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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 10-K**

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(Mark One)

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

For the fiscal year ended **December 31, 2024.**

**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 **001-40397**

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**Flora Growth Corp.**

(Exact Name of Registrant as Specified in Its Charter)

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**Province of Ontario**  
(State or Other Jurisdiction of  
Incorporation or Organization)

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

**3230 W. Commercial Boulevard, Suite 180 Fort Lauderdale, FL 33309**

(Address of Principal Executive Offices) (Zip Code)

**(954) 842-4989**

(Registrant's Telephone Number, Including Area Code)

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

**Title of Each Class**  
Common Shares, no par value

**Trading Symbol**  
FLGC

**Name of Each Exchange on Which  
Registered**  
Nasdaq Capital Market

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**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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ☐

Non-accelerated filer ☒

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 Act).

Yes ☐ No ☒

As of June 30, 2024, the last business day of the registrant's most recently completed second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$9.6 million based on the closing price as reported on the Nasdaq Capital Market on that date. For purposes of determining this number, all named executive officers and directors of the registrant as of June 30, 2024 were considered affiliates of the registrant. This number is provided only for the purposes of this Annual Report on Form 10-K, and does not represent an admission by either the registrant or any such person as to the affiliate status of such person.

As of March 22, 2025, the registrant had 19,435,642 shares of its common stock, no par value ("Common Shares") outstanding.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Annual Report") contains "forward-looking statements," as that term is defined under the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements may include projections and estimates concerning our possible or assumed future results of operations, financial condition, business strategies and plans, market opportunity, competitive position, industry environment, and potential growth opportunities. In some cases, you can identify forward-looking statements by terms such as "may", "will", "should", "believe", "expect", "could", "intend", "plan", "anticipate", "estimate", "continue", "predict", "project", "potential", "target," "goal" or other words that convey the uncertainty of future events or outcomes. You can also identify forward-looking statements by discussions of strategy, plans or intentions. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, because forward-looking statements relate to matters that have not yet occurred, they are inherently subject to significant business, competitive, economic, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including, among others, those discussed in this Annual Report, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements in this Annual Report. Risks and uncertainties, the occurrence of which could adversely affect our business, include, but are not limited to, the following:

- our limited operating history and net losses;
- changes in cannabis laws, regulations and guidelines, including stop sale orders;
- decrease in demand for cannabis and derivative products due to certain research findings, proceedings, or negative media attention;
- our ability to continue as a going concern absent access to sources of liquidity;
- damage to our reputation as a result of negative publicity;
- exposure to product liability claims, actions and litigation;
- risks associated with product recalls;
- product viability;
- continuing research and development efforts to respond to technological and regulatory changes;
- shelf life of inventory;
- our ability to successfully integrate businesses that we acquire;
- our ability to achieve economies of scale;
- our ability to fund overhead expenses, including costs associated with being a publicly-listed company;
- maintenance of effective quality control systems;
- changes to energy prices and supply;
- risks associated with expansion into new jurisdictions;
- regulatory compliance risks;
- opposition to the cannabinoid industry; and
- potential delisting resulting in reduced liquidity of our Common Shares.

Given the foregoing risks and uncertainties, you are cautioned not to place undue reliance on the forward-looking statements in this Annual Report. The forward-looking statements contained in this Annual Report are not guarantees of future performance and our actual results of operations and financial condition may differ materially from such forward-looking statements. In addition, even if our results of operations and financial condition are consistent with the forward-looking statements in this Annual Report, they may not be predictive of results or developments in future periods.

Any forward-looking statement that we make in this Annual Report speaks only as of the date of this Annual Report. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements in this Annual Report, whether as a result of new information, future events or otherwise, after the date of this Annual Report.

## **Market, Industry and Other Data**

This Annual Report 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 and general publications, government data, and similar sources.

