production

Our production chain has been awarded good manufacturing practices certifications by the regulatory entities of Colombia, the European Union, Brazil and Australia, which demonstrate compliance with some of the world’s most stringent pharmaceutical quality standards. With GACP and IMC-GAP GACP certified cultivation and EU GMP certified post-harvest and extraction in Colombia, our EU GMP certified product portfolio is distinctive in that it includes active pharmaceutical ingredients (“API”), semi-finished and finished pharmaceutical products. We believe there are a few cannabis companies globally with the breadth of EU GMP certification that we were awarded for cannabis extracts. In December 2023, we were granted Australian GMP certifications for our Colombian facilities by the TGA, the regulatory body for health products in Australia. This certification authorizes us to manufacture cannabis products for patients in Australia. In May 2023 we were also awarded GMP certification by ANVISA, the Brazilian regulatory entity. In September 2023 we were re-certified as EU-GMPcompliant by HALMED, the Croatian authority.

The EU GMP certification is a requirement for commercialization of pharmaceutical products in Europe and indicates that the products are produced to the high-quality requirements necessary in the European Union. The EU GMP certification governs the manufacture of medicinal products within the EU and constitutes one of the highest globally recognized product quality standards. The EU GMP certification asserts the manufacturer's compliance with consistent and controlled quality standards in the covered manufacturing processes of medicines and API. The EU GMP standards are compiled in the EU GMP Guidelines, which encompass the quality standards in the production, handling, storage and packaging of the medicinal products and active pharmaceutical ingredients.

A prerequisite under EU GMP is that medicinal products are of consistently high quality and provide detailed traceability of their components. As such, EU GMP provides our customers and potential customers comfort that our products may be more suitable for their intended use than those of our non-EU GMP certified competitors. Importantly, these customers may use the product in clinical trials and in obtaining marketing authorizations. As a result, our EU GMP certification facilitates the movement of goods, contributes to the credibility of our products and expands our ability to serve the burgeoning European medical cannabis markets, which are subject to strict quality, compliance and regulatory requirements.

For emerging medical cannabis markets that have not yet established quality standards, or which do not necessarily require EU GMP certification, EU GMP certification also serves as a strong quality signal, potentially attracting customers that may not otherwise require EU GMP certification. We expect that EU GMP certification will be significant in unlocking new international markets that require such certification as well as higher price points for our products given the pharma-quality advantage and validation of quality and consistency.

The EU GMP certification we received in July 2020 covers the part of the manufacturing process that begins with the trimming of the flower at the cultivation site until packaging, which is conducted at our extraction facility in Colombia. In July 2022 we received EU GMP specifically for the isolation manufacturing process for CBD Crystals by the German authority RP Darmstadt, later included in our EU GMP certification by HALMED upon renewal on September 11, 2023. If we develop a new product that requires a manufacturing process not covered by our existing EU GMP certifications, we must request an audit of the new manufacturing process and its inclusion in our existing EU GMP certifications.

Each EU GMP certification is granted to specific manufacturing processes, conducted under specific conditions and, thus, it is tied to the specific facility where those manufacturing conditions were audited and certified as compliant. The EU GMP certifications we received are valid for three years, which is the maximum validity period, the new period having been extended since September 11, 2023. The EU GMP certifications are renewable upon assessment by EU GMP inspectors. In order to maintain our EU GMP certifications, we are required to comply with the EU GMP Guidelines and may be subject to inspections and information requests by EU GMP inspectors.

Similar to the stringent standards of the EU-GMP certification, the Australian GMP certification from the TGA is intended to ensure the delivery of high-quality medicinal cannabis to patients. It is aimed at safeguarding against product contamination, variations in compound concentrations, mix-ups, incorrect labeling, and other potential issues. This certification is a prerequisite for manufacturing and commercializing cannabis products in the Australian market.

Optimized footprint for long-term

We have operations in Latin America in regards to our cannabinoid products, and in North America with respect to our non-cannabinoid nutraceutical products. Our business model is focused on geographic diversification and optimization, which we believe distinguishes us from many Canadian licensed producers ("LPs"), U.S. multi-state operators ("MSOs") and U.S. single-state operators ("SSOs"), which are commonly confined to one geography and may be reliant on initial market protections afforded by the existing regulatory framework in their respective jurisdictions. Unlike certain Canadian LPs, U.S. MSOs and SSOs, we can scale our production in low-cost regions in Colombia, while maintaining access to some higher value-added end markets such as the EU because of our EU GMP certifications and our global operating network. U.S. MSOs typically construct semi-redundant or incompatible infrastructure due to state specific regulation and licensing and face a variety of legal and operational challenges because cannabis is not legal under U.S. federal law and interstate commerce is prohibited. Although certain Canadian LPs, U.S. MSOs and SSOs may benefit from restrictions on importation of cannabis or hemp from other geographies, creating current market protections, legalization of imported cannabinoid products, should this occur, may create future new opportunities in Canada and the United States for multi-national operator ("MNOs") and create competition for incumbents.

Developing export distribution channels

We continue to build our sales pipeline with businesses in various jurisdictions that have legalized medical cannabis derived products or low THC and hemp derived products. To date, we have had export shipments of our cannabis products for different purposes to Argentina, Australia, Brazil, Canada, Chile, Czech Republic, Denmark, Ecuador, Germany, Israel, Italy, Netherlands, New Zealand, Peru, Poland, Portugal, Slovenia, South Africa, Spain, Switzerland, United Kingdom, United States and Uruguay. Germany, as the largest economy in the EU and a country with public insurance coverage for medical cannabis, is strategically positioned as our launch point for a further expansion into the European cannabis industry.

Advantages from early establishment in Colombia

In Colombia, plant varieties cannot be commercialized until they have been registered with Colombian Agricultural Institute ("ICA"), the Colombian agricultural regulator. We have 43 genetic strains of cannabinoids registered in Colombia. Prior to

December 2018, cannabis strains were subject to a more streamlined regulatory registration process by ICA. A cannabis producer entering the Colombian cannabis industry today would likely be required to comply with more stringent and lengthy genetics registration and quarantine protocols.

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.

Our relatively long-term presence in Colombia and established track record with Colombian regulators has contributed to our receipt of some of the country's first and largest quotas for the cultivation and extraction of high-THC cannabis products. In September 2020, the Colombian National Government declared our company as a National Strategic Interest Project ("PINE"), which means that Colombian governmental institutions will attempt to expedite processes, permits and documentation for Clever Leaves. In 2019, we were the first medicinal cannabis company to receive Colombian GMP certification by INVIMA. These achievements, along with the EU GMP certifications of our post-harvest and manufacturing sites in 2020, paved the way to become the first Colombian-based manufacturer to export commercial batches of EU GMP certified cannabis-based APIs to Europe in late 2021. The EU-GMP was renewed in 2023 after the facilities being inspected by HALMED, the Croatian regulatory agency.

Talented and experienced leadership with operational and regulatory expertise

Our Company is led by a highly knowledgeable management team of experienced professionals.

Andres Fajardo serves as our Chief Executive Officer ("CEO"), and a member of the Board. He has more than 20 years of management experience, having served as CEO of IQ Outsourcing, a leading Colombian business processing firm, and as a principal member at Booz & Company.

Julian Wilches, our Chief Regulatory Officer, brings extensive regulatory experience as he previously served as Director of Drug Policy for the Colombian Ministry of Justice and Law.

Henry Hague III, our Chief Financial Officer, brings extensive experience in providing financial leadership to various public and private entities in the pharmaceutical, biomedical, and cannabinoid industries.

Georgette Otero, our new General Counsel and Corporate Secretary, leads our global legal and compliance function, while also leading our international regulatory department since 2018. Georgette's experience includes extensive in intellectual property and regulatory strategic counsel to diverse industries with a focus on pharmaceuticals, at an international law firm where she was a partner.

Our management team has significant experience identifying and scaling attractive business models, and with evaluating investment opportunities, partnerships, and other growth opportunities. We focus on making strategic decisions that will allow us to grow our business over the long-term and increase shareholder value. We intend to leverage this experience and existing relationships to build strategic partnerships with leading companies across the cannabis supply chain, including wellness, nutraceutical, and pharmaceutical companies.

Our Strategy for Growth

We plan to utilize our existing infrastructure in Colombia and make future incremental investments to drive sales growth in the cannabis markets globally. We aspire to build a leading international low-cost and pharmaceutical-grade cannabinoid company through the following strategies:

Securing strategic partnerships

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 location in Colombia, capacity, product registrations and various product certifications.

Expanding our sales and distribution footprint

We believe that our Colombian production footprint will allow us to take advantage of the opportunities arising from the global cannabis industry.

Our primary distribution channels are for wellness products and pharmaceutical products. We structure our sales efforts regionally into Australia, Germany, Israel, Latin America, the United Kingdom, the United States and rest of the world. Within each sales channel, there are a variety of products that we are licensed to manufacture and sell under various distribution arrangements. Our distribution of cannabis products to date consists of export shipments for commercial or research purposes to Argentina, Australia, Brazil, Canada, Chile, Czech Republic, Denmark, Ecuador, Germany, Israel, Italy, Netherlands, New Zealand, Peru, Poland, Portugal, Slovenia, South Africa, Spain, Switzerland, United Kingdom, United States and Uruguay. However, we anticipate that our Colombian GACP, IMC-GAP GACP, GMP, AU GMP and EU GMP certifications will allow us to expand our pharmaceutical distribution channel, which typically has a higher margin but a longer sales cycle.

We are focused on expanding in the following main geographies: Australia, Brazil, Germany, Israel, the United Kingdom, and the United States.

- **Australia:** Our extracts and API sales from Colombia have been increasing to established cannabis companies in Australia. . In 2023 we initiated sales of our first strain of Colombian-grown cannabis flower into the country. We expect Australia to be one of the largest markets for Colombian flower in 2024.

- **Brazil:** We have been generating final product sales under the “Compassionate Use” legal framework. We have also worked with our partners in Brazil and to date there are 6 Clever Leaves products with a special marketing authorization under the RDC 327 (Cannabis Framework), which allows us to import and distribute products in Brazil. Our first product registration was granted in November 2021, and five additional products in our portfolio have received special marketing authorization under RDC 327. We have been shipping product under RDC 327 since Q1 2022.

- **Germany:** Distribution of medical cannabis products in Germany is regulated by the German national and federal pharmaceutical regulators. Cannabis products are prescribed by traditional and specialist physicians and fulfilled by pharmacies. The pharmacy industry is fragmented by law, with limits on ownership of multiple pharmacy locations. Imports of cannabis into Germany is facilitated by a limited set of licensed importers and distributors. In order to navigate the challenges of entering the German market and reducing our reliance on German import partners, we executed a strategic investment in an EU GDP and EU GMP certified German distributor, Cansativa GmbH (“Cansativa”). However, in 2023, we sold our holdings in Cansativa for approximately €1.8 million. See Note 7 to our audited consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K for more information. In Germany, we are actively commercializing API and finished products, establishing licensing partnerships with local and regional companies which includes a global pharmaceutical company. We expect Germany to be one of the largest markets for Colombian flower in 2024.

- **Israel:** Our API product - sales grew since April 2020 until Q3 of 2023. In 2024, we expect Israel to start selling our Colombian flower into the market and expect it to grow significantly into 2025. In 2022 we signed an agreement with Intercure to import and distribute our products in the country.

- **United Kingdom:** We commenced shipment of oral solutions into the UK market during 2023 and expect to expand in 2024. We have already setup commercial and regulatory pathways to the market.

- **United States:** In 2023, our distribution in the United States was comprised of primarily Herbal Brands nutraceutical products. Either directly or through distributors, we distribute Herbal Brands products to more than 20,000 retail locations in the United States, which includes specialty and health retail stores. Subsequent to year end, we entered into a stock purchase

agreement on March 21, 2024, to sell Herbal Brands. See Note 22 to our consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K for more information.

In addition, we are building relationships with businesses in other countries with the objective of preparing, planning or executing commercial shipments to such businesses, although completion of these shipments is not guaranteed and is subject to many evolving factors including regulatory progress and approvals, agreement on commercial terms, negotiation of definitive documentation, successful test shipments, and validation by third party laboratories. We believe these are attractive markets due to their long-term potential, stringent quality requirements that fit our supply chain strengths, and improving regulatory frameworks.

Capitalize on regulatory developments

As cannabis regulations evolve, we intend to broaden our product offering.

In February 2022, the Colombian government passed a regulation that defines the procedures to begin cultivating cannabis for exporting the flower for medicinal use. We believe this represents a significant opportunity for our Company. We believe that our GACP, IMC-GAP GACP, Brazilian GMP, Australian GMP and EU GMP certifications for the sale of cannabis flower and cannabis derivatives positions us to benefit from this significant regulatory change.

We have seen an emergence of interest in products derived from hemp or cannabis that have non-detectable or ultra-low levels of THC. These products may be compliant with a broader range of regulations to facilitate CBD or other hemp-derived botanical products. Expanding our capacity for THC removal could yield additional demand from our customers.

We also closely monitor the regulation of cannabinoid products in the United States. To date, we have imported cannabis and cannabinoid products from Colombia and Portugal, some of them with explicit import permits from the U.S. DEA for research purposes, and under the Farm Bill for product development purposes. However, evolving regulation surrounding the 2018 Farm Bill, by the FDA for CBD or around the legalization of broader cannabis use for medical or other purposes, may create the opportunity either for imports from Colombia and/or the commercialization of cannabis and cannabinoid products in the United States.

We are also closely monitoring the regulatory developments in the following countries, among others, which may represent actual markets for our products in the coming years:

- a. France: National Assembly approved the 2024 Social Security Financing Bill, including the amendment on medical cannabis.
- b. Spain: The Ministry of Health confirmed in late December that they expect to have a regulatory framework for medicinal cannabis “in the next months” based on the draft elaborated by the State Agency of Medicines and Medical Devices AEMPS).

In Colombia, as of January 1, 2023, the Ministry of Health included CBD and THC magistral preparations in the list of medications that health insurance entities (EPS) pay to health service providers (IPS) with funds preapproved and budgeted under the health plan coverage (effective on January 1st, 2023). This is subject to the condition that the use of the cannabis magistral preparation is cost-efficient against alternative therapies available in the market and the patient’s medical condition is among those recognized as conditions treatable with cannabis products (for which the system will take into account the guides issued by the local agency for assessment of health technologies-IETS). With this regulation, a patient registered with a health insurance entity (EPS) with a valid medical prescription can go directly to a pharmacy allied with the EPS that will deliver the cannabis product to the patient with a copayment (standard price). Then, the pharmacy charges the product to the EPS that assumes its cost with the system funds. The medical conditions initially accepted for this new coverage include chronic pain, oncological pain, epilepsy and insomnia. This new process does not impede patients to directly purchase the product (“out-of-pocket”) with a medical prescription.

Our Products

Our product portfolio has historically been split into two primary categories: nutraceuticals and cannabis/cannabinoids. Subsequent to year end, we through our wholly owned subsidiary sold our non cannabinoid business segment comprised of nutraceutical and other natural remedies, wellness products, detoxification products, and nutritional and dietary supplements. See Note 22 to our consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K for more information.

Nutraceuticals

Our nutraceutical products consist primarily of a variety of beverage and powder products. These products primarily include cleanses or other wellness products. We provide a limited amount of contract manufacturing for other nutraceutical companies that produce similar products.

Cannabis/Cannabinoids

The growth of our cannabis/cannabinoid product portfolio is a significant focus area, and it emphasizes business to business solutions for our customers. We generally categorize our products as flower or extracts and offer both bulk raw materials (APIs) and finished products.

Flower

Our dried flower products are generally classified as either containing low levels of THC or high levels of THC.

Low-THC Flower. We currently cultivate low-THC flower (sometimes referred to as hemp) in Colombia. We are generally not subject to any limitations on the amount of low-THC flower that we can cultivate in Colombia and which is generally processed into different types of high CBD extracts and products for further distribution in Colombia and internationally

This product can be sold as dried and unprocessed flower, but it can also undergo various forms of processing, such as decarboxylation or milling, before sale. Packaging is typically suitable for large volumes of product, such as vacuum sealed pouches or other containers.

High-THC Flower. Our flower with high levels of THC is commonly referred to as cannabis and is often considered to be psychoactive. We cultivate cannabis in Colombia where we process our high THC flower into extract products for future distribution in Colombia and internationally. In addition, we are now exporting high THC flower. In 2023, we exported high THC cannabis flower (i) for commercial purposes to Australia, Germany and Portugal, and (ii) for research purposes to Germany and Australia, among others.

Extracts

By extracting and processing our flower grown in Colombia, we produce a variety of extracted products including isolates, crude oil extracts, standardized extracts, and oral solutions. Extracted products are often defined by their formulation, typically specifying the level of cannabinoids contained therein. We currently market more than 10 different formulations of extracted products, and we plan to gradually grow our portfolio of formulations over time. These products also vary by container type, such as a bulk glass or plastic containers, and by size, such as 10 or 30 milliliter bottles.

Our extracts are generally classified as containing either low, balanced or high levels of THC. Usually the regulatory requirements applicable to each product are more stringent as the level of THC increases. Extracts with low levels of THC can be commercialized in some countries more readily without requiring as many approvals, such as quotas or import and export permits, while extracts with high levels of THC are classified and regulated as controlled substances and subject to more stringent regulatory requirements, including production quotas, import and export permits, and product specific certifications.

Some of our customers have requested additional assistance with extracts, either in the form of extraction as a service or to assist with their own product development. We have engaged in these services on a limited basis. These ancillary services require substantial time and know-how, but we believe our ability to provide a broader array of business-to-business solutions can help strengthen our existing customer relationships.

Operational Overview

Genetics

In Colombia, plant varieties cannot be commercialized until they have been registered with ICA, the Colombian agricultural regulator. In Colombia, we have registered 43 genetic strains of cannabinoids and we are currently planning to increase this number. We have also partnered with third parties to use their strains as a tool to complement our current portfolio. We continue to optimize the use of these strains for our specific cultivation environment and have substantially increased our productivity as measured by weight per plant since our initial harvests.

Cultivation

Colombia

We believe we have one of the largest licensed productive capacity footprints to produce medical cannabis in Colombia with 18 greenhouses and 1.8 million square feet of cultivation space. Although we have built a limited amount of preliminary infrastructure on this expansion property and we have licensed it for cultivation activity, we are currently waiting to develop it pending future increases in customer demand. Due to the scale and novelty of the operation, we may need to build additional infrastructure and develop new processes to manage the scale of biomass production at this operation.

Our Colombian cultivation operations benefit from the following certifications:

- In May 2020, some of our Colombian cultivation operations, representing approximately 100,000 square feet of propagation and nursery areas, approximately 400,000 square feet of our vegetative and flowering greenhouses, and approximately 20,000 square feet of our post-harvest and processing facility, were granted GACP certification by the Control Union Medical Cannabis Standard ("CUMCS"). This certification is recognized globally and certifies that our production complies with CUMCS' guidelines for quality and consistency based on a review and approval of our trained personnel practices, use of qualified equipment, and documentation and approval procedures. In addition, we operate under procedures to produce crops free of heavy metals and agrochemicals, an important differentiator for our business because of the safety measures required for pharmaceutical manufacturing. We obtained the GACP certification for an additional 14 greenhouses in November 2020 thereby, completing the certification process for all 18 of our greenhouses in Colombia.
- In July 2020, we received our EU GMP certifications from HALMED for our post-harvest facility on our cultivation site as well as for our manufacturing processes at our extraction facility, both in Colombia. EU GMP certification is an essential requirement for exporting medical cannabis for commercial and medicinal purposes to European countries, including but not limited to Germany, and the United Kingdom. The EU GMP certifications were renewed in September 2023, after the inspection of HALMED, the Croatian Authority.
- In June 2022 and in addition to our CUMCS-GACP certification we received the IMC-GACP certification also provided by Control Union and which is the standard required by the Israeli market.
- In July 2022, we received the EU GMP certification from RP Darmstadt, including the CBD crystallization process.
- In December 2023, we received the Australian GMP certifications from the TGA.

Since our decision to shut down our cultivation activities in Portugal in December 2022 and following the wind down of our entire Portuguese operations in January 2024, our cultivation operations are focused on Colombia, which benefits from the following key advantages:

- Geographic conditions make Colombia well situated for cannabis cultivation. Its proximity to the equator provides approximately 12 hours of daily sunlight throughout the year. Its high-quality soil, water and warm weather provide favorable conditions for year-round cultivation without the expense of significant light supplementation;
- Within Colombia, our greenhouse cultivation operations are located at over 8,000 feet of elevation, which reduces the population of pests that can complicate agricultural operations;
- The Colombian agronomical conditions result in lower expansion costs compared to those of Canadian, European and U.S. competitors;
- The regulatory framework for cannabis and hemp operations is relatively well-established and was recently updated, providing more competitive advantages, in the context of a global highly regulatory-driven industry;
- Colombia has a lower cost of living, labor and construction compared to costs in the United States, Europe and Canada; and
- Due to the incumbent flower export industry in Colombia, export and logistics infrastructure is well established.

Extraction

Our Colombian extraction operations are conducted in approximately 44,000 square feet of pharmaceutical grade facilities with a fully equipped R&D laboratory. We currently lease three adjacent or nearby properties in the secured industrial park where our extraction operations are located.

Our Colombian extraction facility is capable of processing 108,000 kilograms of dry flower per year and is expandable to over 252,000 kilograms of dry flower per year with limited additional investment. Of the 108,000 annual kilograms of dry flower extraction potential, approximately 36,000 kilograms per year can be extracted in our EU GMP-certified operation. By extracting and processing our flower produced in Colombia, we produce a variety of extracted products including isolates, crude oil extracts, standardized extracts, and oral solutions. Extraction of cannabis and processing of concentrates for medical and scientific purposes in Colombia requires a license, which allows sale of such final products in the domestic Colombian market. We are one of the first companies in Colombia to have obtained the requisite extraction license.

In August 2019, our Colombian manufacturing facilities were granted Colombian GMP certification by INVIMA. We were the first Colombian cannabis company to receive Colombian GMP certification from INVIMA. This Colombian GMP certification allows the manufacture of pharmaceutical-grade products that can be prescribed through medical distribution channels.

In July 2020, our Colombian extraction facilities also received EU GMP certifications from HALMED. Our EU GMP certifications are distinctive in that they cover API, semi-finished and finished cannabis products. EU GMP certification is often a required qualification for the European market, which adheres to strict pharmaceutical quality standards, and for other markets that accept EU GMP certification within their territories.

In July 2022 The Colombian extraction facility received the EU GMP certification for the crystallization process of the CBD, issued by the RP Darmstadt, the regional authority in Frankfurt, Germany. In September 2023 the crystallization process was included by HALMED in our EU GMP recertification.

In May 2023, the Colombian facility received the Brazilian Certificate of Good Manufacturing Practice granted by the ANVISA.

In December 2023, the Colombian facilities received the Australian Certificate of GMP Compliance for the purposes of Therapeutic Goods Order 93 granted by the TGA.

Research and Development

As part of our Colombian operations, we also have a quality control laboratory and fully equipped R&D laboratory, where we develop processes and formulations for safe and high efficacy products, develop ingredients and raw materials for new products, conduct stability tests on new products or formulations, and develop product master files or dossiers. We are developing extraction processes and methods to improve yields and efficiency as well as to create new product formats. We are also developing new products and formulations to improve efficacy or meet regulatory requirements in new markets.

Brands

Our largest brands in terms of revenue for the year ended December 31, 2023 were those managed by Herbal Brands.

Strategic Investments

We seek to partner with several value-add companies to develop and strengthen market access and global reach. From time to time we have made, and may in the future make, strategic investments in developing companies. In December 2018, we made an initial investment into Cansativa, one of the largest German GMP and GDP certified pharmaceutical cannabis importers and distributors. In 2023 we sold our holdings in Cansativa for approximately €1.8 million (\$1.9 million).

Regulatory Environment

We are committed to operating in compliance with applicable law, including U.S. federal and state laws, and have focused our activities in those countries that have legalized key aspects of the production, distribution, sale and use of cannabis and cannabis derivatives, including cannabinoids. However, the patchwork of federal and local legal frameworks governing our markets and related business activities are subject to change and have the potential to affect all areas of our business. We monitor the global regulatory landscape in order to ensure ongoing regulatory compliance in our relevant markets, and to identify and capitalize on new opportunities as they emerge around the world.

Regulatory Environment in Colombia

Cannabis-related activities are regulated in Colombia, under strict compliance with the United Nations Single Convention on Narcotic Drugs 1961, to which Colombia is a signatory. Law 1787 of 2016 (the “Medical Cannabis Law”), which together with related regulations provide for the traceability of cannabis plants, the work-in-progress and resulting products and the specific activities of the licensed companies, specify the types of licenses, approvals and permits required for the respective activities, and establish various requirements applicable to the medical, veterinarian, industrial and wellness markets.

Adopted in 2016, the Medical Cannabis Law created a legal framework for the medical and scientific use of cannabis and its derivatives in Colombia and imposed the obligation on the Colombian government to create proper regulatory cannabis framework.

Licensing Requirements

In late July 2021, the Colombian government passed Decree 811, which replaced Decree 613. Decree 811 removed the prohibition contained in Decree 613, allowing the exportation of cannabis flowers. In February 2022, the Colombian government passed Joint Resolution 227, with the regulations to Decree 811 related to all activities regarding cultivation of cannabis plants for production of seeds, vegetable materials or cannabis flower, sales and export of the same materials, and

manufacture of cannabis derivatives. In April 2022, the Colombian government issued Joint Resolution 539, to regulate the procedures for exporting seeds, plants, vegetable materials, cannabis flowers and cannabis derivatives.

From a legal and regulatory perspective, there are two classes of cannabis plants and cannabis derivatives which are categorized according to their THC content. A plant is considered psychoactive if its inflorescence has or may have a THC content of 1% or more on a dry weight basis. Non-psychoactive plants are those which inflorescences have or may have less than 1% THC content on a dry weight basis. Psychoactive derivatives are those resins, oils, extracts, distillates that have or may have a THC content of 1% or more. Non-psychoactive derivatives are those with less than 1% THC content.

A license is required for the cultivation of both psychoactive and non-psychoactive plants, and for the manufacture of psychoactive and non-psychoactive cannabis derivatives.

