

Risk Factors Comparison 2024-04-01 to 2023-03-30 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

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 \$ ~~66.17~~ **2.9** million in the year ended December 31, ~~2022~~ **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, ~~2022~~ **2023**, we had an accumulated deficit and cash and cash equivalents of \$ ~~180.198.98~~ million and \$ ~~12.6.48~~ 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. ~~The COVID-19 pandemic has caused, and continues to cause, severe disruptions on our business, including due to global supply chain interruption. We are unable to predict the ongoing impact of COVID-19 on our Company. The COVID-19 pandemic and~~

restrictions aimed at stopping its spread have had, and may continue to have, an adverse impact on our performance and results of operations. Such restrictions have resulted in disruptions in global supply chains, including the business operations of our third-party manufacturers, suppliers and vendors. This has resulted in our inability to secure adequate supply of certain intermediate goods on which our business depends, longer lead times for receiving such goods, and inflationary pressures. It has also delayed our planned expansion of certain product line and production processes. If new variants emerge, such disruptions may persist. In addition, the effects of COVID-19 may delay our research and development programs and our ability to execute certain of our strategic plans, including recruiting senior management professionals, construction, new product launches, new market expansions, acquisitions and access to capital. Future GMP inspections, inclusions or certifications for new product capabilities could be delayed due to backlogs or restrictions on travel. For example, the COVID-19 pandemic affected the completion of licensing in Portugal due to INFARMED's delay conducting physical inspections of our facilities. Our licensing could also be delayed if regulators are directed to focus their time and resources on the health emergency instead of licensing activities. Similarly, such reprioritization may slow efforts to efficiently regulate or legalize cannabis in many countries. Even after the pandemic subsides, our businesses could be negatively impacted if the effects of COVID-19 result in lasting changes in consumer behavior, including as a result of a decline in discretionary spending or changed preferences. We cannot predict the ongoing negative impact of the COVID-19 pandemic on our business, nor how long such effects will last. 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. **The Recent** disruptions to the global economy **in 2021 and into 2022** have impeded global supply chains, resulting in longer lead times and also increased critical component costs and freight expenses. We **took** ~~have taken and may have to take~~ 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 **commercial sales of recreational self-cultivation and clubs for to adults, and adult use is also on, as well as initiate a second phase of the political agenda legalization process by allowing some pilot projects in Israel 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, ~~currently which generates generated most [62.35] % and [71.18] % of our revenue for the years ended December 31~~. ~~Regardless of whether Herbal Brands continues to represent a material portion of our total revenue, it may not provide substantial diversification benefit~~ **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 ~~decision to~~ **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 ~~and the ongoing COVID-19 pandemic~~, 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. ~~Additionally, our wholly owned U. S. subsidiary, Herbal Brands, is subject to non-cannabis related regulatory requirements applicable to nutraceutical companies. The manufacturing, packaging, labeling, advertising, sale and distribution of Herbal Brands' products are subject to federal laws and regulations by one or more federal agencies, including, in the United States, the FDA, the Federal Trade Commission, the Consumer Product Safety Commission and the USDA. These activities are also regulated by various state, local and international laws and agencies of the states, localities and countries in which our products are sold.~~ 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 ~~and Germany~~, 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, **Germany, Israel, Australia** 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 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 be able to comply with such requirement, or that, we will not become deficient with respect to the other continued Nasdaq listing standards of Nasdaq. Our common shares and warrants are listed on Nasdaq under the symbols " CLVR " and " CLVRW, " respectively. Nasdaq requires listed companies to comply with certain standards in order to remain listed on its exchange. On September 29, 2022, we received a deficiency notice from the Listing Qualifications department (the " Staff ") of Nasdaq because our closing share price was below \$ 1. 00 for 30 consecutive business days between August 17, 2022 through September 28, 2022 (the " Minimum Bid Price Requirement "). Our initial 180 calendar day compliance period ended March 28, 2023. On March 29, 2023, we received a second notice (the " Second Notice ") from Nasdaq indicating that, while we have not regained compliance with the Minimum Bid Price Requirement, the Staff has determined that we are 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) our common shares meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements following, for or initial listing on The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and (ii) the written notice of our intention to cure the deficiency during the Second Compliance Period by effecting a reverse share split, if necessary. If at any time during the Second Compliance Period, the closing bid price of the Company' s common shares is at least \$ 1. 00 per share for a minimum of 10 consecutive business days, the Staff will provide us written confirmation of compliance. The Staff may, in its discretion, require the Company to maintain a bid price of at least \$ 1. 00 per share for a period in excess of 10 consecutive business days, but generally no more than 20 consecutive business days, before determining that the Company has as demonstrated an ability to maintain long- term compliance. If we choose to implement a reverse share split, we must complete the split no later than 10 business days prior to the expiration of the Second Compliance Period. In the event we do not regain compliance with Rule 5550 (a) (2) prior to September 25, 2023, the Staff may notify us that our common shares are subject to delisting. We may appeal such a delisting determination to a Nasdaq hearing