### **Risk Factor Summary**

There are a number of risks that you should carefully consider before making an investment in our business. These risks are discussed more fully in Item 1.A. of this Annual Report below. If any of these risks actually occur, our business, financial condition, operating results and cash flows could be materially adversely affected. These risk factors include, but are not limited to:

- limited operating history and net losses;
- changes in cannabis laws, regulations and guidelines, including stop sale orders;
- decrease in demand for cannabis and derivative products due to certain research findings, proceedings, or negative media attention;
- unfavorable tax treatment under U.S. federal income tax law for being a cannabis business;
- adverse U.S. federal income tax consequences for U.S. shareholders should the Company be a "passive foreign investment company";
- management has performed an analysis of our ability to continue as a going concern, and has determined that, based on our current financial position, there is a substantial doubt about our ability to continue as a going concern;
- damage to reputation as a result of negative publicity;
- exposure to product liability claims, actions and litigation;
- risks associated with product recalls;
- product viability;
- continuing research and development efforts to respond to technological and regulatory changes;
- shelf life of inventory;
- our ability to successfully integrate businesses that we acquire;
- maintenance of effective quality control systems;
- changes to energy prices and supply;
- risks associated with expansion into new jurisdictions;
- regulatory compliance risks;
- opposition to the cannabinoid industry; and
- potential delisting resulting in reduced liquidity of our Common Shares.

## PART I

Unless the context otherwise requires, all references in this Annual Report to the "Company," "Flora," "we," "us," "our," and similar references refer to Flora Growth Corp. and our subsidiaries.

Our functional currency and reporting currency is the United States dollar, the legal currency of the United States of America (the "U.S.") (which we refer to as "USD", "US\$" or "\$").

### ITEM 1. BUSINESS

Flora Growth Corp. was incorporated on March 13, 2019, under the laws of the Province of Ontario. We are a multi-national cannabis company that manufactures and distributes consumer packaged goods and distributes medicinal cannabis and pharmaceutical products.

#### Mission

Flora's mission is to create a leading Nasdaq small-cap international cannabis company. Flora develops products that not only elevate the cannabis experience but set new standards in wellness, through advancing technology and sustainable practices to deliver unparalleled quality and results.

#### Development Overview

In May 2021, the Company completed its initial public offering ("IPO") of its Common Shares and commenced trading on the Nasdaq Capital Market ("Nasdaq") under the ticker symbol "FLGC." Prior to our IPO, the Company engaged in a series of transactions in Colombia which laid the foundation for our growth and development. These transactions included the acquisition of our previously owned interests in Flora Labs 1, 2 and 4, our previously owned Cosechemos cultivation and processing facility and a number of brands.

Since our IPO, Flora has acquired 100% of the outstanding equity interests in each of:

- Phatebo GmbH ("Phatebo") is a multi-national operator in the pharmaceutical and medical cannabis industries, with principal operations in Germany;
- Just Brands LLC ("Just Brands") and High Roller Private Label LLC ("High Roller") based in Fort Lauderdale, Florida. Just Brands is a leading distributor and retailer of cannabidiol ("CBD") derived products through its widely recognized "JustCBD" brand. High Roller manufactures several of the leading products sold by Just Brands;
- Vessel Brand Inc. ("Vessel"), a developer and retailer of high-end cannabis consumer technologies and accessories operating under its flagship brand "Vessel".
- TruHC Pharma GmbH ("TruHC") is an early-stage cannabis company based in Hamburg, Germany, that holds wholesale, processing and production licenses for medical cannabis as well as a facility offering flexible production space with European Union Good Manufacturing Practice ("EU-GMP") certified modules; and
- Australian Vaporizers Pty LTD ("AV") was founded in 2010 and is a wholesaler and an online retailer of vaporizers, hardware, and accessories in Australia.

On July 5, 2023, the Company entered into a share purchase agreement with Lisan Farma Colombia LLC ("Lisan") to sell all of its ownership interests in Flora Growth Corp Colombia S.A.S., Flora Lab S.A.S., Flora Med S.A.S., Cosechemos Ya S.A.S. ("Cosechemos"), Kasa Wholefoods Company S.A.S. and other related Flora assets related to its Colombian operations. To date, the sales of all these Colombian entities have closed.