There are seven types of licenses issued with respect to the following activities relating to cannabis and cannabis derivatives for medical and scientific use:

- License to handle seeds, which covers the acquisition of seeds under any title, import, storage, marketing, distribution, possession, and final disposal, as well as their use, export and commercialization.
- License to grow psychoactive cannabis, which permits its cultivation, sowing, acquisition and production of seeds, storage, marketing, distribution, export, and final disposal.
- License to grow non-psychoactive cannabis, which permits its cultivation, sowing, acquisition and production of seeds, storage, marketing, distribution, export, and final disposal.
- License to manufacture cannabis derivatives, which is required for the transformation of cannabis into psychoactive derivatives for medical and scientific purposes and covers the manufacture, acquisition under any title, import, export, storage, transport, marketing, and distribution of psychoactive cannabis derivatives. This license to manufacture non-psychoactive derivatives (those with a THC content of less than 1%), including CBD crystals.
- License to manufacture non-psychoactive derivatives (those with a T-HC content of less than 1%), including CBD crystals.
- Extraordinary license for the cultivation of cannabis plants, granted on an as-needed basis with the option to run-out on hand inventory balances and for non-commercial investigation purposes.
- Extraordinary license for the manufacture of cannabis derivatives, granted on an as-needed basis with the option to run-out on hand inventory balances and for non-commercial investigation purposes.

Psychoactive plants also require the grant of a cultivation quota for their breeding, sowing and cultivation. The grant of a cultivation quota entails full traceability from the beginning stages of cultivation with mother plants, to the final destination of the cannabis flower (which may be for exportation, manufacture of derivatives or research). For manufacture of cannabis derivatives a manufacturing quota is required, to produce psychoactive derivatives for research, local use (i.e. sales or use as API for pharmaceutical products) or exports. All these actions are reported to and verified by the Narcotics National Fund (“*Fondo Nacional de Estupefacientes* - FNE”) and the Ministry of Justice. Non-psychoactive plants do not require quota for their sowing and cultivation, neither do non-psychoactive derivatives for their manufacture.

We believe we have obtained the required licenses and quotas to perform our current activities.

Relevant Governmental Bodies

The regulation, oversight and enforcement of cannabis licenses are performed by several governmental bodies in Colombia, including the Ministry of Health and Social Protection, the Ministry of Justice and Law, the Ministry of Agriculture, FNE, INVIMA and ICA.

The Ministry of Justice is responsible for the evaluation of documents, the issuance of licenses to handle seeds, to grow psychoactive and non- psychoactive cannabis and to follow up with licensees for the compliance of all the requirements and reports..

The ICA regulates the registration, protection and use of cannabis seeds and cannabis-based finished products for veterinary use, as well as the export and import processes.

INVIMA is responsible for the evaluation of documents and the issuance of the licenses to manufacture cannabis derivatives. In addition, INVIMA is responsible for the authorization of the cannabis-based finished products for human consumption or use, according to the following categories: (i) phytotherapeutics (herbal medicines), (ii) pharmaceutical products, (iii) cosmetics, and (iv) magistral formulæ.

The FNE regulates all activities related to the commercialization of psychoactive raw material and finished products containing more than 0.2% of THC. Marketing of non-psychoactive raw material is not under the control regime and all products with 0.2% or less of THC are not considered a controlled substance.

Allocation of Quotas to Licensed Companies

Quotas for breeding, sowing and cultivating psychoactive plants are allocated by the Ministry of Justice, based on a pre-authorized or simultaneously approved manufacture quota which is granted by the FNE based either on written commercial agreements or letters of intention with customers that reflect estimated sales for the next calendar year, or on production history of the licensee. Ordinary Quotas are granted for two years, extendable for three. Supplementary Quotas (fast track quotas for small/standardized quantities) are granted for one a year. To apply for a quota an applicant must have the relevant licenses for psychoactive cannabis. After receiving quotas for cultivation and manufacture, licensees are subject to several reports to guarantee traceability in front of the regulating bodies.

Quotas granted to private companies for local use are related to the cannabis estimates confirmed to Colombia each year by the INCB. Quotas for exports are no longer tied to the INCB confirmed national estimates for Colombia.

Current cannabis-related licenses in good standing were issued with a five-year term, and Decree 811 allows them to be extended for five (5) additional years, or to be renewed for a completely new 10-year period, subject to the licensee's formal petition and fulfillment of requirements.

Cannabis Derivatives

The FNE regulates the disposal, import and export of controlled substances in Colombia, including cannabis-controlled derivatives. All inventory movements of psychoactive derivatives must be reported to FNE in a timely manner and must be consistent with the quotas allocated to the respective cannabis producers.

In addition to the 1% THC limit for dry weight in the plant material, in March 2020, the Colombian government established a 0.2% THC threshold for cannabis-based finished products to be considered a controlled substance which is also applicable for imports and exports of all cannabis and cannabis derived products. Finished products with less than 0.2% THC content are considered non-controlled and are not subject to the above-mentioned requirements.

Decree 811 also creates a regulatory framework for the manufacture, sale and export of food and beverages and the export of flower from Colombia. The regulatory framework for food and beverages is still under development, while the framework for exporting cannabis flower in Colombia is already in place.

Export Permits

The export of controlled substances and products (including raw material, pharmaceutical products and phytotherapeutics) outside Colombia requires an export permit issued by the FNE. The FNE grants (i) non-control certifications for general exports of cannabis products below the 0.2% THC limit and for cannabis derivatives below the 1% THC limit, if these products are considered non-controlled in the country of destination, and (ii) export permits based on the corresponding import permits issued by the authority of the destination country.

Colombian GMP Certification

In September 2019, we received Colombian GMP certification for our Colombian facility to manufacture cannabis-based finished products for liquid-oral pharmaceutical dosage forms from INVIMA, which confirms that the products we manufacture are produced according to Colombian pharmaceutical quality standards. In May 2022 INVIMA inspected us and included Warehouse 60 in our Colombian GMP certificate, thereby expanding our certified manufacturing area.

European Union (EU) Regulatory Environment

Regulations regarding medical cannabis

There is no formal EU definition of “medical cannabis.” Medical cannabis can be described as whole-plant cannabis-derived products (generally cannabis flower or oils) that are licensed by member state health systems for prescription by a physician. As recognized by the European Monitoring Centre for Drugs and Drug Addiction, medical cannabis refers to a wide variety of preparations and products that may contain different active ingredients and use different routes of administration.

From a legal and regulatory perspective, there are two categories of medical cannabis products: cannabis-derived medicinal products and cannabis preparations for medical use.

- Cannabis-derived medicinal products are products which have been granted a marketing authorization from a regulatory authority (the European Medicines Agency at EU level or national competent authorities at EU member state level), after going through extensive clinical trials to test the products’ safety and effectiveness. These products are regulated as (cannabis-derived) “medicinal products” in accordance with the harmonized EU regulatory system set forth by EU Directive 2001/83/EC. To date, some cannabinoid-containing medicinal products have been authorized for marketing in the EU and certain EU member states, including, among others, plant-based products Sativex® (nabiximols) and Epidyolex® (CBD), and synthetic products Marinol® (dronabinol) and Cesamet® (nabilone).

- Cannabis preparations for medical use are products which may be authorized through national distribution and use authorizations or licenses in certain EU member states. This group of products includes, among others, raw cannabis (such as the flowering tops, resin, and oils extracted from the plant). Alternatively, raw cannabis can be transformed by a pharmacist into a magistral preparation in accordance with a medical prescription, or the raw cannabis may already have been transformed by the manufacturer into standardized cannabis preparations. These cannabis preparations can vary greatly in composition, depending for example on the strain of cannabis, the growing conditions and how the preparations are stored.

Since the EU is not a party to the international conventions related to the control of drugs, the obligation to implement the requirements of said conventions sits with the individual EU member states. The regulation of medical cannabis falls largely within the competence of the EU member states, which may decide to permit the medical use of cannabis preparations (without requiring a marketing authorization in accordance with EU Directive 2001/83/EC) under specific conditions. Pursuant to Article 5(1) of Directive 2001/83/EC (which relates to so-called “named patient use” of medicinal products), the use of medical cannabis can only be authorized by member states upon medical prescription and when there is a medical need for the patient.

The regulations with respect to medical cannabis vary greatly amongst member states. While some EU member states have adopted specific legal provisions and frameworks governing the distribution and use of medical cannabis, including Germany,

Czech Republic, Poland, Italy, Malta and Portugal, the status of medical cannabis in other member states remains unclear and is developing. By late 2023, regulatory changes for medicinal cannabis were announced in France and Spain.

Regulations regarding CBD-containing products

CBD is a naturally occurring cannabinoid found in cannabis/hemp plants, which is not in itself considered as a narcotic or psychotropic substance under the International Conventions or the laws of some EU Member States, including Germany. The substance can be isolated as a pure compound, and in principle can be extracted from all parts of the plant, practically free from other cannabinoids (such as THC) and therefore free from any psychotropic or narcotic properties. The WHO considers that CBD is generally well tolerated with a good safety profile and does not exhibit effects indicative of any abuse or dependency potential.

Nevertheless, to date, the status of CBD, which can be included in different types of regulated products (e.g., cosmetics, food, etc.), remains unclear in the European Union. For example, CBD can be included as an ingredient for cosmetics, while the use of CBD in edibles is not yet clear in some countries of the European Union.

The following sections describe the legal and regulatory landscape in Germany, the EU member state in which the Company conducts its main commercial efforts for the extracts portfolio.

Germany Regulatory Landscape

Regulations regarding medical cannabis

The importation and distribution of medical cannabis in Germany is mainly covered by §3, 5, 7, and 11 of the German Narcotics Law or BtMG (Betäubungsmittelgesetz), §52a, 72, and 73 of the German Medicines Act or AMG (Arzneimittelgesetz), and the German Narcotics Foreign Trade Ordinance or BtMAHV (Betäubungsmittel-Außenhandelsverordnung) as well as the Single Convention on Narcotic Drugs (1961). The relevant competent authority is the Federal Opium Agency or Bundesopiumstelle (“BOPST”), a sub-unit of the BfArM, and the German Federal authorities.

Pursuant to sec. 1 (1) in conjunction with annex I BtMG, cannabis is a narcotic drug, subject to certain exceptions including seeds and cannabis with a tetrahydrocannabinol (THC) content of less than 0.2%, which are not classified as narcotic drugs. It is a criminal offense in Germany to illicitly cultivate, produce and trade in cannabis or, without engaging in its trade, to import, export, transit, sell, supply, otherwise place it on the market or acquire or procure it in any other way.

The Act on the Amendment of Narcotic Drugs and Other Regulations (*Gesetz zur Änderung betäubungsmittelrechtlicher und anderer Vorschriften*) which came into force on March 10, 2017, introduced an exception to allow the prescription and trade of cannabis for medical purposes. Prior to March 2017, the import of cannabis was not permitted, and pharmacies could request medical cannabis from abroad for specific patients only in exceptional circumstances (upon medical prescription), subject to a special case-by-case approval issued by BfArM. Since March 2017, cannabis cultivated for medical purposes outside Germany can be imported and marketed in Germany by private companies provided they have obtained all relevant licenses that must be in line with the Single Convention and that the products comply with all the technical and quality requirements. In late 2023, The European Pharmacopoeia released monographs detailing standards for cannabis flowers and CBD isolate, establishing clear criteria for the quality of these products. This monographs are poised to serve as the foundation for ensuring the quality of medicinal cannabis and will enter in force in July 2024.

Prescribing and Dispensing Regime

In Germany, the legal framework enables doctors to prescribe medical cannabis. Generally, medical cannabis is distributed in the form of medicinal cannabis flowers, as a cannabis extract, as a THC active single substance (dronabinol) or as a finished product. Pursuant to the German Narcotics Law, only pharmacies are permitted upon a narcotics prescription to supply cannabis to patients in the form of cannabis flowers, cannabis extracts (magistral preparations) or dronabinol or as finished products containing natural or synthetic cannabinoids. The exact recipe instructions for such magistral preparations are laid down in the New Prescription Form, which is the standard work for drug production in pharmacies and is part of the German Drug Codex.

Reimbursement Regime

Health insurance is statutorily mandated in Germany, and residents are covered by either statutory health insurance plans (covering approximately 90% of the population) or private health insurance. Prior to March 2017, only cannabis intended for the manufacture of finished medicinal products containing cannabis could be imported into Germany. Since March 10, 2017, medical cannabis can be prescribed at the expense of the statutory health insurance companies in Germany upon their prior approval.

Currently, the costs of medical cannabis can be covered by German health insurance. Insured persons with a serious disease are entitled to be supplied with cannabis in the form of dried flowers or extracts in standardized quality (and pharmaceuticals containing the active substances dronabinol or nabilone) if a generally recognized treatment in accordance with medical standards is not available or cannot be used in the individual case and there is a prospect of positive effect on the course of the disease or person's symptoms according to Section 31 Paragraph 6 German Social Insurance Code (*Fünftes Sozialgesetzbuch*).

The new Law for More Safety in the Supply of Pharmaceuticals (*Gesetz für mehr Sicherheit in der Arzneimittelversorgung*) which became effective in August 2019 enables patients who have been granted an approval to switch smoothly between cannabis products without having to wait for a new approval.

Licensing Requirements

In order to import and distribute medical cannabis in Germany, a private company needs to secure a license for the Trade in Narcotic Drugs at the federal level from the Federal Opium Agency or BOPST, and a Wholesale Trading License from local health authorities (§§52a, 72, and 73 of AMG and §§3,5,7 and 11 of BtMG). In addition, if cannabis is imported, the company will also need an Import/manufacture License for pharmaceuticals issued by the relevant health authority. For each individual shipment of cannabis an import permit will be required after the Narcotics License is granted.

EU GMP Certification

The guidelines on EU GMP describe the minimum standard that a pharmaceutical manufacturer must meet in its production processes according to European standards. Any pharmaceutical manufacturer wishing to import medicinal products into the EU must comply with EU GMP.

In July 2020, Clever Leaves received EU GMP certifications from HALMED allowing Clever Leaves' pharmaceutical post-harvest facility and laboratory located outside Bogota, Colombia, to produce API, semi-finished and finished cannabis products for medical purposes. In July 2022 the Colombian extraction facility received the EU GMP certification for the crystallization process of the CBD, issued by the RP Darmstadt, the regional authority in Frankfurt, Germany. Then in September 2023 the crystallization process was included by HALMED in our EU GMP re-certifications.

Regulatory Framework in the United States

While Clever Leaves owns a U.S. business that manufactures and distributes health and wellness products in the United States, neither Clever Leaves or any of its subsidiaries currently engage in the cultivation, distribution, sale or possession of medical or adult use cannabis in the United States and, as such, are not required to obtain licenses related to such activities under any state law. However, we have imported cannabis and cannabinoid products from Colombia through explicit import permits from the U.S. DEA for research purposes and under the Farm Bill for product development purposes.

Legal status of cannabis, other than hemp

All but three of the 50 U.S. states have legalized cannabis for medical purposes to some extent, and eighteen of those states and the District of Columbia have also legalized cannabis for adults for non-medical purposes (sometimes referred to as recreational use.) Those cannabis activities, however, are illegal under U.S. federal law. The Controlled Substances Act (the "CSA") continues to list cannabis (marijuana, but not hemp) as a Schedule I controlled substance (i.e., deemed to have no medical value. Accordingly, the manufacture (growth), sale or possession of cannabis is federally illegal, even for personal medical purposes.

Although the U.S. government has not recently prosecuted any state law compliant cannabis entity, the risk of future enforcement cannot be dismissed entirely. Enforcement in the U.S. could slow the progress of global legalization, which could negatively impact cannabis businesses like ours even though we are not operating in the U.S. Any federal enforcement action could, in turn, negatively impact our business.

Legal status of hemp and hemp derivatives

Until December 2018, hemp (defined by the U.S. government as Cannabis sativa L. with a THC concentration of not more than 0.3% on a dry weight basis) and hemp extracts were illegal Schedule I controlled substances under the CSA.

The Agriculture Improvement Act of 2018, Pub.L. 115-334 (the “2018 Farm Bill”), removed hemp and extracts of hemp, including CBD, from the CSA schedules. Accordingly, the production, sale and possession of hemp or extracts of hemp, including CBD, no longer violate the CSA. The 2018 Farm Bill allows hemp cultivation and the transfer of hemp and hemp-derived products across U.S. state lines for commercial or other purposes.

Despite the passage of the 2018 Farm Bill, hemp products’ legal status is complicated further by other state and federal laws. The U.S. states are a patchwork of different laws with regard to hemp and its extracts, including CBD. Additionally, the FDA claims that the Food, Drugs & Cosmetics Act (the “FD&C Act”) significantly limits the legality of hemp-derived CBD products, especially for ingestibles.

It is the FDA’s position that “it’s unlawful under the FD&C Act to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products, as, or in, dietary supplements, regardless of whether the substances are hemp-derived,” and regardless of whether health claims are made. This is because CBD (and THC) are active ingredients in FDA-approved drugs and became the subject of public substantial clinical investigations when GW Pharmaceuticals submitted investigational new drug (IND) applications for Sativex and Epidiolex, both containing CBD as an active ingredient. The FDA has also warned against health claims: prior to introduction into interstate commerce, any cannabis product, whether derived from hemp or otherwise, marketed with a disease claim (e.g., therapeutic benefit, disease prevention) must first be approved by the FDA for its intended use through one of the drug approval pathways. In determining “intended use,” the FDA has traditionally looked beyond a product’s label to statements made on websites, on social media or orally by the company’s representatives.

On January 23, 2023, FDA issued a statement and concluded that a new regulatory pathway for CBD is needed that balances individuals’ desire for access to CBD products with the regulatory oversight needed to manage risks. A new regulatory pathway would benefit consumers by providing safeguards and oversight to manage and minimize risks related to CBD products.

Certain CBD products are arguably federally legal today, notwithstanding the FDA’s position. To the extent that a CBD product is outside the FDA’s jurisdiction, the product is likely federally legal because CBD, unlike many drugs that the FDA regulates, is no longer listed on the FDA’s schedules. CBD products other than food, beverages and supplements which are not marketed drugs, and do not include health claims, may fall outside of the FDA’s authority. If so, some products that may be legal today include topical products, such as cosmetics, massage oils, lotions, and creams. Additionally, the FDA lacks authority, except in limited circumstances, to enforce claims against companies which sell CBD products provided that they do not engage in “interstate commerce.” However the definition of “interstate commerce” is amorphous and may include sources of ingredients, components, or even investments, that in some way impact more than one state.

Enforcement under the FD&C Act may be criminal or civil in nature may can include those who aid and abet a violation, or conspire to violate, the FD&C Act. Criminal violations of the FD&C Act are punishable by fines and imprisonment. Civil remedies under the FD&C Act may include civil money penalties, injunctions, and seizures. The FDA also has a number of administrative remedies (such as warning letters, recalls, and debarment.) With respect to CBD products, the FDA so far has limited its enforcement to sending cease and desist letters to companies which sell CBD products that make “egregious, over-the-line” claims, such as “cures cancer”, “treats Alzheimer’s Disease”, or “treats chronic pain.”

The Federal Trade Commission (“FTC”) has also sent warning letters to companies making unsubstantiated health claims about CBD products and has even filed a lawsuit against one. Neither the FDA nor the FTC has employed additional enforcement actions against companies selling CBD cosmetics without health claims.

Regulatory Framework in Canada

Canada has federal legislation which uniformly governs the cultivation, distribution, sale and possession of cannabis under the Cannabis Act (Canada). While Clever Leaves is incorporated under the laws of British Columbia, neither Clever Leaves or any of its subsidiaries currently engage in the cultivation, distribution, sale or possession of cannabis in Canada and, as such, are not required to obtain licenses related to such activities under the Cannabis Act. We have previously received three import permits from Health Canada for the import of cannabis for research purposes and are currently pursuing commercial import permits in compliance with the Cannabis Act.

Environmental, Social and Governance

We are subject to environmental legislation, including federal and provincial statutes and regulations and municipal by-laws, which govern activities or operations that may have adverse environmental effects, including the presence or migration of contaminants at or from our properties. We believe that we are in substantial compliance with current environmental laws and are not currently aware of any material environmental liabilities.

Clever Leaves focuses on Sustainable Development Goals by promoting decent work and economic growth through prioritizing local employment, achieving gender equality through initiatives supporting women's employment and family welfare, conserving water resources via advanced irrigation and wastewater treatment, and reducing carbon footprint by declaring carbon neutrality and implementing sustainable waste management practices.

Human Capital Resources

As of December 31, 2023 we had approximately 296 employees. Our workforce is diversified across multiple locations with 88%, 11%, and 1% of our employees located in South America, North America and Europe/Other respectively. We believe that our entrepreneurial, decentralized, and diversified work environment have contributed to our success. We also believe that our ability to retain our workforce is dependent on our ability to foster an environment that is sustainably safe, respectful, fair, and inclusive and promotes diversity, equity, and inclusion inside and outside of our business. We are not party to any collective bargaining agreements, and we believe we have a good relationship with our employees. Our Board of Directors guides the implementation of our corporate mission, vision, and values as an important element of risk oversight because our people are integral to the success of our corporate strategy. Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, advisors and consultants. The principal purposes of our equity and cash incentive plans are to attract, retain and reward personnel through the granting of stock-based and cash-based compensation awards in order to increase shareholder value and the success of our company by motivating such individuals to perform to the best of their abilities and achieve our objectives.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (“Exchange Act”), are available free of charge on our website at www.cleverleaves.com or directly through the U.S. Securities and Exchange Commission (the “SEC”) at www.sec.gov. Reports filed with or furnished to the SEC will be available on our website as soon as reasonably practicable after they are filed with or furnished to the SEC. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

We announce material information to the public through a variety of means, including filings with the SEC, press releases, public conference calls, and our website. We use these channels, as well as social media, including our Twitter account (@clever_leaves), and our LinkedIn page (<https://www.linkedin.com/company/clever-leaves>), to communicate with investors and the public about our Company, our products, and other matters. Therefore, we encourage investors, the media, and others

interested in our Company to review the information we make public in these locations, as such information could be deemed to be material information. Information on or that can be accessed through our websites or these social media channels is not part of this Annual Report on Form 10-K, and the inclusion of our website addresses and social media channels are inactive textual references only.

Item 1A. Risk Factors

Below is a discussion of the risks that we believe are significant to our business. These risks are not the only ones we face. We may face additional risks that we do not currently consider to be significant or of which we are not currently aware, and any of these risks could cause our actual results to differ materially from historical or anticipated results. You should carefully consider these risks along with the other information provided in this Form 10-K, including the information in “Management's Discussion and Analysis of Financial Condition and Results of Operations” and our accompanying consolidated financial statements, as well as the information under the heading “Cautionary Note Regarding Forward-Looking Statements” before investing in our securities.

Risks Related to Our Business and Industry

We have a history of losses, may never be profitable and require substantial funds to continue to operate.

We have had operating losses, including a net loss attributable to the Company's common shareholders of \$17.9 million in the year ended December 31, 2023, and negative cash flows from operations since inception. We may never become profitable and, if we do, may not maintain profitability. We expect to continue to incur losses from operations, including due to costs associated with commercialization, marketing and production activities, and compliance with regulatory requirements. We will need to raise substantial funds to continue to operate, which may not be available on acceptable terms, or at all.

We have a limited operating history, an unproven business model and operate in a relatively new industry.

We have a limited operating history and are subject to the risks and uncertainties inherent to an emerging company operating in an emerging industry. The cannabis industry and market in the jurisdictions in which we operate may not continue to exist or grow as anticipated, or we may ultimately be unable to succeed in this new, highly uncertain, and extremely volatile industry and market. These factors make it difficult to evaluate or predict our performance.

There is substantial doubt about our ability to continue as a going concern.

There is substantial doubt about our ability to continue as going concern. As of December 31, 2023, we had an accumulated deficit and cash and cash equivalents of \$198.8 million and \$6.8 million respectively, which our management believes will be insufficient to meet our obligations as they become due within twelve months from the date our consolidated financial statements were issued. 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. Our audited 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 we be unable to continue as a going concern. If we are unable to continue as a going concern, our shareholders would likely lose some or all of their investment in our securities.

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

Our current or future restructuring plans, including our recent decision to wind-down our operations in Portugal, may not achieve the expected cost savings that we expect and may materially impair our business operations.

In January 2023, our board of directors authorized a restructuring plan designed to improve our operating margin and support our growth, scale and profitability objectives. As part of the restructuring plan, we began to wind-down our operations in Portugal, which historically housed certain of our cultivation, post-harvesting and manufacturing facilities and in which we have invested significant resources. As a result, we now exclusively rely on our operations in Colombia for cannabinoid cultivation and production. The winding down of our operations in Portugal has, and any additional restructuring efforts may, divert management's attention, increase expenses on a short term basis and lead to potential issues with employees, customers, or suppliers. If we do not complete these activities in a timely manner; or do not realize anticipated cost savings, synergies and efficiencies; or business disruption occurs during or following such activities; or we incur unanticipated charges, our business, financial condition, operating results, and cash flows may be materially impaired.

Agricultural events, such as crop disease, mold or mildew, insect infestations, volatile weather, drought, absorption of heavy metals, climate change, and other conditions could result in substantial losses and weaken our financial results.

Our business is reliant on the cultivation, processing, and sale of cannabinoids, which is an agricultural product. As a result, our financial results are subject to the risks inherent to the agricultural business, such as crop disease, mold or mildew, insect infestations, volatile weather, drought, absorption of heavy metals, climate change and similar agricultural risks, which may adversely affect supply, reduce production and sales volumes, increase production costs, or prevent or impair shipments. Natural elements have had and could continue to have a material adverse effect on the production of our cannabis or hemp products, while prior use of pesticides at our agricultural sites, if not discovered prior to cultivation on such sites, could lead to the production of tainted and unsaleable product, which could negatively impact the results of our operations. Additionally, crop insurance is generally not available to cannabis companies, and if it becomes available, it may not be available at commercially reasonable prices.

A significant failure or deterioration in our quality control systems or product recalls could have a material adverse effect on our business and operating results.

The quality and safety of our products are critical to the success of our business and operations. As such, it is imperative that our (and our service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training programs and adherence by employees to quality control guidelines. Any significant failure or deterioration of such quality control systems could lead to a product recall, which may require us to incur significant expense, divert management attention, decrease the demand for our products and negatively impact our reputation.

Supply and distribution chain interruptions have impaired and may continue to impair our operations.

Our business is dependent on our timely access to transportation, raw materials, packaging, supplies and equipment, some of which we source from other countries. Our third-party suppliers, manufacturers, engineers, contractors and distributors may elect, at any time, to decline or withdraw supplies and services necessary for our operations. Any significant interruption, price increase including as a result of inflationary pressures, or other negative change in the supply or distribution chain could curtail or preclude our ability to continue production, sales and distribution of our products, which has and may continue to materially impact our business, financial condition and results of operations.