panel and the delisting may be stayed pending the panel's determination. At such hearing, we would present a plan to regain compliance and Nasdaq would then subsequently render a decision. To the extent that we are unable to resolve a listing deficiency, there is a risk that our common shares may be delisted from Nasdaq, which would adversely impact the liquidity of our common shares and potentially result ~~of~~ in even lower bid prices for our common shares. If, ~~the Reverse Share Split for any reason, Nasdaq delists our common shares from trading on its exchange for failure to meet its listing standards, we and our shareholders could face significant material adverse consequences.~~ 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~~ **business** ~~Combination combination with Schultze Special Purpose Acquisition Corp. and Novel Merger Sub Inc.~~ During the year ended December 31, ~~2022-2023~~, the high and low closing prices for our common shares were \$ ~~3-16~~ **84-95** and \$ ~~0-1~~ **29-87**, respectively, with an intraday high and low of \$ ~~3-17~~ **98-25** and \$ ~~0-1~~ **29-72 in each case, on a post- Reverse Share Split basis**, respectively. In ~~2023-2024~~, through the date of this Form 10-K, the high and low closing prices of our common shares were \$ ~~0-4~~ **57-42** and \$ ~~0-2~~ **31-08**, respectively, with an intraday high and low of \$ ~~0-4~~ **57-71** and \$ ~~0-2~~ **31-00**, 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 ~~27-19~~, ~~2023-2024~~, we had ~~44-1~~ **577-754**, ~~483-795~~ common shares and ~~17-12~~, ~~777-877~~, 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 ~~2-212~~ **793** ~~813, 215~~ common shares reserved for issuance under the 2020 Plan, subject to adjustment in certain events. We issued ~~14 and sold 253~~ **898** ~~994, 765~~ shares **on a post- Reverse Share Split basis** for the year ended December 31, ~~2022-2023~~, 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, ~~we no~~ **shares** ~~have been~~ issued and sold **following Reverse Share Split basis** ~~14, 994, 765 shares~~ ~~and may issue and sell additional shares.~~ 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 ~~a material weakness~~ **weaknesses** in our internal control over financial reporting. If we are unable to successfully remediate ~~this these~~ **these** material ~~weakness~~ **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** our Chief Financial Officer, **Henry R. Hague, III**, in February 2021 and **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 plan-plans** to hire additional personnel **in the future 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 **stock 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 per for 1 / 30th common share, and each warrant entitles the holder to purchase one 1 / 30th common share. On March 27-19, 2023-2024 the closing price of our common shares was \$ 3.40-90. The exercise period for the warrants expires five years following the closing of the Business-business Combination 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. ~~None of the private placement warrants will be redeemable by us so long as they are held by Schultze Special Acquisition Sponsor, LLC or its permitted transferees. We are an “emerging growth company” and a “smaller reporting company” and, as a result of the reduced disclosure and governance requirements applicable to emerging growth companies and smaller reporting companies, may make~~ our common shares ~~may be~~ less attractive to investors. ~~We~~ **As of December 31, 2023, we are no longer considered** an “emerging growth company” as defined in the JOBS Act ~~and may remain an emerging growth company for up to five years following the date of the first sale of our common shares pursuant to an effective registration statement. For so long~~ **Notwithstanding, we still qualify** as we remain an emerging growth company, we are permitted and plan to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (“PCAOB”) regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. ~~As a result, the information we provide shareholders will be different than the information that is available with respect to other public companies, which could be viewed unfavorably by investors. We are also deemed to be 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 stock 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.