#### Business Strategy

Our business strategy is built on two core pillars: House of Brands and Commercial & Wholesale. This strategy was devised to allow us access to markets around the globe based on the legal standing of cannabis in each of the geographical locations in which we operate. Our approach has enabled us to develop distribution networks, build customer bases, establish operations as the regulatory framework evolves and allow for expanded access to cannabis and its derivatives.

## House of Brands

Our brand portfolio consists of a mix of products across multiple categories including food and beverage, nutraceuticals, cannabis accessories and technology, personal care and wellness. Consumer brands allow Flora to move assertively into nascent markets, develop customer bases and distribution channels and gather consumer insights which would not be possible with traditional cannabis sales alone. Through this channel we seek to build loyalty, credibility and enjoy healthy margins that help to support the rapid growth of our business.

### *JustCBD*

Just Brands and High Roller (together with Just Brands, "JustCBD") are Flora's leading consumer packaged goods brand. JustCBD was launched in 2017 with a mission to bring high-quality, trustworthy, and budget-friendly CBD products to market. JustCBD products are available for purchase in smoke and vape shops, clinics, spas and pet stores, as well as other independent non-traditional retail channels. JustCBD's products are both internally and third-party lab-tested to ensure quality.

### *Vessel*

Vessel is Flora's cannabis accessory and technology brand currently servicing the United States and Canada through direct-to-consumer and retail sales. Vessel's products include cannabis consumption accessories, personal storage, and travel accessories for the vape and dry herb categories, which are sold to consumers, dispensaries, smoke shops and cannabis brands. Vessel has been fully integrated into JustCBD and now benefits from operational, logistical and sales synergies with JustCBD.

### *AV*

Australian Vaporizers was founded in 2010 and has become a prominent online retailers of vaporizers, hardware, and accessories in Australia. It is an online expert for aromatherapy products, specializing in dry herb vaporizers. It has been providing vapes, accessories and knowledge to enthusiasts and newcomers alike. Its website [www.australianvaporizers.com.au](http://www.australianvaporizers.com.au) is a popular designation in the country with a large database of satisfied customers.

## Commercial & Wholesale

The Company's Commercial and Wholesale pillar encompasses the distribution of pharmaceutical products to international markets. This pillar is anchored by Flora's wholly owned subsidiary, Phatebo, a multi-national operator in pharmaceutical and medical cannabis distribution, with principal operations in Germany.

### *Phatebo*

Based in Germany, Phatebo is a wholesale pharmaceutical distribution company with import and export capabilities of a wide range of pharmaceutical goods and medical cannabis products to treat a variety of health indications, including drugs related to cancer therapies, attention-deficit/hyperactivity disorder ("ADHD"), multiple sclerosis and anti-depressants, among others. Phatebo holds a license for the Trade in Narcotic Drugs (including the cannabis sales license amendment) and a wholesale trading license, both of which are issued by the Federal Institute for Drugs and Medical Devices (the "BfArM") (the largest drug approval authority in Europe). In November 2018, Phatebo also received a medical cannabis import and distribution license. Additionally, the Phatebo warehouse provides a logistics outpost for Flora's growing product portfolio and distribution network within the European Union.

### *TruHC*

Based in Hamburg, Germany, TruHC holds a GDP wholesale, and an EU-GMP processing and production license for medical cannabis. It also owns and operates an EU-GMP certified laboratory ready for instant cannabis analysis as required for the new Cannabis Social Clubs. The facility of TruHC is a flexible production space with EU-GMP certified modules that can be extended and customized for any production process from processing to extraction. TruHC also holds a narcotic license with EU-GMP certified storage.



## **Our Competitive Strengths**

Due to the competitive and dynamic nature of the emerging cannabis products market and rapid changes in the regulatory environment, Flora does recognize the need to remain flexible, so we can react to opportunities and risks as they develop. Management will continue to re-evaluate and re-prioritize strategies to respond to these developments. We are actively fostering a culture of continued agility and exploration since the ability to pivot depending on market dynamics can result in a competitive advantage.

### *A diversified strategy*

We believe that our growth strategy is our main competitive advantage. By creating our two-pillar approach that addresses the bell curve of the future cannabis industry; consumer packaged goods, commercial cannabis supply chain experience, and cannabis prescription medication, Flora creates a moat, playing brand, vendor, and distributor of a broad collection of cannabis products, owned and brokered, suitable for markets around the world.