We may fail to attract and retain customers

Our success depends on our ability to attract and retain customers. There are many factors that could impact our ability to attract and retain customers, including our ability to successfully compete on the basis of price, produce desirable and effective products that are superior to others in the market, anticipate or respond to changing customer preferences, successfully implement our customer acquisition plan and the ability and success of our customer commercialization plans in their respective geographies; any of these factors may be impacted by shifting regulatory requirements. Failure to attract and retain customers could materially impact our business, financial condition and results of operations.

We are vulnerable to rising energy costs.

Our cultivation operations consume considerable energy, which makes our company vulnerable to rising energy costs and the availability of stable energy sources. Accordingly, rising or volatile energy costs, including those due to the ongoing military conflict between Russia and Ukraine and unrest in the Middle East, including as a result of the conflict in Gaza, or our inability to access stable energy sources, may have a material adverse effect on our business, financial condition and results of operations.

Disruptions in the global economy and supply chains may have a material adverse effect on our business, financial condition and results of operations.

Recent disruptions to the global economy have impeded global supply chains, resulting in longer lead times and also increased critical component costs and freight expenses. We took steps to minimize the impact of these disruptions in lead times and increased costs by working closely with our suppliers and other third parties on whom we rely for the conduct of our business. While supply chains have stabilized, there is no guarantee that similar disruptions will not occur in the future. Despite the actions we have undertaken or may have to undertake to minimize the impacts from disruptions to the global economy, there can be no assurances that unforeseen future events in the global supply chain will not have a material adverse effect on our business, financial condition and results of operations.

Furthermore, inflation can adversely affect us by increased raw-material, labor, freight costs, as well as administration, research and development, and other costs of doing business. In an inflationary environment, cost increases may outpace our expectations, causing us to use our cash and other liquid assets faster than forecasted. If this happens, we may need to raise additional capital to fund our operations, which may not be available in sufficient amounts or on reasonable terms, if at all, sooner than expected.

The legalization of adult-use, recreational cannabis may reduce sales of medical cannabis.

Legalization of the sale to adults of recreational, non-medical cannabis in any country may increase competition in the medical cannabis market. For example, in October 2022, President Biden granted a pardon to people convicted of simple marijuana possession under U.S. federal law and called on the Secretary of Health and Human Services and the Attorney General to review how marijuana is scheduled under U.S. federal law. Additionally, it was recently announced that Germany may legalize self-cultivation and cannabis clubs for adult use, as well as initiate a second phase of the legalization process by allowing some pilot projects in different regions. Both countries currently have heavy regulations around medicinal cannabis and high-quality standards, making cannabis costly to produce. At the same time, adult use programs may deter medical cannabis patients from going through the process of obtaining a prescription. We may not be able to achieve our business plan in a highly competitive market where recreational, adult-use cannabis is legal, or the market may experience a drop in the price of cannabis and cannabis products over time, decreasing our profit margins.

We may be subject to risks related to our information technology systems, including the risk that we may be the subject of a cyber-attack.

Our operations depend, in part, on how well we and our vendors protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism, theft, malware, ransomware and phishing attacks. Any of these and other events could result in IT system failures, delays or increases in capital expenses. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment and IT systems and software, as well as preemptive expenses to mitigate the risks of failures. The failure of IT systems or a component of IT systems could, depending on the nature of any such failure, adversely impact our reputation and results of operations.

Additionally, we have identified a material weakness in our information technology general controls. These controls over user access to certain information technology systems that support our financial reporting process were not properly designed and implemented. Any security breach could compromise our networks, and the information contained therein could be improperly accessed, disclosed, lost or stolen. Because techniques used to sabotage, obtain unauthorized access to systems or prohibit authorized access to systems change frequently and generally are not detected until successfully launched against a target, we may not be able to anticipate these attacks nor prevent them from harming our business or network. Any unauthorized activities could disrupt our operations, damage our reputation, be costly to fix or result in legal claims or proceedings, any of which could adversely affect our business, reputation or results of operations.

If we are unable to protect the confidentiality of our intellectual property and proprietary information, our business could be adversely affected.

In jurisdictions where cannabinoids sales, use or possession is not legal, we may be restricted with respect to obtaining patents, trademarks and other protections from the authorities for our brands and products. As a result, we rely heavily on trade secret protection and confidentiality agreements to protect our intellectual property and proprietary information. Although we have entered into agreements with some of our employees, consultants, advisors and other third parties that contain confidentiality, non-compete, non-solicitation and invention assignment provisions, these agreements do not cover all eventualities, and they may be breached, and we may not have adequate remedies for any such breach. In addition, others may independently discover or develop our intellectual property and proprietary information. If we are unable to prevent disclosure of our intellectual property and proprietary information to third parties, we may not be able to establish or maintain a competitive advantage in our markets, which could materially adversely affect our business, financial condition and results of operations.

Our business is not diversified.

Larger companies have the ability to manage their risk through diversification. Our business lacks such diversification. Our Herbal Brands business in the United States, a nutraceutical business, which generated [62.35] and [71.18] % of our revenue for the years ended December 31, 2023 and 2022, respectively, was sold subsequent to year end in March 2024. As a result, we could potentially be more impacted by factors affecting the cannabinoid industry in general and us in particular than would be the case if our business was more diversified, which could have a material adverse effect on our business, financial condition and results of operations. In addition, our recent completion of the wind-down of our operations in Portugal has further reduced

our ability to manage risk through diversification since, as a result, we are solely reliant on our operations in Colombia for cannabinoid cultivation and production.

We could be adversely affected by the loss of one or more key executives or by an inability to attract and retain qualified personnel.

Our success depends on our ability to retain the services of our existing key executives and to attract and retain additional qualified personnel in the future. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, we do not, and we do not intend to, maintain key person life insurance policies with respect to our employees. The loss or inability to retain our key personnel or recruit additional personnel could have a material adverse effect on our business, financial condition and results of operations.

Foreign currency fluctuations may adversely affect our financial position, results of operations and cash flows.

Our international operations make us subject to foreign currency fluctuations and inflationary pressures, which may adversely affect our financial position, results of operations and cash flows. We are affected by changes in exchange rates between the U.S. dollar and foreign currencies. We do not currently invest in foreign currency contracts to mitigate these risks, and if we elect to conduct any form of currency hedging, it may require significant financial resources to do so.

The cannabinoid industry faces strong opposition in certain jurisdictions and may in the future face similar opposition in jurisdictions in which we operate.

Many political and social organizations oppose hemp and cannabis and their legalization, and many people, even those who support legalization, oppose the sale of hemp and cannabis in their localities. Our business requires the support of local governments, industry participants, consumers, communities, and residents to be successful. Additionally, there are large, well-funded businesses that may have a strong opposition to the cannabis industry. For example, the pharmaceutical and alcohol industries have traditionally opposed cannabis legalization. Any successful efforts by these or other industries halting or impeding the cannabis industry could have a material adverse effect on our business, financial condition and results of operations.

Unfavorable scientific findings, publicity or consumer perception of the legal cannabis industry and nutraceutical products market could have a material adverse effect on our business.

We believe that the economic viability of the legal cannabis industry and nutraceutical products market is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis and nutraceutical products produced. Consumer perception of cannabis or nutraceutical products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of these products. Future clinical research studies may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, and may cause reputational harm. Reputational harm may negatively impact our ability to enter into new (or maintain existing) customer, distributor, or supplier relationships, reduce investor confidence and impede our access to capital.

We currently depend on a limited number of customers for a substantial portion of our revenue. If we fail to retain or expand our customer relationships and partnerships or if one or more significant customers or partners were to terminate their relationship with us or reduce their purchases, our revenue could decline significantly.

Our revenue could be materially and disproportionately impacted by purchasing decisions of our customers. In the future, our customers may decide to purchase less product from us than they have in the past, may alter purchasing patterns at any time with limited notice, or may decide not to continue to purchase our products at all, any of which could cause our revenue to decline materially and materially harm our financial condition and results of operations. If we are unable to diversify our customer base, maintain our existing strategic partnerships and expand our supply network with other partners, we will continue to be susceptible to risks associated with customer concentration. In addition, we have granted certain product exclusivities to key customers in various geographies and that could constrain our ability to grow, which could have a material adverse effect on our business, financial condition and results of operations.

General market conditions may continue to affect our sales, profitability and operating results.

The global economy is experiencing substantial inflationary and recessionary pressures and declines in consumer confidence that have negatively impacted economic growth. This environment has led to and may continue to result in reduced consumer

spending, including reduced demand for our products and order cancellations, which may adversely affect our sales and profitability.

Fluctuations in wholesale and retail prices, including price erosion, could result in earnings volatility.

There is currently not an established market price for cannabis and the price of cannabis is affected by numerous factors beyond our control. Cannabis and hemp products are subject to end market price erosion in several markets in which we compete. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labor costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by government agencies responsible for the sale of cannabis), and other market conditions, including pricing in the illicit market, all of which are factors beyond our control. Our operating income may be significantly and adversely affected by a decline in the price of cannabis and hemp.

Increases in labor benefits, union disputes, strikes and other labor-related disturbances may adversely affect us.

We operate in a labor-intensive industry that is subject to the effects of instabilities in the labor market, including strikes, work stoppages, protests, lawsuits and changes in employment regulations, increases in wages, controversies regarding salary and labor allowances and the establishment of collective bargaining agreements that, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Legal and Regulatory Matters

Our business is dependent on legislation in each of the jurisdictions in which we operate, and the way regulators interpret and implement current regulations.

The authorities that regulate the cannabis and hemp industry in the countries in which we conduct business may take actions that materially affect our operations and profitability. The nature and degree of the legislation affecting cannabis companies varies across the various jurisdictions in which we operate, and are subject to further changes, which may arise rapidly. Each jurisdiction may have its own highly specialized legislation for the cultivation, production and sale of cannabis and hemp products.

Changes in relevant regulations, changes in interpretation of regulations, more vigorous or even varied or inconsistent enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on our business, results of operations and financial condition.

We expend significant resources in an effort to comply with the evolving laws and regulations of multiple jurisdictions, but may be unsuccessful in doing so.

We expend significant resources and incur substantial ongoing costs and obligations in an effort to comply with the evolving legal and regulatory requirements to which we are or may become subject, and expect to continue to do so in the future. The resources necessary to comply with such requirements may hinder our ability to operate in certain jurisdictions, expand into new jurisdictions or result in production, sale or distribution delays. For example, evolving environmental laws may increase our costs of cultivation, production, or scientific research activities or make it impracticable to operate in an otherwise advantageous jurisdiction. Laws and regulations relating to cannabis and hemp may be incomplete or ambiguous, or selectively or inconsistently enforced, making compliance difficult. Our failure to comply with applicable laws and regulations may result in corrective costs, civil or criminal penalties, restrictions on our operations, or the loss of licenses, quotas, certifications, or accreditation, any of which could have a material adverse impact on our business, financial condition, and operating results.

We may fail to obtain or maintain licenses, permits, certifications, authorizations, quotas, or accreditations needed to operate our business or achieve our business plans.

Our business depends on receiving and maintaining regulatory licenses, permits, certifications, authorizations, quotas or accreditations (collectively, “permits”) from various governmental authorities in multiple jurisdictions, including international organizations. For example, we rely on licenses to produce cannabis or hemp derivatives that are tied to an identified real property parcel. Circumstances that affect the ownership or agreement for use of the land could therefore affect the cannabis or hemp license itself. Permits requirements are stringent, and there is no guarantee that the regulatory authorities will issue, extend or renew any permits or, if they are extended or renewed, that they will be extended or renewed on time and on suitable terms.

Specifically, in order to commercialize certain pharmaceutical classes of products in Colombia, we need to have GMP certifications for our facilities in Colombia. Because these certifications apply to specific manufacturing processes, were conducted under specific conditions, and are tied to specific facilities, if the facilities are damaged, destroyed or need to be moved, we cannot assure that the authorities will issue GMP certification for any new facility. In addition, in some countries, certain certifications are also required for the sale of our products. Failure to obtain these certifications could limit our ability to sell our products in these countries.

Countries may not accept, according to the mutual recognition agreements in place between countries or the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme affiliation, the quality certifications that we have or are currently pursuing. If a certificate is not recognized in any country, we will have to apply and receive new certifications from that country. Failure to obtain, comply with or maintain necessary permits could have a material adverse impact on our business, financial condition and operating results. Additionally, failure to renew our GMP certifications or obtain additional GMP certifications for any new facilities could have a material adverse impact on our business, financial condition and operating results. Additionally, failure to renew our GMP certifications or obtain additional GMP certifications for any new facilities could have a material adverse impact on our business, financial condition and operating results.

We may have difficulty conducting business with banks and other financial institutions.

Because cannabis sales, use or possession are highly regulated or prohibited in most countries, banks in the United States and many other countries will not accept funds for deposit from, or facilitate transactions with, businesses involved with cannabis, due mostly to perceived risk related to anti-money laundering laws. This is the case even if the cannabis business is compliant with applicable law. As a result, we may have difficulty opening a bank account, maintaining an existing bank account or obtaining a credit facility in certain jurisdictions, which may make it difficult for us to operate and for potential customers, suppliers and partners to do business with us, and may raise the cost and burden of banking for us.

We are constrained by law in our ability to market our products in certain jurisdictions.

The development of our business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by regulatory bodies. The regulatory environment in certain jurisdictions limits our ability to compete for market share in a manner similar to other less-regulated industries. If we are unable to effectively market our products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for our products, our sales and results of operations could be adversely affected.

Risks Related to Our International Operations

We are subject to additional risks as a result of international operations.

We operate mainly in Colombia, and the United States, while our commercial efforts are focused in Australia, Brazil, Israel and Europe. Our operations and marketing initiatives expose us and our representatives, agents and distributors to risks inherent to operating in foreign jurisdictions that could materially adversely affect our business, financial condition and results of operations. These risks include (i) country-specific taxation policies, and potential additional tax liabilities resulting from changes to tax regulation and interpretation, (ii) imposition of additional foreign governmental controls or regulations, (iii) export and import and permits, registrations and license requirements, (iv) changes in tariffs and other trade restrictions, (v) international trade barriers due to national or international policies, (vi) complexity of collecting receivables and managing cash receipts in a foreign jurisdiction and (vii) government economic interventions.

Moreover, applicable agreements relating to business in foreign jurisdictions are governed by foreign laws and are subject to dispute resolution in the courts of, or through arbitration proceedings in, the country or region in which the parties are located, or another jurisdiction agreed upon by the parties. We cannot accurately predict whether such forum will provide an effective and efficient means of resolving disputes that may arise in the future. Even if we obtain a satisfactory decision through arbitration or a court proceeding, we could have difficulty in enforcing any award or judgment on a timely basis or at all.

We may not be able to obtain import permits in the destination countries or export permits in Colombia in a timely manner or of the required quantities

International trade of cannabis requires, for the most part, import permits from the destination countries and export permits from Colombia. Authorities in receiving countries and in Colombia may fail to deliver import or export permits respectively on

time (as defined in regulation) resulting in delayed revenues and potentially lost sales and product. Permits can also be issued with quantities that are below the requested amount potentially resulting in delayed or lost revenues. These situations could have a material adverse impact on our business, financial condition and operating results.

We may be subject to global or regional economic crises, particularly in the emerging markets in which we operate.

Global or regional economic crises could negatively affect investor confidence in emerging markets or the economies of the countries in which we operate. A significant decline in economic growth or a sustained economic downturn for any one of our operating jurisdictions' major trading partners (including the EU, the United States, and Latin American countries) could have a material adverse impact on the balance of trade and remittances, resulting in lower economic growth. Global economic downturns, such as that resulting from the ongoing military conflict between Russia and Ukraine and economic sanctions related thereto, have adversely affected, and could continue to adversely affect, the global economy and cause instability in the regions in which we operate. In addition, regional economic crises, such as the ongoing conflict in Gaza, may impact our ability to carry out our commercial efforts ways that are difficult to predict.

Additionally, our operations in emerging markets poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. For example, Colombia, where we have historically conducted most of our production, has a history of economic instability and crises (such as inflation or recession). Inflation, foreign currency fluctuations, regulatory policies or business and tax regulations occurring in emerging markets in which we operate could have a material adverse effect on our business, financial condition and results of operations.

Conditions in Israel, including the attack by Hamas, has limited our ability to market and sell our products in Israel and, as a result, may adversely affect our results of operations.

Israel is one of our five key markets. As a result, our business and operations are directly affected by economic, political, geopolitical and military conditions affecting Israel. On October 7, 2023, Hamas militants infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Thereafter, extensive rocket attacks on Israel resulted in a declaration of war by the Israeli government.

The intensity and duration of this war, and its resulting impact on our company, is difficult to predict. Within a matter of days, the value of Israeli currency decreased to the point that its Central Bank took steps to protect it from collapse, although it has since largely stabilized. These events may imply wider macroeconomic indications of a deterioration in Israel's economic standing, which may have a negative impact on demand for our products from within the region. Such a decrease in demand would have a material adverse effect on our business and results of operations.

In addition to any potential decrease in demand, distributing our products into the region has become more difficult. In the immediate aftermath of the Hamas attack, many freight companies temporarily halted shipments to Israel. There can be no guarantee that these or other distribution chain disruptions will not occur in the future. Distribution to the region could also incur greater costs as a result of the emergency conditions in the region. Any impact to our distribution logistics and network in the region could have a material adverse effect on our business and results of operations.

Risks Related to Litigation

We are subject to laws and regulations relating to our relationship with our employees, and could be subject to liability arising from illegal activity by our employees, contractors and consultants.

We are subject to various laws and regulations relating to our relationship with our employees in each of the countries in which we operate, including, among others, those relating to minimum wage and break requirements, health benefits, overtime, and working conditions and immigration status. These laws and regulations continually evolve and change, and compliance may be costly and time-consuming. Changes in applicable laws and regulations, or failure to comply with them could result in, among other things, increased exposure to litigation, including employee litigation, administrative enforcement actions, audits or governmental investigations or proceedings, revocation of licenses or approvals, and fines.

Additionally, in certain circumstances we may be legally responsible for fraudulent or other illegal activity of our employees, contractors and consultants. Violations by these parties of (i) government regulations, (ii) manufacturing standards, (iii) federal, state and provincial healthcare fraud and abuse laws and regulations, or (iv) laws that require the true, complete and accurate reporting of financial information or data could result in liability for us. If any actions are brought against us, including by regulators, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, financial and contractual

damages, reputational harm and the curtailment of our operations, any of which would have an adverse effect on our business, financial condition and results from operations.

Our sale of cannabinoids-related and nutraceutical products exposes us to significant product liability risks.

As a manufacturer and distributor of products designed to be consumed by humans, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of our products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Any damage to our products, such as product spoilage, could expose us to potential product liability. Previously unknown adverse reactions resulting from human or veterinary consumption of our products alone or in combination with other medications or substance could occur. We may be subject to various product liability claims, including, among others, that our products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claims or regulatory action against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain adequate insurance coverage to cover any claims we may face.

Directors' and officers', workers' compensation, product liability and general commercial liability insurance, while generally available to cannabis companies, are often not available at commercially reasonable prices. There can be no assurance that we will have appropriate insurance in place sufficient to cover events that may occur, the amount of liabilities we may incur or claims to which we may become subject.

Risks Related to Ownership of Our Securities

An active trading market for our common shares and warrants may not be sustained, which would adversely affect the liquidity and price of our securities.

Although our common shares and warrants are traded on Nasdaq, an active trading market for our securities may not be sustained. In addition, the price of our securities has fluctuated and could continue to fluctuate significantly for various reasons, many of which are outside our control, such as our performance, large purchases or sales of our common shares, legislative changes and general economic, political or regulatory conditions. The release of our financial results may also cause our share price to vary. If an active market for our securities is not sustained, it may be difficult for you to sell our common shares and/or warrants you own or purchase without depressing the market price for our securities or to sell the securities at all. The existence of an active trading market for our securities depends to a significant extent on our ability to continue to meet Nasdaq's listing requirements, which we may be unable to accomplish.

We effected a one-for-thirty reverse share split of our common shares (the "Reverse Share Split"), in August 2023. 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 maintain 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 are outstanding following its effectiveness. In addition, there can be no assurance that the trading price of our common shares will remain at or above \$1.00 per share.

Following the Reverse Share Split, the market price of our common shares may not attract new investors or satisfy the investing requirements of those investors. As a result, the trading liquidity of our common share may not necessarily improve.

In addition, the Reverse Share Split has resulted 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 was effected to regain compliance with Nasdaq's minimum bid price requirement of at least \$1.00 per share. However, there can be no assurance that we will maintain compliant with such requirement, or that , we will not become deficient with respect to other Nasdaq listing requirements following, or as a result of, the Reverse Share Split.

The market price of our securities has been volatile and may be volatile in the future, and, as a result, investors in our securities could incur substantial losses.

Our common shares and warrants began trading on Nasdaq on December 18, 2020 in connection with the closing of the business combination with Schultze Special Purpose Acquisition Corp. and Novel Merger Sub Inc. During the year ended

December 31, 2023, the high and low closing prices for our common shares were \$16.95 and \$1.87, respectively, with an intraday high and low of \$17.25 and \$1.72 in each case, on a post-Reverse Share Split basis, respectively. In 2024, through the date of this Form 10-K, the high and low closing prices of our common shares were \$4.42 and \$2.08, respectively, with an intraday high and low of \$4.71 and \$2.00, respectively. We have experienced price volatility in our stock, which could cause investors to experience losses on their investment in our securities.

Further, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. If this occurs, it could cause our stock price to fall further and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

A possible "short squeeze," due to a sudden increase in demand of our common shares that largely exceeds supply, may lead to additional price volatility.

Historically there has not been a large short position in our common shares. However, in the future investors may purchase our common shares to hedge existing exposure or to speculate on the price of our common shares. Speculation on the price of our common shares may involve long and short exposures. To the extent an aggregate short exposure in our common shares becomes significant, investors with short exposure may be required to pay a premium to purchase shares for delivery to share lenders if purchases are made when the price of our common shares is experiencing a significant increase, particularly over a short period of time. Those purchases may in turn, dramatically increase the price of our common shares. This is often referred to as a "short squeeze." A short squeeze could lead to additional volatility in our common shares that is not directly correlated to our operating performance.

We may issue additional common shares or other equity securities without shareholder approval, which would dilute your ownership interests and may depress the market price of our common shares.

As of March 19, 2024, we had 1,754,795 common shares and 12,877,361 warrants to acquire common shares issued and outstanding. Subject to the requirements of the Business Corporations Act (British Columbia) ("BCA"), our Articles authorize us to issue common shares and rights relating to our common shares for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. There are 212,793 common shares reserved for issuance under the 2020 Plan, subject to adjustment in certain events. We issued and sold 253,898 shares on a post-Reverse Share Split basis for the year ended December 31, 2023, and may continue to issue shares under our "at-the-market" ("ATM") program pursuant to our effective shelf registration statement on Form S-3 (the "Shelf Registration Statement"). Any common shares issued or other equity incentive plans that we may adopt in the future would dilute the percentage ownership held by you.

Future sales, conversions, or exercises by existing security-holders or future offerings of securities by us may cause dilution to our existing shareholders and cause the market price of our securities to fall.

If we issue and sell or our existing shareholders, including our executive officers, directors, and their affiliates sell a substantial number of our common shares in the public market, our shareholders will experience dilution. In addition, sales of substantial amounts of our common shares in the public market, or the perception that such sales will occur, could adversely affect the market price of our common shares.

In addition, we may attempt to obtain financing or to further increase our capital resources by issuing additional common shares or offering debt or other equity securities, including commercial paper, medium-term notes, senior or subordinated notes, debt securities convertible into equity or preferred shares. To facilitate such financing, we have the Shelf Registration Statement on file with the SEC, which includes a prospectus supplement for an ATM offering. To date, no shares have been issued and sold following Reverse Share Split basis pursuant to the ATM Prospectus. Future acquisitions could require substantial additional capital in excess of cash from operations. We may obtain the capital required for acquisitions through a combination of additional issuances of equity, corporate indebtedness and/or cash from operations.

Issuing additional common shares or other equity securities or securities convertible into equity may dilute the economic and voting rights of existing shareholders or reduce the market price of our common shares or both. Upon liquidation, holders of such debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common shares. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common shares. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing and nature of our future offerings.

We have identified material weaknesses in our internal control over financial reporting. If we are unable to successfully remediate these material weaknesses in our internal control over financial reporting, it could have an adverse effect on our company.

Section 404 of the Sarbanes-Oxley Act requires our management to furnish a report on the effectiveness of our internal control over financial reporting. The applicable rules require us to disclose any material weaknesses in our internal control over financial reporting. As initially reported in our Annual Report on Form 10-K for the year ended December 31, 2020, management determined that we did not design and maintain an effective control environment, specifically around (a) lack of a sufficient 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, and to allow for proper segregation of duties; (b) lack of structures, reporting lines and appropriate authorities and responsibilities to achieve financial reporting objectives; and, (c) 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. Additionally, in 2023 an additional material weakness was identified regarding user access over certain information technology systems that support our financial reporting process.

In an effort to remediate the material weaknesses in our internal control, we hired additional accounting and finance personnel, including Accurax, an outsourcing firm through which we hired an SEC Reporting Manager and a Senior Accountant. Due to funding limitations, additional hiring is challenging and we have no plans to hire additional personnel unless absolutely necessary. We have also retained external consulting firms to provide additional depth and breadth in our technical accounting and financial reporting capabilities. We intend to continue this arrangement until additional permanent technical accounting resources are identified and hired. We intend to formalize our policies and procedures surrounding our financial close, financial reporting and other accounting processes. We intend to further develop and document necessary policies and procedures regarding our internal control over financial reporting. We are in the process of recruiting additional qualified accounting and finance personnel to provide needed levels of expertise in our internal accounting function. We expect to incur additional costs as we continue to remediate these control deficiencies, though there can be no assurance that our efforts will be successful or avoid potential future material weaknesses. If we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, or if we identify any additional material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting, and our share price may decline as a result. We also could become subject to investigations by Nasdaq, the SEC or other regulatory authorities.

We believe 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. The material weaknesses that were identified and initially reported in our Annual Report on Form 10-K for the year ended December 31, 2020, have not been remediated as of the date of this Form 10-K.

Certain provisions of our Articles could hinder, delay or prevent a change in control of the Company, which could limit the price investors might be willing to pay in the future for our securities.