### *Supply chain experience*

Flora is continually developing the ability and expertise to move cannabis across the global supply chain in multiple business categories. The cannabis supply chain is complex and has high barriers of entry. Our team has been able to develop a strong understanding of distribution across the globe.

### *Regulatory expertise*

Flora has the necessary regulatory requirements to fulfill needs across the global supply chain. Some of these requirements take several years to acquire.

### *Experienced management team*

With a management team with diverse backgrounds that include public company management, early-stage cannabis, big box and mainstream retail, consumer packaged goods and technology services, Flora believes the right talent has been assembled to take advantage of the opportunities presented in the cannabis industry. Management expects that its experience and strong understanding of regulatory frameworks, the agricultural and scientific processes necessary to develop high quality and consistent medicinal cannabis products, as well as the knowledge and expertise in go to market strategy for its portfolio of brands, will continue to set the Company up for success.

## **Growth Tactics**

Flora's goal is to become a consumer products market leader in distribution of natural, medicinal-grade cannabis and high-quality cannabis derived medical and wellness products for large channel distributors, including pharmacies, medical clinics, and cosmetic companies, continuing to explore strategic partnerships and pursuing accretive acquisitions to supplement our organic growth.

### *M&A*

Acquisition of businesses both domestically and internationally has played a critical role in the growth of the Company. We continue to seek out M&A targets that are accretive in nature and which provide access to previously untapped capabilities within Flora. Essential to this strategy and the evaluation process will be geography, cash flow, positive earnings, management and human capital.

## Sales and Marketing

Across our various pillars, we sell products through three main channels: direct-to-consumer, wholesale and retail. Within JustCBD and Phatebo, sales are primarily focused on direct-to-consumer sales through brand websites and wholesale retail partners and are concentrated in the United States and Europe. Our international sales are conducted primarily through distribution partners who sell to third party retailers.

## Distribution

### *United States*

Distribution activities in the United States are primarily run from our Fort Lauderdale, Florida office. Distribution activities include storage, direct to consumer fulfillment as well as wholesale direct and third-party distributor shipments.

### *Germany, United Kingdom & Europe*

Flora has operations in Germany where we are an importer, exporter and distributor of prescription drugs and EU-GMP (as defined below) medical cannabis. Through leveraging Flora's facilities and existing infrastructure and extensive distribution network, we expect to be able to source, store and distribute a range of medical cannabis products, which will help support us meet the growing demand for medical cannabis throughout Europe. We operate a distribution facility in Hilzingen, Baden-Wurttemberg, Germany.

Flora operates a small sales office in London, England, which serves as a homebase for all activities being conducted in Europe. From this office, Flora can support the European distribution and wholesale business for its products.

## The Global Cannabis Industry

Revenue in the cannabis market worldwide is forecasted to reach \$68 billion in 2025<sup>1</sup>. The global legal cannabis market is growing at approximately a 2.3% compounded annual growth rate ("CAGR") and projected to reach approximately \$75 billion by 2029 globally<sup>1</sup>.

### *United States*

As Flora is listed on Nasdaq, we operate exclusively today in CBD-based or ancillary/accessory businesses in the U.S. market given the U.S. federal prohibition on cannabis products containing tetrahydrocannabinol ("THC"). This includes importing cosmetic and beauty products, accessory and non-cannabinoid products and CBD products. The North America hemp-derived cannabidiol market size was valued at USD 1.5 billion in 2024. It is expected to expand at a CAGR of 13.5% from 2025 to 2030<sup>2</sup>. Hemp-derived CBD and its derivatives remain legal at the federal level under the Agriculture Improvement Act of 2018 (the "2018 Farm Bill").

### *Europe*

The European cannabis landscape continues to advance largely with Germany, Malta, Switzerland, Poland and the United Kingdom being the furthest ahead by means of establishing a legal cannabis framework.