Certain provisions of our Articles could make it more difficult for a third party to acquire the Company without the consent of our board of directors. These provisions include the advance notice policy adopted by us, terms of any future rights or restrictions of the preferred shares, rights of the directors to issue our shares or other securities, and our rights to purchase our own shares. In addition, limitations on the ability to acquire and hold our common shares may be imposed by the Competition Act in Canada. This legislation permits the Commissioner of Competition of Canada to review any acquisition of a significant interest in our Company. Further, our Articles provide for the exclusive forum of the provincial courts in British Columbia, Canada for substantially all disputes between us and our shareholders (except claims arising under the Securities Act and the Exchange Act), which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, other employees or shareholders. These provisions may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt that is opposed by our management or our board of directors. These anti-takeover provisions could substantially impede your ability to benefit from a change in control or change in our management and our board of directors and, as a result, may adversely affect the market price of our common shares and your ability to realize any potential change of control premium.

If securities and industry analysts no longer publish research or publish inaccurate or unfavorable research about our business, the price of our common shares and trading volume could decline.

The trading market for our common shares relies and will continue to rely in part on the research and reports that industry or financial analysts publish about us, our business, our markets and our competitors. If one or more of the analysts who cover us downgrade our common shares or publish inaccurate or unfavorable research about our business, the price of our common shares would likely decline, as could the trading volume.

We may choose to delist our securities from Nasdaq and deregister under the Exchange Act, which could negatively affect the liquidity and trading prices of our common shares would result in substantially less disclosure about us and severely impair our ability to raise capital.

Given the cost and resource demands of being a public company, our board of directors may determine that it is in the best interest of our shareholders to “go dark,” or discontinue our obligation to make periodic filings with the SEC, by delisting our securities with Nasdaq and deregistering our securities pursuant to the Exchange Act. While no decision has been made, should we ultimately make the decision to do so, there would be a substantial decrease in disclosure about our company, a materially reduced ability to raise capital and a decrease in the liquidity in our common shares even though shareholders may still continue to trade our common shares on an over-the-counter market. As a result of going dark, investors may find it more difficult to obtain accurate quotations as to the market value of our common shares, and the ability of our shareholders to sell our common shares in the secondary market may be materially limited.

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 of the then outstanding warrants.

Our warrants are issued in registered form under the warrant agreement (as amended) between us and the warrant agent (the “Warrant Agreement”). The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least a majority of the then outstanding warrants to make any change that adversely affects the interests of the registered holders. Accordingly, we may amend the terms of the warrants in a manner adverse to a holder if holders of at least a majority of the then outstanding warrants approve of such amendment. Although our ability to amend the terms of the warrants with the consent of at least a majority of the then outstanding warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, shorten the exercise period or decrease the number of common shares purchasable upon exercise of a warrant.

There can be no assurance that the warrants will be in the money prior to their expiration, and they may expire worthless.

The exercise price for the outstanding warrants is \$11.50 for 1/30th common share, and each warrant entitles the holder to purchase 1/30th common share. On March 19, 2024 the closing price of our common shares was \$3.90. The exercise period for the warrants expires five years following the closing of the business combination with Schultze Special Purpose Acquisition Corp. and Novel Merger Sub, Inc., which occurred on December 18, 2020. There can be no assurance that the warrants will be in the money prior to their expiration, and as such, the warrants may expire worthless.

We may redeem unexpired warrants prior to their exercise at a time that is disadvantageous to the holder, thereby making the warrants worthless.

We have the ability to redeem outstanding warrants at any time prior to their expiration, at a price of \$0.01 per warrant in the case that the last reported sales price of our common shares equals or exceeds \$18.00 per share (as adjusted for share splits, share dividends, 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 we send the notice of such redemption to the warrant holders. Redemption of the outstanding warrants could force you (i) to exercise your warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) to sell your warrants at the then-current market price when you might otherwise wish to hold your warrants or (iii) to accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of your warrants. In addition, we may redeem your warrants for a number of common shares determined based on the redemption date and the fair market value of our common shares. Any such redemption may have similar consequences to a cash redemption described above.

We are a “smaller reporting company” and the reduced disclosure and governance requirements applicable to smaller reporting companies may make our common shares less attractive to investors.

As of December 31, 2023, we are no longer considered an “emerging growth company” as defined in the JOBS Act. Notwithstanding, we still qualify as a “smaller reporting company” as defined in Rule 12b-2 under the Exchange Act, and are thus allowed to provide simplified executive compensation disclosures in our SEC filings, will be exempt from the provisions of Section 404(b) of Sarbanes-Oxley requiring that an independent registered public accounting firm provide an attestation report on the effectiveness of internal control over financial reporting and will have certain other reduced disclosure obligations with respect to our SEC filings. We will remain a “smaller reporting company” as long as, as of the last business day of our most recently completed second fiscal quarter, (i) the aggregate market value of our outstanding common shares held by non-affiliates (“public float”) is less than \$250 million, or (ii) we have annual revenues of less than \$100 million and either no public float or public float of less than \$700 million.

We cannot predict whether investors will find our common shares less attractive because of our reliance on any of these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile.

Shareholders may have difficulty enforcing judgments against our management.

Substantially all of our assets are located outside of the United States and certain of our officers and directors reside outside of the United States. As a result, it may be difficult, or in some cases impossible, for investors in the United States to enforce their legal rights against or to effect service of process upon certain of our directors or officers or to enforce judgments of United States courts predicated upon civil liabilities under United States laws. Our Articles also provide for the exclusive jurisdiction of provincial courts in British Columbia, Canada for certain shareholder lawsuits (except claims arising under the Securities Act and the Exchange Act), which may limit your ability to obtain a favorable judicial forum for disputes with us or our directors, officers, other employees or shareholders.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cyber Security

Integrated Risk Management

Management is responsible for the day-to-day management of our risk exposures in a manner consistent with the strategic direction and objectives established by the Board. As a critical component of our risk management process, management has adopted an integrated risk management framework to continuously identify, assess, measure, prioritize, manage, monitor and report current and emerging information security related risks, including risks associated with our use of third-party service providers. As part of this framework, we have an Enterprise Risk Management (“ERM”) program which is implemented across the Company to promote a strong Company-wide culture of risk management, compliance, and control.

Our processes for assessing, identifying and managing information security risks and vulnerabilities are embedded across our business as part of our ERM program. As part of ERM program, we perform risk assessments in which we map and prioritize information security risks identified and addressed through a multi-faceted approach of processes described here, including third party assessments. We execute periodic audits and tests of our information system security controls in-house such as a vulnerability analysis of the information and the infrastructure of our sites. We engage third-party services to assist in designing the ITGC controls and evaluating them periodically either through independent audits or consulting on best practices to address new challenges. These evaluations include both the design and operational effectiveness of the controls. Our risk management program also assesses third party risks, and we perform third party risk management to identify and mitigate risks from third parties such as vendors and suppliers associated with our use of third-party service providers. Cybersecurity risks are evaluated when determining the selection and oversight of applicable third party service providers. Among other things, we conduct periodic infrastructure monitoring including assessment of existing technology hardware and software configurations, patches and updates and also implement automated tools. We provide recurrent information security awareness training for employees and carry out periodic campaigns related to safety awareness which include interactive activities involving the employee participation. Additionally, we have also implemented incident management protocols to analyze, remediate, and respond to activities that implicate potential risk to data and information. Through this methodology we remediate information security incidents and comply with potential legal obligations mitigating brand and reputational damage.

Impact of Risks from Cybersecurity Threats

We have identified a material weakness in our information technology general controls. These controls over user access to certain information technology systems that support our financial reporting process were not properly designed and implemented. We have since made efforts to remediate the identified material weakness. There have otherwise been no risks from cybersecurity threats at the Company to date that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition.

Governance.

The board of directors of the Company (the “Board”) has oversight responsibility for our risk management framework, including technology and cybersecurity risks facing the Company. The ERM program enables the board to establish a mutual understanding with the management of the effectiveness of its information security risk management practices and capabilities

including the division of responsibilities for reviewing its information security risk exposure and risk tolerance, tracking emerging information risks, and reviewing for proper escalation of certain key risks for periodic review by the Board.

The Board receives briefings from management and security and technological infrastructure team on enterprise-wide technology, cybersecurity risk management and the overall technology and cybersecurity environment by management. Specifically, the Board receives an Annual Security Information Report which details the plan for cybersecurity management, reviews the result of the implementation of threat control activities and conclusions for the period evaluated.

Role of Management

In addition to the risk management activities undertaken under the ERM Program, where management assesses and manages material risks from cybersecurity threats, our security and technological infrastructure team led by Technology Infrastructure and Security Manager, is responsible for day-to-day identification, assessment and management of the information security risks we face. Personnel in our security and infrastructure team collectively have decades of experience in information security, information technology and cybersecurity operations. These personnel are informed about and monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents detected through automated detection and monitoring tools. The team manages and continually enhances the Company's enterprise security structure with the goal of preventing cybersecurity incidents to the extent feasible, while simultaneously increasing our system resilience to minimize the business impact should an incident occur. In the event of a cybersecurity incident, the Company is equipped with an incident response plan that includes procedures such as: (i) reporting of the incident through a ticket management tool designated by the Company, (ii) identification and analysis, (iii) monitoring, containment, and eradication, (iv) remediation and creation of controls, and (v) lessons learned and preparation for future incidents. The Technology Infrastructure and Security Manager provides regular updates to the Board concerning the Company's technology and cybersecurity programs, associated risks and the Company's efforts to help mitigate those risks.

Item 2. Properties

The Company is a corporation organized under the laws of British Columbia, Canada. The Company was formed on July 23, 2020. Our registered and records office is located at 20th Floor, 250 Howe St., Vancouver, British Columbia, V6C 3R8. Our principal executive office is located at Bodega 19-B Parque Industrial Tibitoc P.H, Tocancipá - Cundinamarca, Colombia.

Colombia. We have 18 greenhouses which include 1.8 million square feet of cultivation space. With 6 million square feet of leased or owned land, our greenhouse cultivation can be expanded to approximately 2.5 million square feet at our existing operating site. We also own a 40,000 square feet post-harvest facility. We own approximately 14,000 square feet and lease approximately 78,000 square feet of industrial property near Bogota. We lease a corporate office of approximately 1,100 square feet in Bogota.

Portugal. The Company owned agricultural and post-harvest facilities in Portugal which were sold during the year ended December 31, 2023 as a result of a restructuring initiative that was undertaken by management during December 2022. On January 26, 2024, the Company sold certain real property with certain existing furniture and structures in Portugal, which completed the wind-down of its Portugal operations.

Item 3. 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 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common shares and warrants are traded on the Nasdaq Capital Market under the symbols "CLVR" and "CLVRW," respectively.

*Holder*s

As of March 19, 2024, we had approximately 176 holders of record of our common shares and one holder of record of our warrants. The actual number of holders of our common shares and warrants is greater than this number of record holders, and includes holders who are beneficial owners, but whose securities are held in street name by brokers and other nominees.

Dividends

We have not paid any cash dividends on our common shares to date, and there are no current plans to pay cash dividends on our common shares. The declaration, amount and payment of any future dividends will be at the sole discretion of the Board.

Issuer Purchases of Equity Securities

There were no repurchases of our equity securities during the year ended December 31, 2023.

Unregistered Securities Sold During Fiscal Year 2023

There were no unregistered sales of our securities during the year ended December 31, 2023.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the "Business" section and our audited consolidated financial statements as of and for the year ended December 31, 2023, which are included elsewhere in this Form 10-K. The financial information contained herein is taken or derived from such consolidated financial statements, unless otherwise indicated. The following discussion contains forward-looking statements. Actual results could differ materially from those that are discussed in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Form 10-K, particularly under "Risk Factors."

Amounts are presented in thousands of U.S. dollars, except for per share data or as otherwise noted.

Our Company

We are a multi-national operator in the botanical cannabinoid and nutraceutical industries, with operations and investments in Colombia, 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.

In July 2022 the Colombian extraction facility received the EU GMP certification for the crystallization process of the CBD, issued by the RP Darmstadt, the regional authority in Frankfurt, Germany. Then in September 2023 the crystallization process was included by HALMED in our EU GMP re-certification.

In May 2023, the Colombian facility received the Brazilian Certificate of Good Manufacturing Practice granted by the ANVISA.

In December 2023, the Colombian facilities received the Australian Certificate of GMP Compliance for the purposes of Therapeutic Goods Order 93 granted by the TGA.

We believe these certifications 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, Europe and the United States.

In addition to the cannabinoid business, we were 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 for the year ended December 31, 2023. Subsequent to year end, we sold our non cannabinoid business segment comprised of nutraceutical and other natural remedies, wellness products, detoxification products, and nutritional and dietary supplements. See Note 22 to our consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K for more information.

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

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

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

2. The Non-Cannabinoid operating segment is comprised of the brands and manufacturing assets acquired as part of our acquisition of Herbal Brands. The segment is engaged in the business of formulating, manufacturing, marketing, selling, distributing, and otherwise commercializing wellness products and nutraceuticals, excluding cannabinoid products. Our principal customers for the Herbal Brands products include specialty and health retailers, mass retailers and specialty and health stores in the United States. Subsequent to year end, we sold our non cannabinoid business segment comprised of nutraceutical and other natural remedies, wellness products, detoxification products, and nutritional and dietary supplements. See Note 22 to our consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K for more information.

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 approved a plan to shut down its cultivation activities in Portugal in December 2022 to preserve cash and in January 2023, to cease all operations in Portugal to improve operating margin and solely focusing its Cannabis cultivating and production in Colombia.

On January 26, 2024, we sold certain real property with certain existing furniture and structures in Portugal, which completed the wind-down of our Portugal operations.

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 four years, we have established operations and commercial relationships in Australia, Brazil, Colombia, Israel, Portugal, 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 initiated by management in December 2022 and completed in January 2024.

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 to match any growth in cannabis sales and expansion to local products.

Economic and Political Environment. Our results of operations can also be affected by the global volatility, legislative, regulatory, political, economic, legal actions and general market disruption resulting from geopolitical tensions. Macro level economic conditions such as inflation, recession, supply chain disruptions, monetary exchange rates and interest, government fiscal policies can have a significant impact on operations. Accordingly, we could be affected by regulatory, administrative, civil and criminal actions, claims or proceedings.

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 years ended December 31, 2023 and 2022:

Operational information:	Year ended December 31,		Change	
	2023	2022		
<i>(In \$000s, except kilogram and per gram data)</i>				
Kilograms (dry flower) harvested ^(a)	4,753	8,064	(3,311)	(41)%
Costs to produce ^(b)	\$ 3,560	\$ 2,913	\$ 647	22 %
Costs to produce per gram	\$ 0.75	\$ 0.36	\$ 0.39	108 %
Selected financial information:				
Revenue	\$ 6,558	\$ 4,996	1,562	31 %
Kilograms sold ^(c)	17,869	13,035	4,834	37 %
Revenue per grams sold	\$ 0.37	\$ 0.38	\$ (0.01)	N/M

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

N/M: Not a meaningful percentage

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

During the years ended December 31, 2023 and 2022 we sold 17,869 and 13,035 kilograms, respectively, of dry flower equivalent supporting demand strength for our cannabinoid extracts and continued refining of Colombian flower. For the years ended December 31, 2023 and 2022, our cannabinoid segment sales were primarily in Australia, Israel, and Brazil. The increase in sale of dry flower equivalent for the Cannabinoid segment was due to continued expansion of sales activity including improvement in product mix.

We harvested 4,753 kilograms of cannabinoids in the year ended December 31, 2023, as compared to 8,064 kilograms in the year ended December 31, 2022. The decrease was primarily attributable to the shut down of our Portugal facility in 2023 and was also due to the continued reduction in our planned reduction of production at our Columbia facility.

Costs to produce were approximately \$0.75 per gram of dry flower equivalent for the year ended December 31, 2023, as compared to \$0.36 per gram of dry flower equivalent for the year ended December 31, 2022. The increase was primarily driven by our significantly reduced agricultural output in Colombia and changes in the cultivation techniques to improve the quality and properties of the flower as well as meet more stringent market and regulatory requirements, along with ongoing extraction and processing costs at its Colombian operations.

Recent Developments

Bid Price Deficiency & Reverse Split

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

On March 29, 2023, the Company received a second notice (the “Second Notice”) from Nasdaq indicating that, while the Company has not regained compliance with the Minimum Bid Price Requirement, the Staff has determined that the Company is eligible for an additional 180 calendar day period, or until September 25, 2023 (the “Second Compliance Period”), to regain compliance. According to the Second Notice, the Staff’s determination was based on (i) the Company meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and (ii) the Company’s written notice of its intention to cure the deficiency during the second compliance period by effecting a reverse share split, if necessary.

On June 28, 2023, the board of directors of the Company approved a 1-for-30 reverse share split. On August 24, 2023, the Company effected the reverse share split in order 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 were reduced from approximately 45.7 million to approximately 1.5 million, based on the number of common shares outstanding as of August 24, 2023. All share and per share information in these financial statements has been retroactively adjusted to reflect the reverse share split. No fractional shares were 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 was less than half of a whole share was rounded down and canceled without consideration to the holders thereof and each fractional share that was at least half of a whole share was rounded up to one whole common share. The reverse share split was applied to all the Company’s outstanding common shares and therefore did 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 did not alter the voting rights or other rights attached to the shares.

The reverse share split was effected to, regain compliance with Nasdaq Listing Rule 5550(a)(2), which requires the Company, to maintain a minimum bid price of at least \$1.00 per share. On September 11, 2023, the Company received a letter from Nasdaq confirming it had regained compliance with Listing Rule 5550(a)(2).

The common shares issuable upon exercise of the Company’s warrants, as well as the exercise price per share, was 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”) were 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 were 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, had 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 were ratably adjusted to reflect the reverse share split.

Warrants

As of December 31, 2022, excluding the Rock Cliff warrants, the Company had 12,877,361 of its public warrants classified as a component of equity and 4,900,000 of its private warrants recognized as liability. In connection with the Reverse Share Split, the warrants were adjusted in accordance with their terms such that each warrant entitles the holder to purchase 1/30 common share at an exercise price of \$11.50 per warrant. The warrants expire on December 18, 2025, at 5:00 p.m., New York City time, or earlier upon redemption. 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 \$540 per share (on a post-Reverse Share Split basis) for any 20 trading days within a 30 trading day period ending on the third trading day prior to the date on which the Company will send the notice of redemption to the warrant holders. The private warrants were issued in the same form as the public warrants, but they (i) are not redeemable by the Company and (ii) may be exercised for cash or on a cashless basis at the holder's option, in either case as long as they are held by the initial purchasers or their permitted transferees (as defined in the warrant agreement). Once a private warrant is transferred to a holder other than an affiliate or permitted transferee, it is treated as a public warrant for all purposes. The terms of the warrants may be amended in a manner that may be adverse to holders with the approval of the holders of at least a majority 50.1% of the then outstanding warrants.

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

For the year ended December 31, 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 of approximately \$2,092.

On December 10, 2023, the Company terminated the private warrants and recorded a net gain of approximately \$107 on termination which is included in the statement of operations for the year ended on December 31, 2023 along with the net gain of \$6 directly attributable to remeasurement of the warrant liability at the end of each quarter during the year. As of December 31, 2023 there were no private warrants recognized as a liability.

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 this Form 10-K, we expect to continue to be subject to the limitations under General Instruction I.B.6 of Form S-3. As such, we will not be able to sell more than one-third of the aggregate market value of the voting and non-voting common equity held by non-affiliates, with such aggregate market value calculated using figures from a date or dates, as the case may be, within the preceding 60 days from the filing of this Form 10-K. We will file any prospectus supplements as may be required to reflect such lower maximum offering amount. 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 year ended December 31, 2023, the Company issued and sold 253,898 shares on a post-Reverse Share Split basis pursuant to the ATM offering, for aggregate net proceeds \$1,140, which consisted of gross proceeds of \$1,340 and \$200 equity issuance costs. No shares were sold pursuant to the ATM offering during the three months ended December 31, 2023.

Components of Results of Operations

Revenue — in our Cannabinoid segment, revenue is primarily comprised of sales of our cannabis products, which currently include cannabis flowers, cannabidiol isolate, full spectrum and standardized extracts as well as dry smokable flowers. In our Non-Cannabinoid segment, revenue was primarily composed of sales of our nutraceutical products to our retail customers. Subsequent to year end, we sold our non cannabinoid business segment. See Note 22 to our consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K for more information.

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

Discontinued Operations - Portugal

We were successful in disposing of our Portugal assets and discontinuing operations therein, which we expect to reduce the complexity of our operations, allow us to prioritize higher-margin activities and conserve cash. Our Portugal operations generated revenue from the sale of cannabinoids produced within the region. As such, the prior Portugal operations has been presented as discontinued operations in our financial statements. All comparative information has been restated to remove the Portugal discontinued operations results, practically meaning that in our statement of operations, we no longer show the revenues and costs of the Portugal operations consolidated with our continuing operations but rather the just the net losses incurred from these operations below loss from continuing operations (i.e., discontinued operations, net of tax, gain of \$1,898 for the year ended December 31, 2023 compared to a discontinued operations, net of tax, loss of (\$28,361) in the year ended December 31, 2022). The Company believes exiting these operations will reduce operating losses going forward.

Year Ended December 31, 2023 compared to year ended December 31, 2022

Consolidated Statements of Net Loss Data

(in thousands of U.S. dollars)

	Year ended December 31,	
	2023	2022
Revenue, net	\$ 17,417	\$ 16,410
Cost of sales	(10,861)	(9,193)
Gross profit	6,556	7,217
General and administrative expenses	17,993	23,830
Sales and marketing expenses	2,036	1,897
Research and development	1,140	1,719
Intangible asset impairment	—	19,000
Depreciation and amortization	981	1,241
Restructuring expenses	—	6,449
Total expenses	22,150	54,136
Loss from operations	(15,594)	(46,919)
Interest expense and amortization of debt issuance cost	46	2,672
Gain on remeasurement of warrant liability	(113)	(2,092)
Loss/(gain) on investments	3,738	(6,851)
Loss on debt extinguishment, net	—	2,263
Foreign exchange loss	433	963
Other expense, net	31	220
Total other income, net	4,135	(2,825)
Loss before income taxes and equity investment loss	(19,729)	(44,094)
Deferred income tax recovery	—	(6,650)
Current income tax expense	68	296
Equity investment and securities loss	—	64
Net loss from continuing operations	\$ (19,797)	\$ (37,804)

(*)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 revenues by channel for the years ended December 31, 2023 and 2022

	Year ended December 31,	
	2023	2022
Mass retail	\$ 11,377	\$ 8,531
Distributors	4,838	6,796
Specialty, health and other retail	255	577
E-commerce	947	506
Total	\$ 17,417	\$ 16,410

Revenue

Revenue increased to \$17,417 for the year ended December 31, 2023 from \$16,410 for the year ended December 31, 2022. The increase was driven by increased sales in our Cannabinoid segment, in part offset by a slight decrease in our Non-Cannabinoid segment. The growth in our Cannabinoid segment sales reflects continued expansion of sales activity including increased sales of higher margin products and ramping commercial pathways across the segment's mass retail channel. The decreased sales in our Non-Cannabinoid segment were driven by current economic challenges faced by our distributors and specialty health channels during the year ended December 31, 2023 partially offset by a growth in mass retail and e-commerce market place.

Cost of sales

Cost of sales, increased to \$10,861 for the year ended December 31, 2023 as compared to \$9,193 for the year ended December 31, 2022. The increase was due to direct costs attributable to the cultivation and production of Cannabinoid segment products in part offset by a decrease in costs for Non-Cannabinoid segment products for the year ended December 31, 2023. The increase in costs is in the line with the higher sales volume for the Cannabinoid segment and increased inventory provisions related to aged, obsolete or unusable inventory, during the year ended December 31, 2023 as compared to the prior year. The decrease in cost of sales for the Non Cannabinoid segment was directly attributable to better cost management of raw materials and components and a decrease in CBD reserve during the year ended December 31, 2023 as compared to the prior year.

During the years ended December 31, 2023 and 2022, we recognized inventory provision of \$1,359 and \$2,018, respectively, to cost of sales for inventory, primarily related to aged, obsolete or unsaleable inventories.

Operating expenses

(in thousands of U.S. dollars)

	Year ended December 31,		Change	
	2023	2022		
General and administrative	\$ 17,993	\$ 23,830	\$ (5,837)	(24)%
Sales and marketing	2,036	1,897	139	7%
Research and development	1,140	1,719	(579)	(34)%
Depreciation and amortization	981	1,241	(260)	(21)%
Intangible asset impairment	—	19,000	(19,000)	(100)%
Restructuring expenses	—	6,449	(6,449)	(100)%
Total operating expenses	<u>\$ 22,150</u>	<u>\$ 54,136</u>	<u>\$ (31,986)</u>	<u>(59)%</u>
(as a percentage of revenue)				
General and administrative	103 %	145 %		
Sales and marketing	12 %	12 %		
Research and development	7 %	10 %		
Depreciation and amortization	6 %	8 %		
Total operating expenses	127 %	330 %		

N/M: Not a meaningful percentage

General and administrative. General and administrative expenses decreased to \$17,993 for the year ended December 31, 2023 from \$23,830 for the year ended December 31, 2022, primarily due to reduced share-based compensation, payroll expenses, and office and administration expenses, reflecting the continued benefits of the cost cutting measures, and restructuring initiatives the Company previously implemented.

Sales and marketing. Sales and marketing expenses increased to \$2,036 for the year ended December 31, 2023 from \$1,897 for the year ended December 31, 2022 due to increase in advertisement and marketing costs in relation to the Cannabinoid segment.

Research and development. Research and development expenses decreased to \$1,140 for the year ended December 31, 2023 from \$1,719 for the year ended December 31, 2022. due to decrease in external costs such as sampling and testing associated with development of new cannabinoid products.

Depreciation and amortization. Depreciation and amortization expenses decreased to \$981 for the year ended December 31, 2023 from \$1,241 for the year ended December 31, 2022. The decreased depreciation in the period is a result of reduced tangible assets level due to write off as part of restructuring and continuous deterioration in the value of assets through its useful life. The decreased amortization in the period is a result of periodic reduction in the value of intangible assets through its useful life.

Restructuring expense. Restructuring expense decreased to \$0 for the year ended December 31, 2023 from \$6,449 for the year ended December 31, 2022. In 2022, restructuring expenses was due to one-time asset write-off and restructuring initiatives taken in Colombia for cost-cutting measures. There was no such restructuring expense charged for the year ended December 31, 2023.

Intangible asset impairment. During the year ended December 31, 2023, no charges in intangible asset impairment was recognized as compared to a charge of \$19,000 during the year ended December 31, 2022 related to Colombian cannabis-related licenses. The impairment charge reducing the carrying value of the cannabis-related licenses was fully recognized in the prior year as not recoverable based on the excess of the carrying value of the asset group over the undiscounted future cash flow.

Non-operating income and expenses

(in thousands of U.S. dollars)

	Year Ended December 31,		Change	
	2023	2022		
Interest expense, net and amortization of debt issuance cost	\$ 46	\$ 2,672	\$ (2,626)	(98)%
Gain on remeasurement of warrant liability	(113)	(2,092)	1,979	(95)%
Loss (Gain) on investments	3,738	(6,851)	10,589	N/M
Loss on debt extinguishment, net	—	2,263	(2,263)	(100)%
Foreign exchange loss	433	963	(530)	(55)%
Other expense (income), net	31	220	(189)	(86)%
Total	\$ 4,135	\$ (2,825)	\$ 6,960	N/M

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

N/M: Not a meaningful percentage

Interest expense, net and amortization of debt issuance cost. Interest expense, net and amortization of debt issuance cost, net for the year ended December 31, 2023 was \$46 as compared to \$2,672 for the year ended December 31, 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. Gains on remeasurement for the years ended December 31, 2023 and 2022 were \$113 and \$2,092, respectively. The gains for the year ended December 31, 2023 includes gain on termination of private warrants along with gain directly attributable to remeasurement of the warrant liability at December 2023. The gains for the year ended December 31, 2022 are directly attributable to the decline in the underlying value of the private warrants. For more information refer to Note 11 to our audited consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K.

Loss/(gain) on investments. The company recognized a net loss on investment of \$3,738 for the year ended December 31, 2023 as compared to \$(6,851) gain on investment for the year ended December 31, 2022. The loss on investments for the year ended December 31, 2023 was related to the loss incurred due to sale of Cansativa shares to Cansativa and EIP Entrepreneurial Investment GmbH below carrying value. The gain on investments in 2022 was related to the sale of Cansativa shares to an unrelated third-party and revaluation of the Company's retained interest of the shares held as of December 31, 2022. For more information, see Note 7 to our audited consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K.

Loss (gain) on debt extinguishment, net. Net loss on debt extinguishment was nil for the year ended December 31, 2023 as compared to recognizing a net loss on debt extinguishment of \$2,263 for the year ended December 31, 2022. The net loss for the year ended December 31, 2022 was primarily due to debt extinguishment as a result of the amendment of the Catalina Note on January 13, 2022. For additional details, see Note 10 to our audited consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K.

Foreign exchange loss. The impact of foreign exchange for the year ended December 31, 2023 was a loss of \$433 compared to a loss of \$963 for the year ended December 31, 2022. The foreign exchange losses for the years ended December 31, 2023 and 2022 were primarily driven by the currency fluctuations of the Colombian Pesos versus the U.S. Dollar and primarily comprised of Euro versus U.S. Dollar currency fluctuations related to remeasurement of Cansativa investment on a quarterly basis.

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

Operating Results by Business Segment

Our management evaluates segment profit/loss for each of our reportable segments. We define segment profit/loss as income from operations before interest, taxes, depreciation, amortization, share-based compensation expense, gains/losses on foreign currency fluctuations, gains/losses on the early extinguishment of debt and miscellaneous expenses. Segment profit/loss also excludes the impact of certain items that are not directly attributable to the reportable segments' underlying operating performance. For a reconciliation of segment profit to loss from continuing operations before income taxes, see Note 15 to our audited consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K.

Revenue by segment

(in thousands of U.S. dollars)

	Year ended December 31,	
	2023	2022
Segment Revenue:		
Cannabinoid	\$ 6,558	\$ 4,729
Non-Cannabinoid	10,859	11,681
Total Revenue	\$ 17,417	\$ 16,410

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

Cannabinoid. Cannabinoid revenue increased to \$6,558 for the year ended December 31, 2023, from \$4,729 for the year ended December 31, 2022, driven primarily by increased sales of higher margin products and ramping commercial pathways across our core markets, particularly in Brazil and Australia.

Non-Cannabinoid. Revenue for the year ended December 31, 2023 decreased to \$10,859 from \$11,681 for the year ended December 31, 2022 due to continued demand headwinds on implementing new sales terms in the segment's specialty channel, which resulted in lower inventory orders during the year ended December 31, 2023.

Segment Profit/(Loss)

(in thousands of U.S. dollars)

	Year ended December 31,		Change	
	2023	2022	\$	%
Segment Profit/(Loss):				
Cannabinoid	\$ (10,783)	\$ (17,354)	\$ 6,571	(38)%
Non-Cannabinoid	2,247	1,346	901	67%
Total Segment Loss ^(a)	\$ (8,536)	\$ (16,008)	\$ 7,472	(47)%

^(a) For a reconciliation of segment profit/(loss) to loss before income tax (recovery) see Note 15 to our audited consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K.

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

Cannabinoid — Cannabinoid segment loss decreased to \$10,783 for the year ended December 31, 2023 from \$17,354 for the year ended December 31, 2022 primarily due to decrease in expenses related to the effective implementation of cost-cutting measures.

Non-Cannabinoid — Non-Cannabinoid segment profit increased to \$2,247 for the year ended December 31, 2023 compared to \$1,346 for the year ended December 31, 2022. The increase was primarily attributable to effective implementation of cost cutting measures leading to decreased payroll related costs and sales and marketing costs.

Liquidity and Capital Resources

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

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

(in thousands of U.S. dollars)

	Year ended December 31,	
	2023	2022
Net cash used in operating activities	\$ (11,508)	\$ (29,066)
Net cash provided by investing activities	4,694	1,192
Net cash provided by financing activities	656	3,289
Effect of foreign currency translation on cash and cash equivalents	171	(226)
Cash, cash equivalents, and restricted cash beginning of period	\$ 12,888	\$ 37,699
Cash, cash equivalents, and restricted cash end of period	\$ 6,901	\$ 12,888
(Decrease) in cash and cash equivalents and restricted cash	\$ (5,987)	\$ (24,811)

Cash flows used in operating activities

The decrease in net cash used in operating activities during the year ended December 31, 2023 compared to the year ended December 31, 2022 was predominantly attributable to the implementation of cost-saving measures, restructuring and associated expenses, and changes in operating assets and liabilities.

Cash flows from investing activities

The increase in net cash provided by investing activities during the year ended December 31, 2023 compared to the year ended December 31, 2022 was primarily attributed to diminished capital expenditure, and proceeds from the sale of fixed assets from our discontinued operations in Portugal in 2023. Furthermore, the increase resulted from divestment of remaining investments in Cansativa. For more information, see Note 7 to our audited consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K.

Cash flows from financing activities

The decrease in net cash provided by financing activities during the year ended December 31, 2023, compared to the year ended December 31, 2022, was primarily attributable to a decrease in net proceeds from the issuance of shares under the Equity Distribution Agreement and the related shelf registration statement which was partially offset by the extinguishment of debt in the year ended December 31, 2022. For more information refer to Note 11 to our audited consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K.

Sources of Liquidity

We have historically financed our operations through the issuance of shares, the issuance of convertible debt and our cash from operations. As of December 31, 2023, and December 31, 2022, we had cash and cash equivalents (excluding restricted cash) of \$6,831 and \$12,449, respectively, which were held for working capital and general corporate purposes. This represents an overall decrease of \$5,618. As of December 31, 2023, the Company's current working capital, anticipated operating expenses and net losses, and the uncertainties surrounding its ability to raise additional capital as needed, raise substantial doubt as to whether existing cash and cash equivalents will be sufficient to meet its obligations as they come due within twelve months from the date the consolidated financial statements were issued. The consolidated financial statements do not include any adjustments for the recovery and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Our outstanding warrants entitle the holder to receive 1/30th common share for each warrant, at an exercise price of \$11.50 per warrant. Our private warrants were terminated in December 2023 and a gain on termination of \$107 was recorded for the year ended December 31, 2023. No amount was received from the exercise of warrants during the year ended December 31, 2023.

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 this Form 10-K, we expect to continue to be subject to the limitations under General Instruction I.B.6 of Form S-3. As such, we will not be able to sell more than one-third of the aggregate market value of the voting and non-voting common equity held by non-affiliates, with such aggregate market value calculated using figures from a date or dates, as the case may be, within the preceding 60 days from the filing of this Form 10-K. We will file any prospectus supplements as may be required to reflect such lower maximum offering amount. 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.

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 commercialization activities, marketing and manufacturing activities, and general and administrative costs to support operations.

We have historically been able to manage liquidity requirements through cost management and cost reduction measures, supplemented with raising additional financing. While we have been successful in raising financing in the past, there can be no assurances that additional financing will be available when needed on acceptable terms, or at all. If we are not able to secure adequate additional funding, we may be forced to make reductions in spending, extend payment terms with suppliers, suspend or curtail planned programs, sale of certain assets to cover operating expenses or cease operations altogether. Any of these actions could materially harm our business, results of operations, financial condition, and prospects. See Item 1A Risks Factors - Related to Our Business and Industry - There is substantial doubt about our ability to continue as a going concern included in this Form 10-K for more information.

Uses of Liquidity

Our primary need for liquidity is to fund working capital requirements, capital expenditures, and for general corporate purposes. Our ability to fund operations and 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 consolidated 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. See Item 1A Risks Factors - Related to Our Business and Industry - There is substantial doubt about our ability to continue as a going concern included in this Form 10-K for more information.

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, at December 31, 2023, 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 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 2024 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 December 31, 2023 and 2022 was \$1,218 and \$1,530, respectively. The debt outstanding as of December 31, 2023 was comprised of our current and non-current portions of other borrowings of \$498 and \$720, respectively, related to the Colombia and Portugal working capital loans. The debt outstanding as of December 31, 2022 was comprised of current and non-current portions of other borrowings of \$465 and \$1,065, respectively, related to the Colombia and Portugal working capital loans. During the year ended December 31, 2022, we fully repaid our 2024 Convertible Note with accrued interest and Herbal Brands loan with accrued interest. For more information, refer to Notes 10 and 11 to the audited consolidated financial statements included within this Form 10-K.

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 requires interest payments quarterly at a rate of Euribor plus 3 percentage points.

For the years ended December 31, 2023 and 2022, the Company recognized interest expense of approximately €41 (\$44) and €28 (\$30), respectively, and repaid principal of approximately €250 (\$268) and €250 (\$264), respectively, of the Portugal Debt in accordance with the terms of the loan agreement. The outstanding principal balance of the Portugal Debt as of December 31, 2023 and December 31, 2022 was €500 (\$552) and €750 (\$805), 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.

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 principal and interest are repaid semi-annually. For the years ended December 31, 2023 and 2022, the outstanding principal balance was approximately COP\$2,543,867 (\$666) and COP\$3,471,576 (\$725), respectively.

Contingencies

We are involved in various investigations, claims and lawsuits arising in the normal conduct of our business. Other than as disclosed in Item 1A Risk Factor of this Form 10-K and except for the matter as discussed below, in the opinion of management, as of December 31, 2023 any potential liabilities resulting from claims we have received would not have a material adverse effect on our consolidated financial statements. 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.

On July 1, 2023, an APA was entered into by and among the Company as guarantor, Clever Leaves Portugal a wholly-owned subsidiary of the Company, as the seller, and Terra Verde, Lda. As the purchaser a wholly-owned subsidiary of Curaleaf International, part of Curaleaf Holdings, Inc. Pursuant to the APA, the Purchaser agreed to acquire, and the Seller agreed to sell, certain laboratory and processing equipment for the production of cannabinoid products, as well as informational rights to policies and procedures for the production and manufacture of such cannabinoids that the Seller used in its EU-GMP certified cannabis processing facility in Setubal, Portugal. Under the terms of the APA, the Company has provided a guarantee in case of

malfunctioning of the equipment for a period of 12 months expiring July 2024. The total amount of the guarantee will not exceed, in any circumstances, €500 and undertakes the obligation of principal payor renouncing to the benefit of prior foreclosure of the Seller's assets. The Company considers the probability of requiring payment under the guarantee to be remote. Hence, no liabilities or expenses are recorded in the financial statements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements during the periods presented, other than as discussed above.

Critical Accounting Policies and Significant Estimates

A critical accounting policy is one that is both important to the portrayal of our financial condition and results of operations and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

While our significant accounting policies are described in more detail in Note 3, Significant Accounting Policies, of the Notes to Consolidated Financial Statements included in Part IV of this Annual Report on Form 10-K, we believe the following accounting estimates and policies to be critical.

Share-Based Payments

We measure all stock option awards granted to employees, non-employee directors and consultants based on the fair value on the date of grant and recognize compensation expense over the requisite estimated service period which is generally the vesting period of the respective award. The straight-line method of expense recognition is applied to all awards with service-only conditions. We account for forfeitures as they occur.

The fair value of each option grant is estimated using the Black-Scholes option-pricing model and restricted stock units, with a performance vesting condition based on risk-neutral Monte-Carlo model which requires assumptions regarding the expected volatility of our stock, the expected life of the options, an expectation regarding future dividends on our common shares, estimation of an appropriate risk-free interest rate and expected term. The assumptions used in our option-pricing model are as follows:

Expected Term. The expected term of employee options is calculated considering the weighted average midpoint of the vesting and expiry dates, compared to the grant date.

Expected Volatility. The expected volatility is based on our historical volatilities and that of similar entities within our industry for periods commensurate with the expected term assumption.

Risk-Free Interest Rate. The risk-free interest rate is based on the interest rate payable on U.S. Treasury securities in effect at the time of grant for a period that is commensurate with the assumed expected term.

Expected Dividends. The expected dividend yield is 0% because we have not historically paid, and do not expect for the foreseeable future to pay, a dividend on our common shares.

While assumptions used to calculate and account for share-based compensation awards represent management's best estimates, these estimates involve inherent uncertainties and the application of management's judgement. As a result, if revisions are made to our underlying assumptions and estimates, our share-based compensation expense could vary significantly from period to period.

Inventories

We value our inventory at a lower cost or net realizable value determined using weighted average cost. Inventory is reflected at the lower of cost or net realizable value considering future demand, market conditions and market prices. The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Our estimates are based upon assumptions believed to be reasonable, but that are inherently uncertain and unpredictable. These valuations require the use of management's assumptions that do not reflect unanticipated events and circumstances that may occur. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price, what we expect to realize by selling the inventory and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable

value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired.

Impairment of Long-Lived Assets

Long-lived assets are primarily comprised of property, plant, and equipment and definite-lived intangible assets. We evaluate long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying amount of such assets may not be recoverable. We regularly review our long-lived assets for impairment indicators, such as changes in market conditions or the usage of assets. If an impairment indicator is present, we perform an impairment test to determine whether the carrying value of the asset exceeds its fair value. If the carrying amount exceeds the estimated future undiscounted cash flows as part of the recoverability assessment, an impairment charge is recognized equal to the difference between the carrying amount and fair value of the asset. The impairment test involves significant estimates and judgments, including the selection of appropriate valuation methods, assumptions related to future cash flows and growth rates, and the determination of appropriate discount rates. Changes in these estimates and assumptions could result in impairment charges, which could have a material impact on our financial results.

We believe the accounting estimates used in the long-lived asset impairment assessment are critical accounting estimates because of the judgment required in identifying indicators of impairment, determining asset groups, assessing future undiscounted cash flows of the asset groups, and as applicable, evaluating the fair value of the determined asset groups as well as the underlying long-lived assets, once indicators of impairment have been identified.

We periodically evaluate whether impairment indicators related to our property, plant and equipment, operating leases and other long-lived assets are present. These impairment indicators may include a significant decrease in the market price of a long-lived asset, early termination of an operating lease, a significant adverse change to the extent or manner in which a long-lived asset is being used or in its physical condition, or a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a forecast that demonstrates continuing losses associated with the use of a long-lived asset. If impairment indicators are present, we estimate the fair value for the asset. We estimate fair value of long-lived assets through various valuation methods, including the use of the indirect cost approach, income approach, and direct comparison approach. The estimation of future undiscounted cash flows of the assets as well as each of these fair value approaches are significantly impacted by market conditions. A significant adverse change in market conditions could result in fair values that differ from our estimates, which could adversely impact whether an impairment exists and the extent to which an asset group and underlying assets are impaired. The difference between the fair value and the carrying amount of the asset is recorded as an impairment charge.

We periodically evaluate our long-lived assets that we plan to dispose of through sale for held-for-sale classification. To be classified as held-for-sale, management must have committed to a plan to sell, the asset must be available for immediate sale in its present condition, an active program to locate a buyer must have been initiated, the sale must be probable to close within one year, the asset must be marketed at a reasonable sales price, and it must be unlikely that significant changes to the plan will be made. Once an asset meets all of the above criteria, it is reclassified as assets held for sale on the consolidated balance sheet, and the asset(s) cease depreciation and are written down to their fair value, less costs to sell, if applicable.

Allowance for Uncollectible Accounts

Management determines the allowance for uncollectible accounts by evaluating individual receivable balances and considering accounts and other receivable financial condition and current economic conditions. The Company maintains an allowance for expected credit losses to reflect the expected non-collectability of accounts receivable based on historical collection data and specific risks identified among uncollected accounts, as well as management's expectation of future economic conditions. Accounts receivable and financial assets recorded in other receivables are written off after exhaustive collection efforts occur and the receivable is deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company recognizes uncertain income tax positions at the largest amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes.

Item 7A. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and notes thereto and the reports of the independent registered public accounting firm are filed as part of this Report and incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Clever Leaves Holdings Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Clever Leaves Holdings Inc. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, shareholders’ equity and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Inventory

Critical Audit Matter Description

As described in Note 3 to the consolidated financial statements, the Company’s inventories consist of raw materials, work-in-progress, and finished goods, and are valued at the lower of cost and net realizable value. As described in Note 5, the Company’s cannabis inventory balance as of December 31, 2023, was \$3.5 million. The significant inputs and assumptions used in the valuation of cannabis inventory include attrition rates of plants, average yield per plant, cumulative stage of completion in the production process and allocation of cost of sales. In addition, the Company records a provision for obsolete inventories, which can involve a high degree of judgment.

The principal considerations for our determination that valuation of inventory was a critical audit matter are the significant assumptions and management estimates involved in the valuation of inventory, the significance of this statement of financial position item, and the extensive auditor effort in performing procedures in this audit area.

How the Critical Audit Matter was addressed in the Audit

Out audit procedures related to the valuation of inventory included the following, among others:

- We evaluated the significant assumptions stated above and tested the completeness and accuracy of the underlying data used in management's costing and valuation.
- We tested attrition rates, average yield and cumulative stage of completion including performing physical observations of the growing cannabis and assessing quantities and growth stage compared to the plant's life cycle.
- We tested harvest and extract yields including performing physical observations of each process.
- We tested management's assumptions and estimates used and evaluated whether they were reasonable considering (i) historical actual information, (ii) independent calculations and observations of inputs, and (iii) whether these assumptions and estimates were consistent with evidence obtained in other areas of the audit.
- We evaluated management's provision for obsolete inventories by reviewing inputs and on-hand inventory levels and recalculating items included within the provision.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2022.

New York City, New York,
April 1, 2024

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

	<i>Note</i>	December 31, 2023	December 31, 2022
Assets			
Current:			
Cash and cash equivalents		\$ 6,831	\$ 12,449
Restricted cash		70	439
Accounts receivable, net		907	2,252
Prepays, deposits and other receivables	6	1,649	2,708
Inventories, net	5	4,483	8,399
Total current assets		13,940	26,247
Investment – Cansativa	7	—	5,679
Property, plant and equipment, net of accumulated depreciation of \$ 8,793 and \$ 7,120 for the years ended December 31, 2023 and 2022, respectively	9	12,321	13,963
Land held for sale		1,500	1,500
Intangible assets, net	8	2,653	3,354
Operating lease right-of-use assets, net	18	829	1,303
Other non-current assets		—	52
Total Assets		\$ 31,243	\$ 52,098
Liabilities and Shareholders' Equity			
Current:			
Accounts payable		\$ 2,063	\$ 2,299
Accrued expense and other current liabilities		2,844	4,238
Loans and borrowings, current portion	10	498	465
Warrant liability	11	—	113
Operating lease liabilities, current portion	18	386	1,239
Deferred revenue		20	1,072
Total current liabilities		5,811	9,426
Loans and borrowings	10	720	1,065
Operating lease liabilities — long-term	18	483	1,087
Other long-term liabilities		12	112
Total Liabilities		\$ 7,026	\$ 11,690
Contingencies and commitments	20		
Shareholders' equity			
Preferred shares, without par value, unlimited shares authorized, nil shares issued and outstanding for each of December 31, 2023 and 2022	11	—	—
Common shares, without par value, unlimited shares authorized: 1,727,698 and 1,454,559 shares issued and outstanding as of December 31, 2023 and 2022, respectively	11	—	—
Additional paid-in capital		223,021	221,313
Accumulated deficit		(198,804)	(180,905)
Total shareholders' equity		24,217	40,408
Total liabilities and shareholders' equity		\$ 31,243	\$ 52,098

See accompanying notes to the consolidated financial statements

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

	Note	For the year ended	
		December 31, 2023	December 31, 2022
Revenue, net	14	\$ 17,417	\$ 16,410
Cost of sales		(10,861)	(9,193)
Gross profit		6,556	7,217
Expenses			
General and administrative	12	17,993	23,830
Sales and marketing		2,036	1,897
Research and development		1,140	1,719
Restructuring expenses	21	—	6,449
Intangible asset impairment		—	19,000
Depreciation and amortization	9	981	1,241
Total expenses		22,150	54,136
Loss from operations		(15,594)	(46,919)
Other Expense (Income), net			
Interest expense and amortization of debt issuance cost		46	2,672
Gain on remeasurement of warrant liability	11	(113)	(2,092)
Loss (Gain) on investments	7	3,738	(6,851)
Loss on debt extinguishment, net	10	—	2,263
Foreign exchange loss		433	963
Other expense, net		31	220
Total other expense (income), net		4,135	(2,825)
Loss before income taxes and equity investment loss		(19,729)	(44,094)
Deferred income tax recovery		—	(6,650)
Income tax provision		68	296
Equity investment share of loss	7	—	64
Loss from continuing operations		(19,797)	(37,804)
Gain/(loss) from discontinued operations		1,898	(28,361)
Net loss attributable to Clever Leaves Holdings Inc. common shareholders		\$ (17,899)	\$ (66,165)
Basic and diluted - continuing operations	17	\$ (12.63)	\$ (29.54)
Basic and diluted - discontinuing operations		\$ 1.21	\$ (22.16)
Net loss per share		(11.42)	(51.70)
Weighted-average common shares outstanding - basic and diluted		1,567,601	1,279,746

See accompanying notes to the consolidated financial statements.

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

	Note	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
		Shares	\$			
Balance at December 31, 2021		886,860	\$ —	\$ 187,510	\$ (114,740)	\$ 72,770
Issuance of common shares, gross		499,826	—	27,686	—	27,686
Issuance of common shares upon vesting of RSUs		12,584	—	—	—	—
Stock option exercise		5,056	—	22	—	22
Share-based compensation expense		—	—	2,343	—	2,343
Beneficial conversion feature of Convertible Note		—	—	1,750	—	1,750
Conversions of Convertible Note to common shares		50,233	—	3,363	—	3,363
Equity issuance costs		—	—	(1,361)	—	(1,361)
Net Loss		—	\$ —	\$ —	\$ (66,165)	\$ (66,165)
Balance at December 31, 2022		1,454,559	\$ —	\$ 221,313	\$ (180,905)	\$ 40,408
Issuance of common shares, gross	11	253,898	—	1,339	—	1,339
Issuance of common shares upon vesting of RSUs	13	19,540	—	—	—	—
Cancellation of shares		(312)	—	(250)	—	(250)
Share-based compensation expense	13	—	—	818	—	818
Equity issuance costs		—	—	(199)	—	(199)
Round off due to reverse split		13	—	—	—	—
Net Loss		—	—	—	(17,899)	(17,899)
Balance at December 31, 2023		1,727,698	\$ —	\$ 223,021	\$ (198,804)	\$ 24,217

See accompanying notes to the consolidated financial statements.

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

	Notes	For the year ended	
		December 31, 2023	December 31, 2022
Cash Flow from Operating Activities			
Net loss from continuing operations		(19,797)	(37,804)
Net Income/ (loss) from discontinuing operations		1,898	(28,361)
Net loss		\$ (17,899)	\$ (66,165)
<i>Adjustments to reconcile to net cash used in operating activities:</i>			
Depreciation and amortization	9	2,374	3,672
Amortization of debt discount and debt issuance cost		—	1,949
Inventory provision	5	1,359	4,736
Restructuring and related costs		—	25,809
Gain on sale of fixed assets		(2,862)	—
Gain on remeasurement of warrant liability	11	(113)	(2,092)
Deferred income tax recovery	16	—	(6,650)
Foreign exchange loss		468	1,129
Share-based compensation expense	13	818	2,343
Intangible asset impairment		—	19,000
Amortization of right of use assets	18	474	—
Loss on equity method investment, net	7	—	64
Loss (Gain) on investment		3,738	(6,851)
Loss on debt extinguishment, net	10	—	2,263
Other non-cash expense, net		—	727
<i>Changes in operating assets and liabilities:</i>			
Decrease (Increase) in accounts receivable		1,345	(278)
Decrease in prepaid expenses	6	809	190
Decrease in other receivables and other non-current assets		52	538
Decrease (Increase) in inventory	5	2,556	(4,453)
(Decrease) in lease liabilities		(588)	—
(Decrease) in accounts payable and other current liabilities		(2,886)	(4,749)
(Decrease) in deferred revenue		(1,052)	—
(Decrease) in accrued and other non-current liabilities		(101)	(248)
Net cash used in operating activities		(11,508)	(29,066)
Cash Flow from Investing Activities			
Proceeds from sale of assets		2,862	—
Purchase of property, plant and equipment		(31)	(1,306)
Proceeds from sale of investments		1,863	2,498
Net cash provided by investing activities		4,694	1,192
Cash Flow from Financing Activities			
Repayment of debt	10	(484)	(23,131)
Other borrowings		—	73
Proceeds from issuance of shares		1,339	27,686
Equity issuance costs		(199)	(1,361)
Stock option exercised	13	—	22
Net cash provided by financing activities		656	3,289
Effect of exchange rate changes on cash, cash equivalents & restricted cash		171	(226)
(Decrease) in cash, cash equivalents and restricted cash		(5,987)	(24,811)
Cash, cash equivalents & restricted cash, beginning of period ^(a)		12,888	37,699
Cash, cash equivalents & restricted cash, end of period ^(a)		6,901	12,888
Supplemental schedule of cash flow information:			
Cash paid for interest		205	285
Supplemental disclosures for non-cash activity:			
Conversions of debt to common shares	10	—	3,363
Cancellation of shares		(250)	—
Right-of-use asset recognized		176	3,764
Beneficial conversion feature	10	—	1,749
Non-cash paid-in-kind-interest	10	—	281

(a) These amounts include restricted cash of \$0 and \$439 as of December 31, 2023 and December 31, 2022, respectively, which are comprised primarily of cash on deposits for certain lease arrangements. See accompanying notes to the consolidated financial statements.