Prohibition Partners, a leading market intelligence firm on the global cannabis industry, estimated that the European cannabis market is expected to grow at a CAGR of 61.1% to reach \$13 billion by 2028. Products like CBD edibles continue to be governed by the EU Novel Food Act and as a result provide near term upside for the Company.

In 2022, Germany, the largest cannabis market in the European Union, announced it would begin the process of moving towards recreational adult-use cannabis in the country in addition to continuing to expand its existing medical cannabis program. The Germany legal cannabis market size is expected to grow at a CAGR of approximately 15% between 2024 and 2030, resulting in a market volume of \$85.6 million by 2030<sup>3</sup>.

In February 2024, the Bundestag, Germany's lower house of parliament, voted to legalize cannabis for limited recreational use. Under the new legislation, adults over the age of 18 can cultivate up to three plants for private consumption and are allowed to possess 50 grams at one time at home, and 25 grams in public, starting from April 1, 2024. Under the new legislation, from July 1, 2024, cannabis would also be available in licensed not-for-profit clubs with no more than 500 members, all of whom would have to be adults, and only club members would be allowed to consume their output. The legislation was ratified by the Bundesrat, Germany's upper parliamentary chamber, and signed by the President of Germany in March 2024, allowing its implementation on April 1, 2024.

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<sup>1</sup> Statista: Cannabis - Worldwide | Statista Market Forecast - Highlights

<sup>2</sup> Grand View Research - North America Hemp-derived Cannabidiol Market Size Report

<sup>3</sup> Yahoo Finance - Germany Legal Cannabis Market Analysis 2024-2023 by Source

## **Pharmaceutical Market and Health Sector**

Europe has a strong pharmaceutical history and a thriving industry with concentration of pharmaceutical companies in the German-Switzerland border area. The industry has a projected CAGR of 6.2% between 2023 and 2027 resulting in total sales of \$335 billion by 2027<sup>4</sup>. In the European Union, Germany was the leading pharmaceutical market with a total revenue of \$69 billion in 2023<sup>5</sup>.

## **Cannabidiol (CBD) Market**

CBD is a non-psychoactive compound found naturally occurring within the cannabis plant with the majority of CBD consumed being derived from the hemp plant. The global CBD market is projected to reach \$47.3 billion by 2028 at a CAGR of 21.3% with the U.S. market alone making up an estimated \$4.1 billion in product sales in 2022<sup>6</sup>. The CBD market in the United States has seen steady growth with an inflection point occurring with the passage of the 2018 Farm Bill, clearing the way for CBD and other compounds derived from the hemp plant. The majority of CBD consumers site seeking relief from pain, anxiety, and sleep issues as their primary reason for use. In the United States, CBD is readily found in brick-and-mortar stores as well as online. However, advertising remains difficult due to its association with its psychoactive cousin, THC, and the early proliferation of bad-actors making effects-based claims that were not backed by science to bolster sales.

## **Ancillary/Accessories**

The ancillary or accessory category continues to grow as we see the expansion of legal access to cannabis around the globe. The accessory space is broad and spans smoking accessories as well as ash trays and storage pieces. Looking ahead, the global accessory market will reach \$96 billion by 2031, representing a CAGR of 4.3%<sup>7</sup>.

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<sup>4</sup> Statista - Pharmaceutical Industry in Europe - Statistics & Facts

<sup>5</sup> Statista - Revenue of leading pharmaceutical markets in Europe

<sup>6</sup> Vantage Market Research - Cannabidiol (CBD) Market Size, Share & Trends Analysis Report

<sup>7</sup> Business Wire - Smoking Accessories Research Report 2024

## **Regulatory**

Flora has obtained the licenses to operate on a global scale including required governmental approvals, licenses and permits. A summary of such governmental approvals, licenses and permits are set forth below.