CLEVER LEAVES HOLDINGS INC.

Notes to the Consolidated Financial Statements

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

1. CORPORATE INFORMATION

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

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

Business Combination

On December 18, 2020 (the "Closing Date"), Clever Leaves International Inc., a corporation organized under the laws of British Columbia, Canada ("Clever Leaves"), and SAMA consummated the previously announced Business Combination contemplated by the Amended and Restated Business Combination Agreement, dated as of November 9, 2020 (the "Business Combination Agreement"), by and among SAMA, Clever Leaves, Clever Leaves Holdings Inc., a corporation organized under the laws of British Columbia, Canada ("Holdco" or the "Company"), and Novel Merger Sub Inc., a Delaware corporation ("Merger Sub"). Pursuant to the Business Combination Agreement, SAMA agreed to combine with Clever Leaves in the Business Combination that resulted in both Clever Leaves and SAMA becoming wholly-owned subsidiaries of Holdco.

Clever Leaves was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification ("ASC") 805. This determination was primarily based on Clever Leaves' stockholders prior to the Business Combination having a majority of the voting interests in the combined company, Clever Leaves' operations comprising the ongoing operations of the combined company, Clever Leaves' board of directors comprising a majority of the board of directors of the combined company, and Clever Leaves' senior management comprising the senior management of the combined company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Clever Leaves' issuing stock for the net assets of SAMA, accompanied by a recapitalization. The net assets of SAMA are stated at historical cost, with no goodwill or other intangible assets recorded.

While Holdco was the legal acquirer in the Business Combination, because Clever Leaves was deemed the accounting acquirer, the historical financial statements of Clever Leaves became the historical financial statements of the combined company upon the consummation of the Business Combination.

In accordance with applicable guidance, the equity structure has been restated in all comparative periods to reflect the number of shares of the Company's common shares, issued to Clever Leaves' shareholders in connection with the recapitalization transaction. As such, the shares and corresponding capital amounts and earnings per share related to Clever Leaves' convertible preferred shares and Clever Leaves' common shares prior to the Business Combination have been retroactively restated as shares reflecting the exchange ratio of 0.3288 shares (the "Exchange Rate") established in the Business Combination Agreement. Activity within the statement of shareholders' equity for the issuances and repurchases of Clever Leaves' convertible preferred shares were also retroactively converted to Clever Leaves' common shares.

2. BASIS OF PRESENTATION

The Company's consolidated financial statements and accompanying notes are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, and include the accounts of the Company and its wholly owned subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. All intercompany transactions, balances, unrealized gains and losses resulting from intra-group transactions, have been eliminated.

Going Concern

These consolidated 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 these financial statements were issued.

CLEVER LEAVES HOLDINGS INC.

Notes to the Consolidated Financial Statements

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

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

On December 31, 2023, the Company had cash and cash equivalents of \$6,831. As of December 31, 2023, the Company's current working capital, anticipated operating expenses and net losses, and the uncertainties surrounding its ability to raise additional capital as needed, raise substantial doubt as to whether existing cash and cash equivalents will be sufficient to meet its obligations as they come due within twelve months from the date the consolidated financial statements were issued. The consolidated financial statements do not include any adjustments for the recovery and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's ability to execute its operating plans through 2024 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.

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. During the fourth quarter, the company sold post-harvest facility. Subsequent to year-end, the company completed sale of the farm land which completed the Portugal shut-down process.

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 December 31, 2023. As a result, the consolidated statements of Financial Position, the consolidated statements of Operations and Comprehensive loss, 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.

Reverse Share Split

On August 24, 2023, the Company effected a one-for-thirty Reverse Share Split of its common shares. All share and per share information in these financial statements has been retroactively adjusted to reflect the Reverse Share Split.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of Accounting Estimates

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes in the reported period. 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. The information below outlines several accounting policies applied by the Company in preparing its consolidated financial statements that involve complex situations and judgment in the development of significant estimates and assumptions. Significant estimates made by management include, but are not limited to: economic lives of leased assets; inputs used in the valuation of inventory; allowances for potential collectability of accounts receivable, provisions for inventory obsolescence; impairment assessment of long-lived assets; depreciable lives of property, plant and equipment; useful

CLEVER LEAVES HOLDINGS INC.

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lives of intangible assets; accruals for contingencies including tax contingencies; valuation allowances for deferred income tax assets; and estimates of the fair value of stock-based payment awards.

Consolidation

The determination of whether or not to consolidate entities under U.S. GAAP requires significant judgment.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The Company treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in equity and attributable to the controlling interest.

In regard to the Company's interests in entities that do not meet the requirements for consolidation, refer to *Investments* discussion later in this footnote.

Foreign Currencies

The functional currency of the Company, and for each subsidiary, is the currency of the primary economic environment in which it operates. All figures presented in the consolidated financial statements are reflected in U.S. dollars, which is the functional currency of the Company and all of its subsidiaries.

Once the Company determines the functional currency of a subsidiary, it is consistently used unless there are significant and clear indications that the functional currency has changed in economic facts and circumstances. Previously issued financial statements are not restated for any change in the functional currency.

Any transactions not denominated in the Company's functional currency are considered foreign currency transactions, and exchange differences arising from translation are recognized in profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash balances at financial institutions and highly liquid short-term investments with original maturities of three months or less that are readily convertible into known amounts of cash. Cash and cash equivalents are stated at cost which approximates fair value. Cash and cash equivalents are primarily held in U.S. dollars, Canadian dollars, Euros, and Colombian pesos. Cash and cash equivalents are invested in banks in the U.S., Canada, Columbia. and Germany. Such deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions. The Company has not experienced any losses on deposits of cash and cash equivalents.

Restricted Cash

Restricted cash is comprised of cash on deposit for payments related to the cash on deposit for certain of the Company's lease arrangements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company limits its exposure by primarily placing its cash in accounts with high credit quality financial institutions.

The Company derives its accounts receivable from revenues earned from customers. The Company bases credit decisions primarily on a customer's past credit history, before the customer is granted standard credit terms, which range from net 30 to 60 days.

As of December 31, 2023, two of the Company's customers accounted for an aggregate of approximately 70% of the Company's outstanding accounts receivable.

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As of December 31, 2022, four of the Company's customers accounted for an aggregate of approximately 55% of the Company's outstanding accounts receivable.

Accounts Receivable

The Company had accounts receivable, net of \$907 and \$2,252 as of December 31, 2023, and December 31, 2022, respectively. The Company reports accounts receivable at their net realizable value, which is management's best estimate of the cash that will ultimately be received from customers. The Company maintains an allowance for expected credit losses to reflect the expected non-collectability of accounts receivable based on historical collection data and specific risks identified among uncollected accounts, as well as management's expectation of future economic conditions. The Company also considers relevant qualitative and quantitative factors to assess whether historical loss experience should be adjusted to better reflect the risk characteristics of the companies' receivables and the expected future losses. If current or expected future economic trends, events, or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Accounts receivables are written off after exhaustive collection efforts occur and the receivable is deemed uncollectible. As of December 31, 2023 and 2022, the Company had \$825 and \$885 respectively, in allowance for expected credit losses on gross receivables.

Other Receivables

Other receivables arise from transactions other than credit sales. The Company's other receivables primarily relate to value added taxes, other taxes and recoverable sales.

Inventories

Inventories consist of raw materials, work-in-progress, and finished goods, and are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is equal to the estimated selling price in the ordinary course of business, less estimated costs of sale or completion. Cost of inventories include all direct expenditures to get the inventory ready for sale, attributable overhead, and are determined as follows:

Raw materials

- Purchase costs on a weighted average cost basis.
- Consist of soil, fertilizers, seeds, and other supplies and consumables used in the cultivation and processing of cannabis. In addition, flavorings, sugars, vitamins, additives, and components used to manufacture finished goods including bottles, packaging, and shrink wrap are used in the production of the Company's nutraceutical products.

Work-in-progress

- Costs of direct raw materials, labor, and attributable overhead incurred to cultivate cannabis plants, and process and develop cannabis derivatives, manufacture, handle and shipment of finished goods.
- Consist of cannabis buds currently in the propagation, vegetation, or flowering stages (i.e. cultivated cannabis), and any harvested dry cannabis to be used in the production of cannabis derivatives (i.e. harvested cannabis and extracts).

Finished goods

- Costs of direct raw materials, labor, and attributable overhead incurred based on normal operating capacity to complete finished goods.
- Consist of completed cannabis derivatives, such as cannabis oils and capsules (i.e. cannabis extracts); health and wellness supplements such as liquid and solid dose personal cleansing products, dietary supplements, and personal health care items.

The Company writes down inventory for any obsolescence during the period or when the net realizable value of inventory is less than the carrying value. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from the amounts that the Company may ultimately realize upon the disposition of inventories if future economic conditions, customer inventory levels, product discontinuances, sales return levels or competitive conditions differ from the Company's

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estimates and expectations. Any inventory write-downs to net realizable value are not reversed for subsequent recoveries in value, except in cases of changes in exchange rates.

Investments

The Company determines the appropriate classification of its equity investments at the date of purchase and reevaluates the classification at the statement of financial position date. The Company measures equity instruments at fair value and recognizes any changes in fair value in its consolidated statement of operations. The Company measures equity investments without a readily determinable fair value that do not qualify for the net asset value practical expedient under Topic 820 at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

In regards to the Company's interests in entities that do not meet the requirements for consolidation, the Company uses either the cost method of accounting whereby it records the investments at historical cost (as a policy choice in accordance with ASC 321 measurement alternative) or the equity method of accounting whereby it records its share of the underlying income or loss of these entities, as well as adjustments for basis differences. The evaluation of whether the Company exerts control or significant influence over the financial and operational policies of an entity requires judgment based on the facts and circumstances surrounding each individual entity.

Fair Value of Financial Instruments

The Company's financial instruments are measured and reported at fair value, which is the price receivable upon sale of an asset or payable upon transfer of a liability in the principal or most advantageous market for the asset or liability, conducted in an orderly transaction between market participants at the measurement date. Carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable (trade and accrued liabilities) approximate their fair value, as the time between initiation and the eventual realization of their value is relatively short-term in nature. Estimates of the fair value of an asset or liability consider the unique characteristics of the asset or liability, and consider inputs such as liquidity risk, foreign exchange risk, and volatility.

The fair value hierarchy is based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Based on quoted (unadjusted) market prices in active markets using observable inputs, for identical assets or liabilities;
- Level 2 — Based on inputs other than quoted prices in active markets, that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Based on unobservable inputs, where little to no market data exists, that is significant to the fair value measurement is unobservable and thus require more assumptions by the Company.

For assets and liabilities recognized at fair value on a recurring basis, the Company reassesses categorization to determine whether changes have occurred between the hierarchy levels at the end of each reporting period.

Property, Plant and Equipment, Net

Property, plant and equipment, net is recorded at cost, net of accumulated depreciation and any accumulated impairment losses, if applicable. Attributed costs include the original cost of the item, any direct materials and labor to bring the asset into working condition, borrowing costs, and costs of replacing parts if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated statement of operations as incurred.

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Depreciation begins when the asset becomes available for use and is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Estimated Useful Life (In Years)
Land	N/A – indefinite
Buildings & warehouse	2 – 40 years
Furniture and appliances	5 years
Agricultural equipment	2 – 10 years
Computer equipment	3 years
Laboratory equipment	3 – 20 years

The Company reviews the depreciation method, residual values, and useful lives of property, plant and equipment at least annually and adjusts prospectively, if appropriate.

The carrying amount of an asset and any significant part is derecognized on disposal of the asset, or when no future economic benefits are expected from its continued use. Any gain or loss arising on derecognition of the asset (equal to the difference between the net disposal proceeds and the carrying amount) is included in the consolidated statement of operations in the period of derecognition.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company estimates the undiscounted future cash flows (excluding interest) resulting from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset.

In the fourth quarter of 2023, the company noted sustained decline of market capitalization as indication of impairment and performed recoverability test considering this as triggering event. Based on the analysis performed, there were no impairment charges to long-lived assets during the year ended December 31, 2023.

We recognized an impairment charge of \$14,160 related to our long-lived assets during the year ended December 31, 2022. For more information refer to Note 21.

Borrowing costs, which consist of interest and other costs incurred by the Company in connection with the borrowing of funds, are capitalized as part of the cost of a qualifying asset if it is directly attributable to the acquisition, construction or production of the respective asset. All other borrowing costs are expensed in the period in which they are incurred.

Intangible Assets

Intangible assets include the licenses acquired as part of the acquisition of Herbal Brands and Clever Leaves through business combinations (Note 8), as well as trade name, customer relationships, contracts and customer lists. Intangible assets acquired in a business combination are initially recognized as cost at their fair value based on the present value of expected future cash flows as at the date of acquisition. After initial measurement, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Costs of internally developed intangible assets are not capitalized, and related expenditures are recognized in profit or loss as incurred.

Intangible assets are assessed to determine whether they have finite or indefinite useful lives, and the carrying values and remaining estimated useful lives are subject to impairment testing to determine if events or circumstances warrant a revision.

Intangible Assets with Finite Useful Lives

Intangible assets with finite lives are amortized over their respective useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The Company reviews the amortization period and

CLEVER LEAVES HOLDINGS INC.**Notes to the Consolidated Financial Statements**

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the amortization method for an intangible asset with a finite useful life on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates to be applied prospectively. The amortization expense on intangible assets with finite lives is recognized in profit or loss. The finite lived intangible assets acquired in the Herbal Brands acquisition and the related estimated useful lives at time of acquisition were as follows:

	Remaining Useful Life at the Acquisition Date (In Years)
<i>Finite-lived intangible assets:</i>	
Customer contracts	8.7
Customer relationships	4 - 7
Customer list	5
Trade name	10

Amortization of finite lived intangibles is calculated on a straight-line basis over the estimated useful lives of the assets.

Warrant Liability

Warrants are accounted for in accordance with the applicable authoritative accounting guidance as either liabilities or as equity instruments depending on the specific terms of the agreements. Liability-classified instruments are recorded at fair value at each reporting period with any change in fair value recognized as a component of change in fair value of warrant liabilities in the consolidated statements of operations and comprehensive loss.

Revenue Recognition

The Company elected to use the practical expedient prescribed by the standard and applied the standard using a portfolio approach to contracts (or performance obligations) with similar characteristics, as the Company reasonably expects that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. 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.

In instances when the Company's products are sold under consignment arrangements, the Company does not recognize revenue until control over such products has transferred to the end consumer.

The Company's net revenues are comprised of gross revenues from sales of products less expected product returns, trade discounts and customer allowances, which include costs associated with mark-downs and other price reductions. Product returns are not material to Company net sales.

The Company incurs costs associated with product distribution, such as freight and handling costs. The Company has elected to treat these costs as fulfillment activities and recognizes these costs at the same time that it recognizes the underlying product revenue.

See Note 14 for disaggregated revenue data.

CLEVER LEAVES HOLDINGS INC.

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Share-Based Compensation

The Company grants share-based awards to employees and directors of the Company as compensation for services rendered or performance achieved. We recognize the cost of share-based awards granted to employees and directors based on the estimated grant-date fair value of the awards. The fair value is recognized as compensation expense over the requisite service period for all awards that vest. For performance-based stock options, compensation cost is recognized over the requisite service period if it is probable that the performance condition will be satisfied. Compensation costs for awards that cliff vest and for graded vesting awards based solely on service conditions are recognized on a straight-line basis. Graded vesting based on performance conditions are recognized on a ratable basis over the requisite service period using the accelerated attribution model. For restricted stock, compensation cost is recognized over the original restriction period. The Company reverses previously recognized costs for unvested options in the period that forfeitures occur. The Company's restricted stock units with a performance vesting condition were measured at fair value on its grant date using a risk-neutral Monte-Carlo simulation model. The Monte-Carlo model includes assumptions for expected term, volatility, risk free interest rate and dividend yield, each of which are determined in reference to the Company's historical results. The Company determines the fair value of the stock options using the Black-Scholes option pricing model, which are impacted by the following assumptions:

- *Expected Term*—Expected option term is calculated considering the weighted average mid-point of the vesting and expiry dates, compared to the grant date. The expected term used in the Monte-Carlo simulation model to determine the fair value of the market-based RSUs granted was 2.1 - 2.4 years.
- *Expected Volatility*—Volatility range is based on historical industry volatility at the grant date.
- *Expected Dividend Yield*—The dividend rate used is zero as we have never paid any cash dividends on common shares and do not anticipate doing so in the foreseeable future.
- *Risk-Free Interest Rate*—The interest rates used are based on USD treasury yields at the grant date, with a term to maturity matching the expected option term.

Reportable Segments

Refer to Note 15 for more information on the Company's operating segments.

Income Taxes

Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities and includes foreign income taxes from the Company's operations that are consolidated, combined, for accounted for under the equity method. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Management makes an assessment of the likelihood that the resulting deferred tax assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes uncertain income tax positions at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Changes in recognition or measurement are reflected in the period in which judgment occurs.

The Company recognizes any interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying Consolidated Statements of Net Loss and Comprehensive Loss.

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Net Loss Per Share

The Company applies basic and diluted net loss per share attributable to the Company's common shareholders when shares meet the definition of participating securities.

Basic net loss per share attributable to the Company shareholders is computed by dividing net loss by the weighted-average number of shares outstanding during the period without consideration of potentially dilutive common shares.

Diluted net loss per share reflects the potential dilution that could occur if securities or other contracts to issue the Company's common shares were exercised or converted into common shares or resulted in the issuance of common shares that then shared in the earnings of the Company unless inclusion of such shares would be anti-dilutive. For periods in which the Company reports net losses, diluted net loss per common share attributable to the Company common shareholders is the same as basic net loss because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Research and Development Costs

The Company expenses research and development ("R&D") costs as incurred. R&D includes expenditures for new products and process innovation, as well as significant technological improvements to existing products and processes. The Company's R&D expenditures primarily consist of payroll-related costs and office and general costs attributable to time spent on R&D activities. Other costs include depreciation and amortization of facilities and equipment and legal and professional fees related to R&D activities.

Reclassifications

As part of our ongoing efforts to enhance the transparency and consistency of our financial reporting, we have reclassified certain financial statement line items of our Form 10-K. We believe that these reclassifications provide a more accurate representation of our financial position and results of operations.

These reclassifications do not impact our previously reported financial results, as they represent a reorganization of the presentation of the financial statements rather than a change in the underlying accounting principles or policies. The reclassifications are intended to align our financial statement presentation with industry practices and improve comparability with peer companies.

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 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.

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU No. 2020-06, Debt (Topic 815)

In August 2020, the FASB issued ASU No. 2020-06, Debt - (Topic 815) ("ASU No. 2020-06"), which simplifies an issuer's accounting for convertible instruments and its application of the derivatives scope exception for contracts in its own equity. The amendments in ASU No. 2020-06 are effective for public companies, other than smaller reporting companies, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early

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adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company does not expect the adoption to have a material impact to its consolidated financial statements.

ASU No. 2023-07, Segment Reporting (Topic 280)

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”). ASU 2023-07 enhances reportable segment disclosures about significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. Additionally, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, and contain other disclosure requirements. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and we expect to adopt ASU 2023-07 prospectively. The Company does not expect the adoption of ASU 2023-07 to have a material impact on its consolidated financial statements.

ASU No. 2023-09, Income Taxes (Topic 740)

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 enhances the existing income tax disclosures to provide additional information to better assess how an entity’s operations, related tax risks and tax planning, and operational opportunities affect its tax rate and prospects for future cash flows. ASU 2023-09 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and we expect to adopt ASU 2023-09 prospectively. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its consolidated financial statements.

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 December 31, 2023				
Assets:				
Investment – Cansativa	—	—	—	—
Total Assets	\$ —	\$ —	\$ —	\$ —
Liabilities:				
Loans and borrowings	—	1,218	—	1,218
Total Liabilities	\$ —	\$ 1,218	\$ —	\$ 1,218
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 was fully divested during the three months ended December 31, 2023. Please refer to Note 7.

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

	Level 3
Balance, December 31, 2022	\$ 5,679
Proceeds from sale of investment	\$ (1,863)
Loss on sale of investment	\$ (3,738)
Loss due to foreign exchange fluctuation	\$ (78)
Balance, December 31, 2023	<u>\$ —</u>

During the years ended December 31, 2023 and December 31, 2022, there were no transfers between fair value measurement levels.

5. INVENTORIES, NET

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

	December 31, 2023	December 31, 2022
Raw materials	\$ 1,095	\$ 1,204
Work in progress – harvested cannabis and extracts	92	21
Finished goods – cannabis extracts	1,396	6,703
Finished goods – other	1,900	471
Total	<u>\$4,483 (a)</u>	<u>\$8,399 (b)</u>

(a) inventory attributed to cannabis and non-cannabis was \$3,456 and \$1,027, respectively.

(b) inventory attributed to cannabis and non-cannabis was \$7,260 and \$1,139, respectively.

During the years ended December 31, 2023 and 2022, the Company recorded inventory provision for approximately \$1,359 and \$4,736, respectively, to cost of sales for obsolete inventories.

6. PREPAID, DEPOSITS AND OTHER RECEIVABLES

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

	December 31, 2023	December 31, 2022
Prepaid expenses & advances	378	650
Indirect tax receivables	1,172	2,007
Deposits	99	51
Total	<u>\$ 1,649</u>	<u>\$ 2,708</u>

Prepaid expenses and advances represent amounts paid upfront to vendors primarily for director and officer's insurance. Deposits includes security deposits for rent.

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7. INVESTMENTS

Cansativa

On October 17, 2023, the Company completed sale of remaining Cansativa investments of 3,648 shares of Cansativa (the “Shares”), representing its entire interest in Cansativa, of which 3,582 Shares were purchased by Cansativa GmbH and 66 Shares were purchased by Entrepreneurial Investment GmbH IP, for a total purchase price of approximately €1,817 (\$1,863). A total loss of \$3,738 was recorded in other Expense (Income) in the Consolidated Statements of Operations during the year ended December 31, 2023 as the difference between the sale price and the carrying value on the date of sale.

During 2022, the Company sold 1,586 shares in Cansativa to an unrelated third-party for approximately EUR2,300. At the time of the sale, the Company compared the transaction value of the shares sold to the carrying value of shares sold and recognized a gain of \$1,983. Immediately following the sale, the Company remeasured its retained interest which resulted in an additional gain of \$4,868. As a result, a total of \$6,851 was recorded in other income in the Consolidated Statements of Operations during the year ended December 31, 2022.

8. INTANGIBLE ASSETS, NET

The Company had acquired cannabis-related licenses as part of a business combination in 2018 with a gross value of approximately \$9,000, having indefinite useful lives and expected to generate economic benefit to the Company in perpetuity.

However, in the year ended December 31, 2022 due to continued decline in the Company’s stock price and that year’s projected revenues falling behind the target, the Company performed an interim impairment assessment on its indefinite-lived intangible assets and recognized an impairment charge of \$19,000 along with the related deferred tax liability write-off of \$6,650 for the year then ended. In addition, 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 years ended December 31, 2023 and 2022 the Company recorded approximately \$701 and \$763, respectively, of amortization related to its finite-lived intangible assets.

The following tables present details of the Company’s total intangible assets as of December 31, 2023 and December 31, 2022.

The value of product formulation intangible asset is included in the value of Brand:

	December 31, 2023			Weighted-Average Useful Life (in Years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
<i>Finite-lived intangible assets:</i>				
Customer contracts	\$ 925	\$ 925	\$ —	0.0
Customer relationships	1,000	790	210	2.3
Customer list	650	607	43	0.3
Brand	4,516	2,116	2,400	5.3
Total finite-lived intangible assets	\$ 7,091	\$ 4,438	\$ 2,653	

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

Impairment Testing - Finite-Lived Intangibles

Due to the continued decline in the Company's stock price and the current year's projected revenues falling behind target, the Company considered these as triggering events and performed ASC 360 analysis. 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). 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 year ended December 31, 2023 and 2022, no impairment was recognized related to the carrying value of any of the Company's finite lived intangible assets.

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 December 31, 2023:

	Estimated Amortization Expense
2024	\$ 585
2025	542
2026	482
2027	452
2028	451
Thereafter	141
Total	\$ 2,653

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9. PROPERTY, PLANT AND EQUIPMENT, NET

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

	December 31, 2023	December 31, 2022
Land	\$ 1,806	\$ 1,806
Building & warehouse	7,817	7,658
Laboratory equipment	6,571	6,416
Agricultural equipment	1,598	1,477
Computer equipment	1,384	1,397
Furniture & appliances	828	785
Construction in progress ^(b)	162	240
Other	948	1,304
Property, plant and equipment, gross	21,114	21,083
Less: accumulated depreciation^(a)	(8,793)	(7,120)
Property, plant and equipment, net	\$ 12,321	\$ 13,963

(a) The Company recorded total depreciation expense in the Consolidated Statement of Operations for approximately €673 and \$1,418 in 2023 and 2022, respectively. Total depreciation for the year ended December 31, 2023 includes approximately \$738 and \$973 of depreciation, included in cost of goods sold and research & development expense respectively. Total depreciation for the year ended December 31, 2022 includes approximately \$213 and \$802 of depreciation, included in inventory and costs of goods sold, respectively.

(b) Construction in progress primarily relate to on-going construction of the Company's Colombian facilities.

10. DEBT

	December 31, 2023	December 31, 2022
Current portion	498	465
Non-current portion	720	1,065
Total Debt	\$ 1,218	\$ 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 percentage points.

For the years ended December 31, 2023 and 2022, the Company recognized interest expense of approximately €41 (\$44) and €28 (\$30), respectively, and repaid principal of approximately €250 (\$268) and €250 (\$264), respectively, of the Portugal Debt in accordance with the terms of the loan agreement. The outstanding principal balance of the Portugal Debt as of December 31, 2023 and December 31, 2022 was €500 (\$552) and €750 (\$805), respectively. In December 2022, the Company approved a plan to shut-down its cultivation activities in Portugal in order to preserve cash and ceased its operations in 2023. The Portugal Debt was not discharged as part of the restructuring and remains outstanding.

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

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12.25% per annum denominated in Colombian pesos. The principal and interest are repaid semi-annually. For the years ended December 31, 2023 and 2022, the outstanding principal balance was approximately COP\$2,543,867 (\$666) and COP\$3,471,576 (\$725), respectively.

Schedule of Principal Maturities of Debt:

The future scheduled principal maturities of debt as of December 31, 2023 were as follows:

2024	\$	498
2025		498
2026		222
Total future principal maturities	\$	1,218

11. CAPITAL STOCK

Common Shares

As of December 31, 2023 and 2022, a total of 1,727,698 and 1,454,559 (on a post-Reverse Share Split basis) 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.

In April 2022, the Company fully repaid its 2024 Convertible Note with accrued interest. In connection with the convertible note purchase agreement, the Company issued a total of 50,233 (Pre-split 1,507,000) common shares upon debt conversion to the note holder as of December 31, 2022.

Reverse Share Split

On June 28, 2023, the board of directors of the Company approved a 1-for-30 reverse share split. On August 24, 2023, the Company effected the reverse share split in order 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 were reduced from approximately 45.7 million to approximately 1.5 million, based on the number of common shares outstanding as of August 24, 2023. All share and per share information in these financial statements has been retroactively adjusted to reflect the reverse share split. No fractional shares were 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 was rounded down and canceled without consideration to the holders thereof and each fractional share that was at least half of a whole share was rounded up to one whole common share. The reverse share split was applied to all the Company's outstanding common shares and therefore did 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 did not alter the voting rights or other rights attached to the shares.

The reverse share split was effected to, regain compliance with Nasdaq Listing Rule 5550(a)(2), which required the Company, to maintain a minimum bid price of at least \$1.00 per share. On September 11, 2023, the Company received a letter from Nasdaq confirming it had regained compliance with Listing Rule 5550(a)(2).

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 this Form 10-K, we expect to continue to be subject to the limitations under General Instruction I.B.6. of Form S-3. As such we will not be able to sell more than one-third of the aggregate market value of the voting and non-voting

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common equity held by non-affiliates, with such aggregate market value calculated using figures from a date or dates, as the case may be, within the preceding 60 days from the filing of this Form 10-K. We will file any prospectus supplements as may be required to reflect such lower maximum offering amount. 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 year ended December 31, 2023, the Company issued and sold 253,898 shares (on a post-Reverse Share Split basis) pursuant to the ATM offering, for aggregate net proceeds \$1,140, which consisted of gross proceeds of \$1,339 and \$199 equity issuance costs. No shares were sold pursuant to the ATM offering during the three months ended December 31, 2023.

Warrants

As of December 31, 2022, excluding the Rock Cliff warrants, the Company had 12,877,361 of its public warrants classified as a component of equity and 4,900,000 of its private warrants recognized as liability. In connection with the Reverse Share Split, the warrants were adjusted in accordance with their terms such that each warrant entitles the holder to purchase 1/30 common share at an exercise price of \$11.50 per warrant. The warrants expire on December 18, 2025, at 5:00 p.m., New York City time, or earlier upon redemption. 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 \$540.00 per share (on a post-Reverse Share Split basis) for any 20 trading days within a 30 trading day period ending on the third trading day prior to the date on which the Company will send the notice of redemption to the warrant holders. The private warrants were issued in the same form as the public warrants, but they (i) are not redeemable by the Company and (ii) may be exercised for cash or on a cashless basis at the holder's option, in either case as long as they are held by the initial purchasers or their permitted transferees (as defined in the warrant agreement). Once a private warrant is transferred to a holder other than an affiliate or permitted transferee, it is treated as a public warrant for all purposes. The terms of the warrants may be amended in a manner that may be adverse to holders with the approval of the holders of at least a majority 50.1% of the then outstanding warrants.

In accordance with 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 in the period of change.

For the year ended December 31, 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 of approximately \$2,092, respectively in its consolidated statement of operations.

On December 10, 2023, the Company terminated the private warrants and recorded a net gain of approximately \$107 on termination of which is included in the statement of operations for the year ended on December 31, 2023 along with the net gain of \$6 directly attributable to remeasurement of the warrant liability at the end of each quarter during the year. As of December 31, 2023 there were no private warrants recognized as a liability.

Herbal Brands Acquisition

In April 2019, the Company issued the Rock Cliff Warrants to purchase 193,402 Clever Leaves Class C convertible preferred shares on a 1:1 basis, at a strike price of \$8.79 per share. The fair value of the Rock Cliff Warrants was \$717. The warrants can be exercised in part or in whole at any time prior to the expiration date of May 3, 2021, and are not assignable, transferable, or negotiable. The equity classified warrants are amortized to interest expense over the life of the debt.

In August 2020 and in connection with the Company's modification to the Herbal Brands Loan, the Company extended the expiration date of the Rock Cliff Warrants to May 3, 2023 and the Rock Cliff Warrants expired on that date.

In May 2022, the Company fully repaid the Herbal Brands Loan in the amount of approximately \$5,642, including interest and fees, in full satisfaction of Herbal Brands' obligations under the Loan and Security Agreement. As a result of the full repayment of the Herbal Brand Loan, the Company recorded the remaining amortization balance of the Rock Cliff Warrants within interest and amortization of debt issuance cost in the consolidated statement of operation as of June 30, 2022.

During the years ended December 31, 2023 and 2022, the Company recorded \$nil and \$38, respectively, to interest expense.

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Subsequent to year end, we sold our non cannabinoid business segment comprised of nutraceutical and other natural remedies, wellness products, detoxification products, and nutritional and dietary supplements. See Note 22 to our consolidated financial statements for the year ended December 31, 2023 included in this Form 10-K for more information.

12. GENERAL AND ADMINISTRATION

The components of general and administrative expenses were as follows:

	Year ended	
	December 31, 2023	December 31, 2022
Salaries and benefits	\$ 9,416	\$ 12,272
Office and administration	2,818	4,173
Professional fees	3,589	3,633
Share based compensation	818	2,343
Rent	747	814
Other	605	595
Total	\$ 17,993	\$ 23,830

13. SHARE-BASED COMPENSATION

Northern Swan Holdings, Inc. 2018 Omnibus Incentive Compensation Plan

The Northern Swan Holdings, Inc. 2018 Omnibus Incentive Compensation Plan, as amended (the "2018 Plan") provides for the Company to grant incentive stock options, nonqualified stock options, restricted share units ("RSUs") and other share-based awards to its employees, directors, officers, outside advisors and non-employee consultants. The 2018 Plan was terminated as of December 18, 2020 in respect of future grants of awards and issuances and distributions of common shares, other than issuances of common shares upon the exercise of options or the vesting of RSUs granted under the 2018 Plan that were outstanding on December 18, 2020.

As of December 31, 2020, the Company had reserved 150,000 (Pre-Split 4,500,000) common shares for issuance to its employees, directors, outside advisors and non-employee consultants pursuant to the 2018 Plan. Unless otherwise provided, at the time of grant, the options issued pursuant to the 2018 Plan expire ten years from the date of grant and generally vest over four years, with 25% of the award vesting in four equal installments. No new awards have been issued under the 2018 Plan since 2020.

Clever Leaves Holdings Inc. 2020 Incentive Award Plan

In connection with the Business Combination, the Company adopted the Clever Leaves Holdings Inc. 2020 Incentive Award Plan (the "2020 Plan") which provides for the Company to grant incentive stock options, non-qualified stock options, RSUs and other shares-based awards to its employees, directors, officers, outside advisors and non-employee consultants.

Under the 2020 Plan, the Company had reserved 93,774 (Pre-Split 2,813,215) common shares for issuance to its employees, directors, outside advisors and non-employee consultants which were further increased to 279,607 (Pre-Split 8,388,215) common shares by adding 185,833 (Pre-Split 5,575,000) shares to the 2020 Plan during the year. Unless otherwise provided, at the time of grant, the options and RSUs issued pursuant to the 2020 Plan generally expire ten years from the date of grant and generally vest over four years, with 25% of the award vesting in four equal installments. As of December 31, 2023 and December 31, 2022, 194,090 and 38,065 (Pre-Split 1,141,945) common shares, respectively, were available for future grants of the Company's common shares under the 2020 Incentive Award Plan.

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Clever Leaves Holdings Inc. 2020 Earnout Award Plan

In connection with the Business Combination, the Company adopted the Clever Leaves Holdings Inc. 2020 Earnout Award Plan (the “Earnout Plan”). The purpose of the Earnout Plan is to provide equity awards following the closing of the Business Combination to certain directors, employees and consultants that have contributed to the Business Combination. Under the Earnout Plan, (i) shares constituting 50% of the share reserve were to be issuable only if the closing price of the Company's common shares on Nasdaq equals or exceeds \$375 per share (as adjusted for shares splits, reverse splits, stock dividends, reorganizations, recapitalization or any similar event) for any 20 trading days within any consecutive 30 trading day period on or before the second anniversary of the closing (which condition was met on March 16, 2021), and (ii) shares constituting the remaining 50% of the share reserve will be issued only if the closing price of the Company's common shares on Nasdaq equals or exceeds \$50 per share (as adjusted for stock splits, reverse splits, stock dividends, reorganizations, recapitalizations or any similar event) for any 20 trading days within any consecutive 30 trading day period on or before the fourth anniversary (December 18, 2024) of the closing. Equity awards granted prior to these hurdles being met will vest only if the applicable hurdles are achieved; equity awards granted following the hurdles being achieved need not include the hurdles. In addition, the Company's board of directors may choose to impose additional vesting conditions.

The 2018 Plan, 2020 Plan, and Earnout Plan are administered by the Company's board of directors or, at the discretion of the Company's board of directors, by a committee thereof. The exercise prices, vesting and other restrictions are determined at the discretion of the Company's board of directors, or its committee if so delegated. The Company's board of directors values the Company's common shares, taking into consideration the most recently available valuation thereof performed by third parties, as well as additional factors which may have changed since the date of the most recent contemporaneous valuation through the date of grant.

As of December 31, 2023 and December 31, 2022, 18,703 and 17,955 (Pre-Split 538,651) common shares, respectively, were available for future issuance under the 2020 Earnout Award Plan.

Share-Based Compensation Expense

The following table summarizes the Company's share-based compensation expense for each of its awards, included in the Consolidated Statement of Operations:

	Year Ended	
	December 31, 2023	December 31, 2022
Share-based compensation award type:		
Stock Options	\$ 158	\$ 237
RSUs	660	2,106
Total Shared Based Compensation Expense	\$ 818	\$ 2,343

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

Share-Based Award Valuation

The following table presents the weighted average assumptions used in the Black-Scholes Merton option pricing model to

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determine the fair value options granted during the periods presented:

	Weighted Average Assumptions	
	December 31, 2023	December 31, 2022
Risk-free interest rate	N/A ^(b)	0.40% - 2.82%
Expected dividend yield	N/A ^(b)	0.0%
Expected volatility	N/A ^(b)	75% to 90%
Expected life (in years)	N/A ^(b)	0.25 - 6.08
Exercise price (per share) ^(a)	N/A ^(b)	\$1.64 - \$2.76

^(a) The Company has reported exercise price in previous period to conform to the current period presentation.

^(b) N/A - No new options were granted during the year

Stock Options

The following table summarizes the Company's stock option activity during the years ended December 31, 2023 and 2022:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance as at December 31, 2021	26,139	\$ 177.73	3.68	\$ —
Granted	771	\$ 64.80	7.05	\$ —
Exercised	(5,296)	\$ 7.20	—	\$ 130
Forfeited	(2,025)	\$ 225.93	—	\$ —
Expired	(5,970)	\$ 190.20	—	\$ —
Balance as at December 31, 2022	13,619	\$ 214.51	2.56	\$ —
Granted	—	\$ —	7.05	\$ —
Forfeited	(1,095)	\$ 261.54	—	\$ —
Expired	(4,222)	\$ 320.87	—	\$ —
Balance as at December 31, 2023	8,302	\$ 153.01	1.36	\$ —
Vested and expected to vest as at December 31, 2023	7,960	\$ 146.70	1.40	\$ —
Vested and exercisable as at December 31, 2023	7,115	\$ 116.16	0.86	\$ —

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

The weighted-average grant-date fair value per share of stock options granted during the years ended December 31, 2023 and 2022 was \$11 and \$48.74 (adjusted post-split), respectively.

The share-based compensation expense related to unvested stock options awards not yet recognized as of December 31, 2023 and 2022 was \$36 and \$392 (adjusted post-split), which is expected to be recognized over a weighted average period of 0.8 years and 1.0 year, 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 change in the Company's time-based restricted share unit activity during the years ended

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December 31, 2023 and 2022:

	Restricted Share Units	Weighted-Average Grant Date Fair Value
Unvested as of December 31, 2021	16,762	\$ 327.90
Granted	66,819	\$ 75.90
Vested	(9,235)	\$ 275.70
Canceled/forfeited	(28,780)	\$ 112.50
Unvested as of December 31, 2022	45,566	\$ 105.05
Granted	45,251	\$ 7.49
Vested	(18,164)	\$ 89.84
Canceled/forfeited	(8,949)	\$ 44.55
Unvested as of December 31, 2023	63,704	\$ 48.59

The stock-based compensation expense related to unvested time-based restricted share units not yet recognized as of December 31, 2023 and 2022 were \$,559 and \$2,949, respectively, which is expected to be recognized over a weighted average period of 0.8 years and 1.8 years respectively.

Market-based Restricted Share Units

The Company has previously granted RSUs with both a market conditions and a service condition (market-based RSUs) to the Company's employees. No such market-based RSU were granted during the year ended December 31 2023 and 2022. The market-based condition for these awards requires that (i) the Company's common share maintain a closing price equal to or greater than \$375 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 share maintain a closing price equal to or greater than \$450 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 RSUs will vest in four equal annual installments on the applicable vesting date. The RSUs with the closing-price condition of \$375 or more was met in the year ended December 31, 2021.

The following table summarizes the change in the Company's market-based restricted share units activity during the years ended December 31, 2022 and December 31, 2023.

	Restricted Share Units	Weighted-Average Grant Date Fair Value
Unvested as of December 31, 2021	35,789	\$ 388.20
Granted	—	—
Vested	(3,350)	417.37
Canceled/forfeited	(14,807)	387.00
Unvested as of December 31, 2022	17,632	\$ 384.03
Granted	—	—
Vested	(1,372)	415.92
Canceled/forfeited	(5,990)	387.85
Unvested as of December 31, 2023	10,270	\$ 379.78

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The share-based compensation expense related to unvested market-based RSUs not yet recognized as of December 31, 2023 and 2022 were \$459, and \$2,081 which is expected to be recognized over a weighted average period of 1.0 year year and 2.1 years respectively.

The following table represents the weighted-average assumptions used in the Monte Carlo simulation model to determine the fair value of the restricted share units granted during the years ended December 31, 2022 and December 31, 2023.

	Weighted Average Assumptions	
	December 31, 2023	December 31, 2022
Grant date share price	\$7.49	\$75.89
Risk-free interest rate	3.64%	1.56%
Expected dividend yield	0.0%	0.0%
Expected volatility	75%	75%
Expected life (in years)	0.42	2.1-2.4

14. REVENUE

Disaggregation of Revenue

See Note 15 Segment Reporting for disaggregation of revenue data.

Contract Balances

The timing of revenue recognition, billing and cash collections results in billed accounts receivable, 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 December 31, 2023 and 2022, the Company's deferred revenue, included in current liabilities was \$20 and \$1,072, respectively.

15. 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

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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 to consolidated income 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 Intangible Assets.

As of December 31, 2023 and December 31, 2022 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, 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.

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

	Year ended	
	December 31, 2023	December 31, 2022
Segment Net Revenue:		
Cannabinoid	\$ 6,558	\$ 4,729
Non-Cannabinoid	10,859	11,681
Total Net Revenue	17,417	16,410
Segment Profit (Loss):		
Cannabinoid	(10,783)	(17,354)
Non-Cannabinoid	2,247	1,346
Total Loss	\$ (8,536)	\$ (16,008)
Reconciliation:		
Total Segment Loss	(8,536)	(16,008)
Unallocated corporate expenses	(7,221)	(8,328)
Non-cash share based compensation	(818)	(2,343)
Depreciation and amortization	981	(1,240)
Intangible Asset Impairment	—	(19,000)
Loss from operations	\$ (15,594)	\$ (46,919)
Loss on debt extinguishment, net	—	2,263
Gain on remeasurement of warrant liability	(113)	(2,092)
Loss (Gain) on investment	3,738	(6,851)
Foreign exchange loss	433	963
Interest expense	46	2,672
Other expense (income), net	31	220
Loss from operations before income taxes and equity investment loss	\$ (19,729)	\$ (44,094)

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:

CLEVER LEAVES HOLDINGS INC.
Notes to the Consolidated Financial Statements

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

	Percentage of Revenues		Percentage of Accounts Receivable	
	December 31,		December 31,	
	2023	2022	2023	2022
Customer A ^(b)	12%	13%	16%	18%
Customer B ^(a)	12%	*	*	*
Customer E ^(a)	*	*	*	10%
Customer F ^(a)	*	*	20%	13%
Customer G ^(a)	*	*	13%	*
Customer H ^(a)	*	*	12%	*

* denotes less than 10%

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

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

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

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

	December 31, 2023	December 31, 2022
Long-lived assets		
Cannabinoid	\$ 13,756	\$ 15,308
Non-Cannabinoid	65	155
Total	\$ 13,821	\$ 15,463

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

	Year ended	
	December 31, 2023	December 31, 2022
Mass retail	\$ 11,377	\$ 8,531
Distributors	4,838	6,796
Specialty, health and other retail	255	577
E-commerce	947	506
	\$ 17,417	\$ 16,410

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

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

	Year Ended December 31,	
	2023	2022
United States	\$ 10,859	11,461
Israel	600	991
Australia	1,683	1,455
Brazil	3,099	1,431
Germany	235	839
Other	941	233
Total	\$ 17,417	\$ 16,410

^(a) The Company has presented December 31, 2022 information to conform to the current period presentation.

16. INCOME TAX

Income tax recognized in the statement of operations:

	Year ended	
	December 31, 2023	December 31, 2022
Current tax		
Current tax expense in respect of the current year	\$ 68	\$ 296
Deferred tax		
Deferred tax expense (recovery) in the current year	—	(6,650)
Total income tax expense recognized in the current year	\$ 68	\$ (6,354)

The reconciliation of income tax expense attributable to loss before income taxes differs from the amounts computed by applying the combined federal and provincial combined tax rate of 27% (2022 — 27%) of pre-tax loss as a result of the following:

CLEVER LEAVES HOLDINGS INC.
Notes to the Consolidated Financial Statements

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

	Year ended	
	December 31, 2023	December 31, 2022
Net loss before income tax	\$ (19,729)	(44,094)
Expected federal income tax recovery calculated at 27% ^(a)	(5,327)	(11,905)
Effect of income/expenses, net, that are not (taxable)/deductible (permanent differences) in determining taxable profit	800	527
Tax rates differences applicable to foreign subsidiaries	929	(1,070)
Loss related to loan conversion		(319)
Change valuation allowance	4,065	7,961
Foreign exchange	(248)	—
Changes in tax rates	—	—
Intangible asset impairment - effect of tax rate difference	—	(1,520)
Other	(151)	(28)
Income tax expense	<u>\$ 68</u>	<u>\$ (6,354)</u>

(a) Due to the substantial alignment of the taxable income base between Canada and its provinces, the combined federal and provincial rate has been used as the reconciliation rate.

The following net deferred tax assets are not recognized in the consolidated financial statements due to the unpredictability of future income as of the periods presented:

	Year ended	
	December 31, 2023	December 31, 2022
Deferred tax asset (liability)		
Non-capital losses carry forward	\$ 42,510	\$ 37,212
Capital losses carryforward	796	3,198
Other	4,876	4,222
Property, plant and equipment	1,067	978
Intangibles	504	625
Deferred tax assets	<u>\$ 49,753</u>	<u>\$ 46,235</u>
Valuation allowance	(45,988)	(42,338)
Intangible assets	—	—
Investments	—	(600)
Other	(3,765)	(197)
Net deferred tax liability	<u>\$ —</u>	<u>\$ 3,100</u>

As at December 31, 2023, the Company has operating losses, which may be carried forward to apply against future year's income tax for income tax purposes, subject to final determination by taxation authorities and expiring as follows:

CLEVER LEAVES HOLDINGS INC.
Notes to the Consolidated Financial Statements

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

	Canada	United States	Colombia	United Kingdom	Portugal	Germany	Total
2030	\$ —	\$ —	\$ 2,689	\$ —	\$ —	\$ —	\$ 2,689
2031	—	—	12,395	—	1,853	—	\$ 14,248
2032	—	—	6,135	—	3,969	—	\$ 10,104
2033	—	—	7,591	—	4,037	—	\$ 11,628
2034	—	—	25,247	—	8,001	—	\$ 33,248
2035	—	—	7,364	—	7,866	—	\$ 15,230
2037	—	641	—	—	—	—	\$ 641
2038	—	—	—	—	—	—	\$ —
2039	502	—	—	—	—	—	\$ 502
2040	11,066	—	—	—	—	—	\$ 11,066
2041	8,869	—	—	—	—	—	\$ 8,869
2042	7,248	—	—	—	—	—	\$ 7,248
2043	4,669	—	—	—	—	—	\$ 4,669
Indefinite	—	14,648	—	319	—	12,868	\$ 27,835
Total	\$ 32,354	\$ 15,289	\$ 61,421	\$ 319	\$ 25,726	\$ 12,868	\$ 147,977

Should all of the deferred tax assets be recognized as an asset in the future, approximately \$90 of the benefit would be credited to share capital. Due to the losses sustained by the Company in the current and prior periods, no amount of deferred tax related to investments in subsidiaries has been recognized.

Uncertain Tax Benefits

The Company has recorded no provisions for, or reserved amounts related to unrecognized deferred tax assets in respect of, uncertain tax benefits for the year ended December 31, 2023 and there are no foreseeable changes for the 12 months following December 31, 2023. In the current year, the Company recorded \$14.5 of interest or penalties related to Canadian foreign reporting late filing penalties. All years since the incorporation of the Company and its subsidiaries remain open to be audited by tax authorities.

17. NET 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 the 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 loss per share when their effect is dilutive.

CLEVER LEAVES HOLDINGS INC.
Notes to the Consolidated Financial Statements

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

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:

	Year Ended	
	December 31, 2023	December 31, 2022
Numerator:		
Net loss from continuing operations	\$ (19,797)	\$ (37,804)
Net loss from discontinued operations	1,898	(28,361)
Adjustments to reconcile to net loss available to common stockholders:		
Net loss — basic and diluted	<u>\$ (17,899)</u>	<u>\$ (66,165)</u>
Denominator:		
Weighted-average common shares outstanding - basic and diluted	<u>1,567,601</u>	1,279,746
Loss from continuing operations	\$ (12.63)	\$ (29.54)
Income (loss) from discontinued operations	\$ 1.21	\$ (22.16)

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 at December 31, 2023 and 2022, from the computation of diluted net loss per share attributable to common shareholders because including them would have had an anti-dilutive effect:

	December 31, 2023	December 31, 2022
		(a)
SAMA earnout shares	19,007	19,007
Stock options	8,091	13,683
Unvested restricted share units	73,974	63,264
Total	<u>101,072</u>	<u>95,954</u>
Common Stock warrants (b)	12,877,361	17,840,951

(a) Prior year numbers are adjusted for the Reverse Share Split

(b) No change in number of warrants due to the Reverse Share Split. In connection with the Reverse Share Split, the warrants were adjusted in accordance with their terms such that each warrant entitles the holder to purchase 1/30 common share at an exercise price of \$11.50 per warrant. During the year ended December 31, 2023, 63,590 units of Rock-cliff warrants expired in May and 4,900,000 units of Private Warrants were terminated in December.

18. LEASES

On January 1, 2022, the Company 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.

CLEVER LEAVES HOLDINGS INC.
Notes to the Consolidated Financial Statements

(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 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 terminate the lease early. 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.

<i>Financial Statement Classification</i>	Year Ended December 31, 2023	Year Ended December 31, 2022
<i>Operating lease costs:</i>		
Operating lease costs-Fixed	624	1,321
Short Term Lease Expense	122	119
Sub-lease income	—	(212)
Operating lease costs	—	154
Total lease costs	\$ 746	\$ 1,382

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 year ended December 31, 2023 and 2022, cash paid for amounts associated with our operating lease liabilities was approximately \$829 and \$1,611, respectively, which was classified as operating activities in the consolidated statement of cash flows.

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

CLEVER LEAVES HOLDINGS INC.
Notes to the Consolidated Financial Statements

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Leases and a reconciliation to the operating lease liabilities as of December 31, 2023

2024	\$	396
2025		205
2026		168
2027		122
2028		78
Thereafter		9
Total future fixed operating lease payments	\$	978
Less: Imputed interest	\$	109
Total operating lease liabilities	\$	869
Weighted-average remaining lease term - operating leases		3.15
Weighted-average discount rate - operating leases		8.59 %

CLEVER LEAVES HOLDINGS INC.
Notes to the Consolidated Financial Statements

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

19. DISCONTINUED OPERATIONS

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 Company has completed the cessation of its Portuguese flower cultivation, post-harvest processes, and manufacturing activities. The Company's post-harvest facility was sold in the third quarter of 2023. Subsequently, the Farm land was sold on January 31, 2024 which completed the wind-down operations in Portugal.

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 twelve months ended December 31, 2023, and the twelve months ended December, 2022:

	Twelve Months Ended December 31,	
	2023	2022
Revenue, net	\$ 551	\$ 1,390
Cost of sales	—	(4,276)
Gross profit (loss)	551	(2,886)
Expenses		
General and administrative	1,422	3,985
Restructuring expenses	—	20,494
Depreciation and amortization	—	817
Total expenses	1,422	25,296
Loss from operations	(871)	(28,182)
Interest expense	44	30
Gain on sale of assets	—	(2,862)
Foreign exchange loss	49	167
Other expense (income), net	—	(18)
Net gain (loss)	\$ 1,898	\$ (28,361)

CLEVER LEAVES HOLDINGS INC.
Notes to the Consolidated Financial Statements

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

20. CONTINGENCIES AND COMMITMENTS

The Company is involved in various legal claims and actions arising in the normal course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or results of operations.