## ***Regulation of our Industry***

### ***Regulatory Framework in the United States***

#### ***Packaging, Labeling and Advertising***

The processing, formulation, manufacturing, packaging, labeling, advertising and distribution of our products are subject to federal laws and regulation by one or more federal agencies, including the United States Food and Drug Administration (the "FDA"), Federal Trade Commission, United States Department of Health and Human Services, the United States Department of Agriculture ("USDA"), and the United States Environmental Protection Agency. These activities are also regulated by various state, local and international laws and agencies of the states and localities in which our products are sold. Regulations may prevent or delay the introduction, or require the reformulation of our products, which could result in lost sales and increased costs to the Company. A regulatory agency may not accept the evidence of safety for any new ingredients that we may want to market or may determine that a particular product or product ingredient presents an unacceptable health risk. Regulatory agencies may also determine that a particular statement of nutritional support on our products, or a statement that we want to use on our products, is an unacceptable drug claim or an unauthorized version of a food "health claim", or that particular claims are not adequately supported by available scientific evidence. Any such regulatory determination could prevent us from marketing particular products or using certain statements on those products, which could adversely affect our sales and results of operations.

Developments in the laws and regulations governing our products may result in a more stringent regulatory landscape, which could require reformulation of certain products to meet new standards, recalls or discontinuance of certain products that we are unable to reformulate, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling requirements, additional scientific substantiation requirements, and other requirements or restrictions. Such developments could increase our costs significantly, which could have a material adverse effect on our business, financial condition and results of operations.

On October 31, 2023, the Florida Department of Agriculture and Consumer Services Division of Food Safety (the "Department") issued 340 stop sale orders on hemp-extract products distributed by Just Brands primarily on the basis that such products were determined to be attractive to children with the product and/or labels in the shape of an animal, human, or cartoon; or bears any reasonable resemblance to an existing candy product, or branded food product (the "Just Brands 2023 Stop-Sale Order"). As a result, Just Brands stopped distributing these products in the State of Florida. There is no assurance that these products can be sold in another jurisdiction, or at all.

In late January 2024, and in early February 2024, the Department issued a stop sale order on 231 hemp extract and other products distributed by Just Brands primarily on the basis that such products were determined to be attractive to children with the product and/or labels in the shape of an animal, human, or cartoon; or bears any reasonable resemblance to an existing candy product, or branded food product (the "Just Brands 2024 Stop-Sale Order"). On May 7, 2024, the Department and Just Brands entered into a Settlement Agreement and General Release ("May Settlement Agreement"), whereby Just Brands agreed to remove the hemp-extract products that are subject to the Just Brands 2023 Stop-Sale Order and the Just Brands 2024 Stop-Sale Order from the State of Florida by transferring them to out-of-state facilities, no later than 30 days after the date of the May Settlement Agreement. Just Brands also agreed to accept a (5) year revocation of its food permit, effectively immediately, prohibiting it from owning, operating, or creating a new business entity that owns or operates any food establishment in the state of Florida that requires a permit or license from the Department. The May Settlement Agreement is a full and complete settlement of the claims raised in the administrative and legal proceedings relating to this matter. There is no assurance that these products can be sold in another jurisdiction, or at all.

On April 2, 2024, the Department issued a stop sale order on certain hemp-extract and other products distributed by High Roller primarily on the basis that such products were determined to be attractive to children with the product and/or labels in the shape of an animal, human, or cartoon; or bears any reasonable resemblance to an existing candy product, or branded food product (the "April 2024 Stop Sale Order"). On June 27, 2024, the Department and High Roller entered into a Settlement Agreement and General Release ("June Settlement Agreement"), whereby High Roller agreed to remove the hemp-extract products that are subject to the April 2024 Stop Sale Order from the State of Florida by transferring them to out-of-state facilities, no later than 30 days after the date of the June Settlement Agreement. High Roller also agreed that it will not manufacture, distribute, or sell any "gummy" hemp extract products in the State of Florida for a period of two years from the date of the June Settlement Agreement. During this period, High Roller may continue to produce, distribute and/or sell other hemp extract product in Florida provided the products comply with applicable Florida laws. The June Settlement Agreement is a full and complete settlement of the claims raised in the administrative and legal proceedings relating to this matter. There is no assurance that these products can be sold in another jurisdiction, or at all.