Commitments

On July 1, 2023, an asset purchase agreement (the "APA") was entered into by and among (the Company) as guarantor, Clever Leaves Portugal Unipessoal, Lda. (the "Seller" or "Clever Leaves Portugal"), a wholly-owned subsidiary of the Company, and Terra Verde, Lda. (the "Purchaser"), a wholly-owned subsidiary of Curaleaf International, part of Curaleaf Holdings, Inc. Pursuant to the APA, the Purchaser agreed to acquire, and the Seller agreed to sell, certain laboratory and processing equipment for the production of cannabinoid products, as well as informational rights to policies and procedures for the production and manufacture of such cannabinoids that the Seller used in its EU-GMP certified cannabis processing facility in Setubal, Portugal.

Under the terms of the AP A, the Company has provided a guarantee in case of malfunctioning of the equipment for a period of 12 months expiring July 2024. The total amount of the guarantee will not exceed, in any circumstances, €00 and undertakes the obligation of principal payor renouncing to the benefit of prior foreclosure of the Seller's assets. The Company considers the probability of requiring payment under the guarantee to be remote. Hence, no liabilities or expenses are recorded in the financial statements.

The Company does not have any commitments to purchase raw materials at specific prices under any supplier contracts. The Company is committed to pay approximately \$77 for the year 2024 insurance coverage. Additionally, see Note 10 for information on the Company's debt obligations.

21. RESTRUCTURING AND ASSET IMPAIRMENT CHARGES

During 2022, the Company approved several restructuring activities. The Company implemented various strategic initiatives targeted principally at reducing costs, enhancing organizational efficiency and optimizing its business model.

In February 2022, with the passage of Regulation 227, followed by the Joint Resolution 539 of 2022 by the Colombian Government in April 2022, the Company could export cannabis flower for medicinal use. With this significant development, the Company evaluated its current production capacity for cannabis extracts and thus identified the need to scale back on some of the extraction capacity and related assets. This initiative included a global workforce reduction and actions to right-size the Company's extraction related assets, which triggered some asset write-off charges.

In December 2022, the Company approved a plan to shut-down its cultivation activities in Portugal in order to preserve cash. Subsequently, in January 2023, the Company further approved the wind-down of the entire Portuguese operations to improve operating margin and solely focusing its Cannabis cultivating and production in Colombia. Under this restructuring plan, the Company ceased its Portuguese flower cultivation, post-harvest processes, and manufacturing activities in full by the end of the first quarter of 2024. Subsequent to year end, the Company sold farm land in January 2024 and completed the wind-down process of its Portugal operations.

As part of its restructuring activities, the Company had incurred expenses that qualify as exit and disposal costs under GAAP. For the year ended December 31, 2022, total restructuring charges included employee severance of \$2,233, asset write-off of \$23,865, and exit and disposal cost of \$844. Asset write off includes Property, plant and equipment write offs of \$10,396 and other assets write off of \$1,494 related to the exit of the Portuguese operations including inventory reserve of \$6,726 and costs to maintain the facilities until an orderly wind-down. The Company charged the restructuring program costs to other operating expenses. No restructuring expenses were recorded during the year ended December 31, 2023.

CLEVER LEAVES HOLDINGS INC.

Notes to the Consolidated Financial Statements

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

22. SUBSEQUENT EVENTS

a) Subsequent to year-end, the Company entered into a contract to sell Portugal Farm-land (Asset held for sale at December 31, 2023) for which a total consideration of EUR1.4 million (\$1.5 million) was received on January 29, 2024. This transaction completes the Company's wind-down of its operations in Portugal.

b) On March 21, 2024 (the "Closing Date"), the Company and NS US Holdings, Inc. (the Seller"), which is a wholly owned subsidiary of the Company, entered into a Stock Purchase Agreement with KAC Investments LLC, (the "Buyer"), pursuant to which the Company sold its non-cannabinoid business segment (the "Sale Transaction"), which is comprised of the Company's wholly owned subsidiary Herbal Brands.

The Sale Transaction was completed on the Closing Date for a purchase price of \$8.02 million including \$7.02 million in cash paid on the Closing Date, and the issuance of a senior secured promissory note and security agreement by Buyer in favor of the Seller in the original principal amount of \$1.00 million, (the "Note and Security Agreement"), which accrues interest at seven and one-half percent (7.50%) per annum, and for which interest is payable quarterly, in cash, until the March 21, 2025 maturity date. On the maturity date, all unpaid principal and accrued interest under the Note and Security Agreement is due and payable.

The Seller also expects to receive approximately \$0.19 million in additional proceeds in connection with the sale of Herbal Brands's manufacturing equipment, which preceded the Closing Date.

The Company has identified and disclosed all subsequent events that require disclosure as of the date of this statement. Therefore, apart from the event disclosed, there are no other subsequent events that require disclosure as of the year end December 31, 2023.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company needs to implement disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed in the Company’s Exchange Act reports are recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

As of December 31, 2023, the Chief Executive Officer and Chief Financial Officer carried out an assessment, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). As of the date of this assessment, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were not effective as of December 31, 2023.

Management’s Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the interim or annual financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The Chief Executive Officer and Principal Financial Officer assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2023. In performing its assessment of the effectiveness of the Company’s internal control over financial reporting, management applied the criteria described in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO - 2013”).

Material Weaknesses 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, 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.

c. For the subsidiary in Colombia remediation plans were implemented in 2023 to address the deficiency related to user access to certain information technology systems that support our financial reporting process.

We expect to implement the following measures in 2024 to continue to remediate the material weaknesses identified:

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

b. Locations other than Colombia: Enhance the company's accounting IT system with a system designed with the necessary functionality to adequately segregate functions 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 weakness in calendar year 2024. 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 weakness. We believe that our remediation plan will be sufficient to remediate the identified material weakness 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.

Attestation report of the registered public accounting firm

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules promulgated by the Securities and Exchange Commission that permit our company to provide only management's report in this annual 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 year ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

During the quarter ended December 31, 2023, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item is incorporated by reference to Clever Leaves Holdings Inc.'s Proxy Statement for its 2024 Annual Shareholder Meeting to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

Item 11. Executive Compensation

Information required by this item is incorporated by reference to Clever Leaves Holdings Inc.'s Proxy Statement for its 2024 Annual Shareholder Meeting to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

Item 12. Security Ownership of Certain Beneficial Owner and Management and Related Stockholder Matters

Information required by this item is incorporated by reference to Clever Leaves Holdings Inc.'s Proxy Statement for its 2024 Annual Shareholder Meeting to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item is incorporated by reference to Clever Leaves Holdings Inc.'s Proxy Statement for its 2024 Annual Shareholder Meeting to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

Item 14. Principal Accounting Fees and Services

Our independent registered public accounting firm is Marcum LLP, New York City, New York, PCAOB ID# 10592

Audit Fees and Services

Information required by this item is incorporated by reference to Clever Leaves Holdings Inc.'s Proxy Statement for its 2024 Annual Shareholder Meeting to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as a part of the report:

- (1) The financial statements filed as part of this report are listed in the “Index to Financial Statements” under Part II, Item 8. Financial Statements and Supplementary Data.
- (2) Financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and accompanying notes included in this Form 10-K.
- (3) The following exhibits are filed as part of this Report:

<u>Exhibit No.</u>	<u>Description</u>
3.1	<u>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).</u>
4.1	<u>Specimen Common Share Certificate of Clever Leaves Holdings Inc. (incorporated by reference to Exhibit 4.4 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).</u>
4.2	<u>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).</u>
4.3	<u>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).</u>
4.4	<u>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).</u>
4.5	<u>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).</u>
4.6	<u>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).</u>
4.7	<u>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. (incorporated 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).</u>
4.8	<u>Description of securities (incorporated by reference to Exhibit 5.1 to the annual report on Form 10-K filed with the SEC by Clever Leaves Holding Inc. on March 30, 2021).</u>
10.1	<u>Transaction Support Agreement, dated July 25, 2020, by and among Schultze Special Purpose Acquisition Corp., Clever Leaves International Inc., Clever Leaves Holdings Inc., Schultze Special Purpose Acquisition Sponsor, LLC and other parties named therein (incorporated by reference to Exhibit 10.2 of Schultze Special Purpose Acquisition Corp.’s Current Report on Form 8-K, filed with the SEC on July 29, 2020).</u>
10.2†	<u>Amendment No. 1, dated as of November 9, 2020, to the Transaction Support Agreement, dated July 25, 2020, by and among Schultze Special Purpose Acquisition Corp., Clever Leaves International Inc., Clever Leaves Holdings Inc., Schultze Special Purpose Acquisition Sponsor, LLC and other parties named therein (incorporated by reference to Exhibit 10.2 of Schultze Special Purpose Acquisition Corp.’s Current Report on Form 8-K, filed with the SEC on November 9, 2020).</u>
10.3	<u>Form of Shareholder Support Agreement by and among Schultze Special Purpose Acquisition Corp., Clever Leaves Holdings Inc. and certain of the shareholders of Clever Leaves International Inc. (incorporated by reference to Exhibit 10.1 of Schultze Special Purpose Acquisition Corp.’s Current Report on Form 8-K, filed with the SEC on July 29, 2020).</u>

Exhibit No.	Description
10.4	Investors' Rights Agreement, dated as of December 18, 2020, among Clever Leaves Holdings Inc. and certain shareholders named therein (incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on December 28, 2020).
10.5	Stock Escrow Agreement, dated December 10, 2018, among Continental Stock Transfer & Trust Company and Schultze Special Purpose Acquisition Corp. and its initial stockholders (incorporated by reference to Exhibit 10.3 of Schultze Special Purpose Acquisition Corp.'s Current Report on Form 8-K, filed with the SEC on December 14, 2018).
10.6	Amendment No. 1 to Stock Escrow Agreement among Continental Stock Transfer & Trust Company and Schultze Special Purpose Acquisition Corp. and its initial stockholders, dated as of December 18, 2020 (incorporated by reference to Exhibit 10.6 of the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on December 28, 2020).
10.7	Warrant Certificate, dated as of March 30, 2019, with respect to 28,922 warrants to purchase common shares of Clever Leaves International Inc. (formerly known as Northern Swan Holdings, Inc.) (incorporated by reference to Exhibit 10.28 to Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-241707) filed with the SEC by Clever Leaves Holdings Inc. on September 11, 2020).
10.8	Form of Subscription Agreement for cash investors by and among, Schultze Special Purpose Acquisition Corp., Clever Leaves Holdings Inc. and the Subscriber party thereto (incorporated by reference to Exhibit 10.3 of Schultze Special Purpose Acquisition Corp.'s Current Report on Form 8-K, filed with the SEC on November 9, 2020).
10.9	Form of Indemnity Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on December 21, 2020).
10.10	Note Purchase Agreement, dated as of July 19, 2021, between Catalina LP and Clever Leaves Holdings Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on July 19, 2021).
10.11	First Amendment to Secured Convertible Note, dated as of January 13, 2022, by and among Clever Leaves Holdings Inc. and Catalina LP (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on January 13, 2022).
10.12	Equity Distribution Agreement, dated January 14, 2022, by and between Clever Leaves Holdings Inc. and Canaccord Genuity LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on January 14, 2022.)
10.13	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 Clever Leaves Holdings Inc. on July 5, 2023)
10.14	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)
10.15	First Share Purchase and Transfer Agreement, dated October 17, 2023, by and among Northern Swan Deutschland Holdings, Inc., Cansativa GmbH and EIP Entrepreneurial Investment GmbH (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K file with the SEC by Clever Leaves Holdings Inc.
10.16	Warrant Termination Agreement, dated December 18, 2023, by and between Clever Leaves Holdings Inc. and Schultze Master Fund, Ltd. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on December 20, 2023)
10.17	Purchase and Sale Deed dated January 26, 2024, by and among Clever Leaves II Portugal Cultivation, S.A and Álvaro Ricardo Villaverde Covões Gávea and Helena Cristina Martinho dos Santos Covões Gávea (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on February 1, 2024)
16.1	Letter from BDO Canada LLP as to the change in certifying accountant, dated as of September 14, 2022 (incorporated by reference to Exhibit 16.1 to the Current Report on Form 8-K filed with the SEC by Clever Leaves Holdings Inc. on September 14, 2022).
21.1**	Subsidiaries of Clever Leaves Holdings Inc.
23.1**	Consent of Marcum LLP.
24.1	Power of Attorney (included on the signature page of this report)
31.1**	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit No.	Description
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.
97.1**	Clever Leaves Holdings Inc. Policy for Recoupment of Incentive Compensation
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Date File - (formatted as Inline XBRL and contained in Exhibit 101)

† Certain exhibits and schedules to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Registrant hereby agrees to furnish a copy of any omitted exhibits or schedules to the Commission upon request

** Filed herewith

*** Furnished herewith

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

April 1, 2024

Clever Leaves Holdings Inc.

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

Power of Attorney

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Andres Fajardo and Henry R. Hague, III as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Andres Fajardo</u> Andres Fajardo	Director and Chief Executive Officer (Principal Executive Officer)	April 1, 2024
<u>/s/ Henry R. Hague, III</u> Henry R. Hague, III	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 1, 2024
<u>/s/ George Schultze</u> George Schultze	Director	April 1, 2024
<u>/s/ Elisabeth DeMarse</u> Elisabeth DeMarse	Director	April 1, 2024
<u>/s/ Gary M. Julien</u> Gary M. Julien	Director	April 1, 2024
<u>/s/ William Muecke</u> William Muecke	Director	April 1, 2024

Subsidiaries of Clever Leaves Holdings Ltd.

Subsidiaries	Jurisdiction of incorporation	Ownership
Clever Leaves US, Inc. ("SAMA")	Delaware, United States	100%
NS US Holdings, Inc.	Delaware, United States	100%
Herbal Brands, Inc.	Delaware, United States	100%
1255096 B.C. Ltd. ("Newco")	British Columbia, Canada	100%
Northern Swan International, Inc. ("NSI")	British Columbia, Canada	100%
Northern Swan Management, Inc.	British Columbia, Canada	100%
Clever Leaves Australia Pvt Ltd	Australia	100%
Northern Swan Deutschland Holdings, Inc.	British Columbia, Canada	100%
Northern Swan Portugal Holdings, Inc.	British Columbia, Canada	100%
Clever Leaves Portugal Unipessoal LDA	Portugal	100%
Clever Leaves II Portugal Cultivation SA	Portugal	100%
Northern Swan Europe, Inc.	British Columbia, Canada	100%
Nordschwan Holdings, Inc.	British Columbia, Canada	100%
Clever Leaves Germany GmbH	Hamburg, Germany	100%
NS Herbal Brands International, Inc.	British Columbia, Canada	100%
Herbal Brands, Ltd.	London, United Kingdom	100%
Clever Leaves International, Inc.	British Columbia, Canada	100%
Eagle Canada Holdings, Inc. ("Eagle Canada")	British Columbia, Canada	100%
Ecomedics S.A.S. ("Ecomedics")	Bogota, Colombia	100%
Clever Leaves UK Limited	London, United Kingdom	100%

Independent Registered Public Accounting Firm's Consent

We consent to the incorporation by reference in the Registration Statements of Clever Leaves Holdings Inc. (the "Company") on Form S-8 (No. 333-272963), S-8 (No. 333-241707), Form S-8 (No. 333-253644) and Form S-3 (No.333-262183) of our report dated April 1, 2024, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audits of the consolidated financial statements of Clever Leaves Holdings Inc. as of December 31, 2023 and 2022 and for the years then ended, which report is included in this Annual Report on Form 10-K of Clever Leaves Holdings Inc. for the year ended December 31, 2023.

/s/ Marcum LLP

Marcum LLP
New York, NY
April 1, 2024

**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 Annual Report on Form 10-K 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 13a-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):
6.
 - 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: April 1, 2024

/s/ Andres Fajardo

Andres Fajardo

Director and Chief Executive Officer

**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 Annual Report on Form 10-K 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 13a-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):
6.
 - 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: April 1, 2024

/s/ Henry R. Hague, III

Henry R. Hague, III

Chief Financial Officer

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

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 1, 2024

/s/ Andres Fajardo

Andres Fajardo
Director and Chief Executive Officer

Date: April 1, 2024

/s/ Henry R. Hague, III

Henry R. Hague, III
Chief Financial Officer

**CLEVER LEAVES HOLDINGS INC. EXECUTIVE COMPENSATION CLAWBACK
POLICY**

a. **Purpose.** The purpose of this Policy is to set forth the circumstances under which Executive Officers of the Company will be required to repay or return certain Excess Awarded Compensation to members of the Company Group. The Board has adopted this Policy in accordance with the Clawback Rule and the Listing Rule and it is intended to comply with, and shall be interpreted to be consistent with, each of the foregoing. The Company may require each Executive Officer to sign and return to the Company an Acknowledgement Form, substantially in the form attached hereto as Exhibit A, pursuant to which such Executive Officer will agree to be bound by the terms of, and to comply with, this Policy.

b. **Definitions.** As used in this Policy, the following words and phrases have the meanings specified below:

(i) **“Accounting Restatement”** means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws, including (i) any required accounting restatement to correct an error in previously issued financial statements of the Company that is material to the previously issued financial statements of the Company, or (ii) that corrects an error that is not material to previously issued financial statements of the Company, but would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

(ii) **“Board”** means the Board of Directors of the Company.

(iii) **“Clawback Rule”** means Section 10D of the Exchange Act and the rules and regulations promulgated thereunder, each as may be amended from time to time.

(iv) **“Commission”** means the U.S. Securities and Exchange Commission.

(v) **“Committee”** means the Compensation Committee of the Board¹, or if so designated by the Board, any other committee of the Board (or group of Board members) consisting entirely of independent directors¹, in which case references herein to the Committee shall be deemed to be references to such committee of the Board.

(vi) **“Company”** means Clever Leaves Holdings Inc., a corporation organized under the laws of British Columbia, Canada

(vii) **“Company Group”** means the Company, together with each of its direct and indirect parents and subsidiaries.

(viii) **“Covered Executive Officer”** means, with respect to any Incentive-Based Compensation, each current and former Executive Officer who serves, or served, as an Executive

¹ **Note to Draft:** “Independent Directors” are determined by reference to the Nasdaq standards.

Officer at any time during the performance period in respect of which such Incentive-Based Compensation is Received by such Executive Officer.

(ix) “**Covered Period**” means, with respect to any Accounting Restatement, the three (3) completed Fiscal Years of the Company immediately preceding the Restatement Date and any Transition Period of less than nine (9) months within or immediately following those three (3) completed Fiscal Years.

(x) “**Effective Date**” means [December 1, 2023].

(xi) “**Excess Awarded Compensation**” means, with respect to a Covered Executive Officer, the amount of Incentive-Based Compensation Received by the Covered Executive Officer (after the Covered Executive Officer became an Executive Officer) during a Covered Period that exceeds the amount of Incentive-Based Compensation that the Covered Executive Officer would have Received had it been determined based on the Accounting Restatement, and computed without regard to any taxes paid by the Covered Executive; provided that, for Incentive-Based Compensation that is based on or otherwise derived from the Company’s stock price or total shareholder return where the amount of Excess Awarded Compensation is not subject to mathematical recalculation directly from information in the applicable Accounting Restatement, the amount that would have been Received shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return, as applicable, upon which the Incentive-Based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Exchange). Notwithstanding the foregoing, compensation amounts shall only be considered “Excess Awarded Compensation” for purposes of the Policy if such compensation is Received (i) while the Company has a class of securities listed on a national securities exchange or a national securities association and (ii) on or after October 2, 2023.

(xii) “**Exchange**” means The Nasdaq Stock Market.

(xiii) “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

(xiv) “**Executive Officer**” means the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policymaking functions for the Company, including any employee or service provider of the Company who is subject to Section 16 of the Exchange Act. Individuals who serve in such roles or perform such functions for the Company’s parent(s) or subsidiaries shall be deemed executive officers of the Company if they perform such policy making functions for the Company.

(xv) “**Financial Reporting Measure**” means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any other measure that is derived wholly or in part from such measure,

(ii) the Company's stock price and (iii) the Company's total shareholder return (in each case, regardless of whether such measure is presented within the Company's financial statements or included in a filing with the Commission).

(xvi) "**Fiscal Year**" means the Company's fiscal year; provided that a Transition Period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months will be deemed a completed fiscal year.

(xvii) "**Incentive-Based Compensation**" means any compensation (whether cash or equity-based) that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure, and may include, but shall not be limited to, performance bonuses, commissions, or long-term incentive awards such as stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance stock units or other equity-based awards, whether or not granted under the Company's equity incentive plans. For the avoidance of doubt, Performance-Based Compensation does not include any compensation to the extent that it is (i) granted, earned, or vested exclusively upon completion of a specified employment period, without any performance condition (even if such compensation is in the form of equity-based awards), (ii) discretionary, or (iii) based on subjective goals or goals that do not constitute Financial Reporting Measures

(xviii) "**Listing Rule**" means Listing Rule 5608, as promulgated by The Nasdaq Stock Market LLC, as such rule may be amended from time to time.

(xix) "**Policy**" means this Clever Leaves Holdings Inc. Executive Compensation Clawback Policy, as may be amended from time to time.

(xx) "**Received**" means, with respect to Incentive-Based Compensation, the date of deemed receipt, and for purposes of the foregoing, Incentive-Based Compensation shall be deemed Received in the Fiscal Year during which the applicable Financial Reporting Measure is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(xxi) "**Restatement Date**" means the earlier to occur of (i) the date that the Board, a committee of the Board, or an officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

(xxii) "**Transition Period**" means any transition period that results from a change in the Company's Fiscal Year within or immediately following the three (3) completed Fiscal Years immediately preceding the Restatement Date.

a. **Administration.** This Policy shall be administered by the Committee. The Committee has full authority to interpret, construe and enforce this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. Any determinations made by the Committee shall be final, conclusive and binding on all interested parties and need not be uniform with respect to each individual covered by this Policy. Any

members of the Committee, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent permitted under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

b. Recovery of Excess Awarded Compensation.

(i) *Recovery of Excess Awarded Compensation.* In the event of an Accounting Restatement, the Committee shall reasonably promptly and in all events no later than ninety (90) days after the date the Company files its Accounting Restatement with the U.S. Securities and Exchange Commission determine the amount of any Excess Awarded Compensation for each Covered Executive Officer in connection with such Accounting Restatement and shall promptly thereafter provide each Covered Executive Officer with a written notice identifying the amount of Excess Awarded Compensation and a demand for repayment or return, as applicable.

(ii) *Forms of Recovery.* The Committee shall determine, in its sole discretion, and in a manner that effectuates the purpose of the Clawback Rule and the Listing Rule, the method(s) for recovering any Excess Awarded Compensation hereunder in accordance with Section 4(a) above, which may include: (i) requiring cash reimbursement; (ii) seeking recovery or forfeiture of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards; (iii) offsetting the amount to be recouped from any compensation otherwise owed by the Company to the applicable Covered Executive Officer; (iv) cancelling outstanding vested or unvested equity awards; or (v) taking any other remedial and recovery action permitted by law, as determined by the Committee. Any reduction, cancellation or forfeiture of any compensation shall be done in compliance with Section 409A of the Internal Revenue Code of 1986, as amended. For the avoidance of doubt, except as set forth in Section 4(e) below, in no event may the Company Group accept an amount that is less than the amount of Excess Awarded Compensation in satisfaction of a Covered Executive Officer's obligations hereunder.

(iii) *Covered Executive Officer's Failure to Repay.* If a Covered Executive Officer fails to repay all Excess Awarded Compensation to the Company Group when due (as determined in accordance with Section 4(b) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recover such Excess Awarded Compensation from the applicable Covered Executive Officer (including suing for repayment and/or enforcing such Covered Executive Officer's obligation to make payment through the reduction or cancellation of outstanding and future compensation). The applicable Covered Executive Officer shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recovering such Excess Awarded Compensation in accordance with the immediately preceding sentence.

(iv) *No Indemnification.* No member of the Company Group shall be permitted to indemnify any Covered Executive Officer against (i) the loss of any Excess Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy (including, for the avoidance of doubt, any advancement of costs related to such enforcement). Further, no member

of the Company Group shall enter into any agreement that exempts any Incentive-Based Compensation from the application of this Policy or that waives the Company's right to recovery of any Excess Awarded Compensation and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date).

(v) *Exceptions to Recovery.* Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 4(b) above if any of the following conditions are met and the Committee determines that recovery would be impracticable:

1. The direct expenses paid to a third party to assist in enforcing the Policy against a Covered Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Excess Awarded Compensation, and the Committee has documented such attempt(s) and provided such documentation to the Exchange;

2. Recovery would violate the home country law of the Company, where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Excess Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation and a copy of the opinion is provided to the Exchange; or

3. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13), and the regulations thereunder, or 26 U.S.C. 411(a), and the regulations thereunder.

c. **Amendment; Termination.** The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws (including the Clawback Rule), Commission rule or the Listing Rule. The Board may terminate this Policy at any time in its discretion. Notwithstanding anything in this Section 5 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any United States securities laws (including the Clawback Rule), Commission rule or the Listing Rule. This Policy automatically shall terminate upon a "Change in Control" (as defined in the Company's 2020 Incentive Award Plan, as amended, or any successor thereto), which results in the Company's securities no longer being traded on an established securities exchange.

d. **Inducement of Executive Officers.** The Committee may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy.

e. **Filing Requirements.** The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the U.S. federal securities laws, including disclosures required by Commission filings.

f. **Non-Exclusivity.** Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group under applicable law, regulation or rule or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company Group; *provided, however,* that any amounts recouped under any other policy that are subject to clawback under this Policy shall be considered recovered by the Company Group for purposes of this Policy and vice versa.

g. **Effective Date.** This Policy shall be effective as of the Effective Date.

h. **Successors.** This Policy shall be binding and enforceable against all Covered Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

i. **Governing Law; Venue.** This Policy and all rights and obligations hereunder are governed by and construed in accordance with the internal laws of the State of Delaware excluding any choice of law rules or principles that may direct the application of the laws of another jurisdiction. All actions arising out of or relating to this Policy shall be heard and determined exclusively in the [Court of Chancery of the State of Delaware] or, if such court declines to exercise jurisdiction or if subject matter jurisdiction over the matter that is the subject of any such legal action or proceeding is vested exclusively in the U.S. federal courts, the U.S. District Court for the District of Delaware.