The United States healthcare industry is heavily regulated and closely scrutinized by federal, state and local governments. Comprehensive statutes and regulations govern the manner in which we will provide and bill for telehealth services, our contractual relationships with our providers, vendors and clients, our marketing activities, and other aspects of our planned operations. Of particular importance are:

- The federal physician self-referral law, commonly known as the Stark Law, that generally prohibits physicians from referring Medicare or Medicaid patients to an entity for the provision of certain "designated health services" if the physician or a member of such physician's immediate family has a direct or indirect financial relationship (including an ownership interest or a compensation arrangement) with the entity, and prohibit the entity from billing Medicare or Medicaid for such designated health services.
- The federal United States Anti-Kickback Statute (the "U.S. Anti-Kickback Statute") that prohibits the knowing and willful offer, payment, solicitation or receipt of any bribe, kickback, rebate or other remuneration for referring an individual, in return for ordering, leasing, purchasing or recommending or arranging for, or to induce the referral of an individual or the ordering, purchasing or leasing of items or services covered, in whole or in part, by any federal healthcare program, such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the U.S. Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act.
- The criminal healthcare fraud provisions of the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, and the implementing regulations, and related rules which prohibit knowingly and willfully executing a scheme or artifice to defraud any healthcare benefit program or falsifying, concealing or covering up a material fact or making any material false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the U.S. Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation.
- The False Claims Act, which imposes civil and criminal liability on individuals or entities that knowingly submit false or fraudulent claims for payment to the government or knowingly make, or cause to be made, a false statement in order to have a false claim paid, including *qui tam* or whistleblower suits.
- Reassignment of payment rules which prohibit certain types of billing and collection practices in connection with claims payable by the Medicare or Medicaid programs.
- Similar state law provisions pertaining to anti-kickback, self-referral and false claims issues.
- State laws that prohibit general business corporations, such as us, from practicing medicine, controlling physicians' medical decisions, or engaging in certain practices such as splitting fees with physicians.
- Laws that regulate debt collection practices as applied to our debt collection practices.
- Certain provisions of the Social Security Act of 1935 that impose criminal penalties on healthcare providers who fail to disclose, or refund known overpayments.
- Federal and state laws that prohibit providers from billing and receiving payment from Medicare and Medicaid for services unless the services are medically necessary, adequately and accurately documented, and billed using codes that accurately reflect the type and level of services rendered.
- Federal and state laws and policies that require healthcare providers to maintain licensure, certification or accreditation to enroll and participate in the Medicare and Medicaid programs, and to report certain changes in their operations to the agencies that administer these programs.

Failure to comply with these laws and other laws can result in civil and criminal penalties such as fines, damages, overpayment, recoupment, imprisonment, loss of enrollment status and exclusion from the Medicare and Medicaid programs. The risk of our being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are sometimes open to a variety of interpretations. Our failure to accurately anticipate the application of these laws and regulations to our business or any other failure to comply with applicable regulatory requirements could impose liability on us and negatively affect our business. Any action against us for violation of these laws or regulations could cause us to incur significant legal expenses, divert our management's attention from business operations, and result in adverse publicity.

The laws, regulations and standards governing the provision of healthcare services may change significantly in the future. We cannot assure you that any new or changed healthcare laws, regulations or standards will not materially adversely affect our planned telehealth services business.

### ***Regulatory Framework in Germany***

The importation and distribution of medical cannabis in Germany is mainly covered by the German Narcotics Law (Betäubungsmittelgesetz or "BtMG"), the AMG, and the German Narcotics Foreign Trade Ordinance (Betäubungsmittel-Außenhandelsverordnung or "BtMAHV") as well as the Single Convention on Narcotic Drugs (1961) (the "Single Convention"). The relevant competent authorities in Germany are the BfArM, the Federal Opium Authority (a sub-unit of the BfArM), and German Federal authorities.

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 the relevant licenses that must be in line with the Single Convention on Narcotic Drugs. When the German federal government legalized cannabis for medical purposes in March 2017, they also established a cannabis agency as part of BfArM. This agency controls cultivation, harvesting, processing, quality inspection, storage, packaging and distribution to wholesaler and pharmacists or manufacturers.

### ***EU-GMP Certification***

The guidelines on Good Manufacturing Practices, promulgated by European Medicines Agency (the "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 European Union must comply with EU GMP.

A prerequisite under EU GMP is that medicinal products must be of consistently high quality, suitable for their intended use and meet the requirements of the marketing authorization based on stability data. For this reason, an EU-GMP certification facilitates the movement of goods and contributes to the credibility of the product. In general, Article 51 of Commission Directive 2001/83/EC requires that each and every batch imported from a European Union country outside the European Union is checked to ensure that it complies with EU-GMP standards. If a manufacturer in a non-EU country has an EU-GMP certification for its medicinal product, this batch testing is not required pursuant to Article 51(2) of Commission Directive 2001/83/EC.

Under German law, the EU-GMP guidelines must be complied with respect to medicinal products and active substances that are manufactured, tested, stored, placed on the market in Germany, brought into or out of the German territory, imported or exported.

<b>Regime</b>	<b>Treatment Under the Current German Regulatory Framework</b>
Prescribing and Dispensing	<ul style="list-style-type: none"> <li>The legal framework enables doctors to prescribe medical cannabis.</li> <li>Dispensed in the form of medicinal cannabis flowers, as a cannabis extract or as a finished product containing active THC.</li> <li>Pursuant to the BtMG, only pharmacies are permitted upon a special 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.</li> <li>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.</li> </ul>
Reimbursement	<ul style="list-style-type: none"> <li>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. Currently, the costs of medical cannabis are covered by German health insurance.</li> <li>Since March 10, 2017, medical cannabis can be prescribed at the expense of the statutory health insurance companies in Germany upon their prior approval.</li> <li>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).</li> <li>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.</li> </ul>
Licensing Requirements	<ul style="list-style-type: none"> <li>In order to import and distribute medical cannabis in Germany, a private company needs a License for the Trade in Narcotic Drugs, and a Wholesale Trading License from local health authorities. The Company currently owns two subsidiaries, TruHC and Phatebo, that have these licenses.</li> <li>If cannabis is imported from non-EU/EEA countries, 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.</li> <li>A License for the Trade in Narcotic Drugs is required for all operations relating to the trading of narcotic drugs (such as cannabis), including, among others, cultivation, production, import and export. This license is issued by the Federal Opium Agency, a division of BfArM.</li> </ul>
Importation	<ul style="list-style-type: none"> <li>An Import Authorization for narcotics issued by the Federal Opium Agency is required for each import of narcotics into Germany.</li> <li>An Import Authorization for narcotics can only be obtained by a company with business activities in Germany. The authorities have broad rights with respect to issuing Import Authorizations and may refuse to grant an Import Authorization or, in certain circumstances, restrict the quantity of the narcotics being imported.</li> <li>An Import Authorization cannot be transferred to third parties and is limited to a maximum of three months (or six months for imports by sea). If the narcotics are not imported within this time frame, the import authorization must be returned to BfArM.</li> <li>A company applying for a License for the Trade in Narcotic Drugs and an Import Authorization for narcotics must meet various requirements, including among other, an appointment of a responsible person with relevant expertise responsible for compliance with the regulations governing narcotics, compliance with applicable security measures and certain recordkeeping and reporting requirements.</li> </ul>
Wholesale Trading License	<ul style="list-style-type: none"> <li>Medical cannabis falls under the definition of a medicinal product, as defined in the GMA, and requires a Wholesale Trading License if a private company engages in wholesale trading of medical cannabis.</li> <li>Wholesale trading is defined broadly and includes any professional or commercial activity involving the procuring, storing, supplying or exporting of medicinal products, with the exception of the dispensing of medicinal products to consumers other than physicians, dentists, veterinarians or hospitals.</li> <li>A company applying for an Import Authorization for narcotics with respect to the import of medical cannabis into Germany generally is also in possession of a Wholesale Trading License. Two of the Company's German subsidiaries, Phatebo and TruHC, hold these licenses.</li> </ul>
Other Licenses	<ul style="list-style-type: none"> <li>A company importing medical cannabis from non-EU/EEA countries is required to have an Import License for pharmaceuticals pursuant to Section 72 of the GMA.</li> <li>There are several other licenses that might also be required for certain types of medical cannabis products or activities (such as a manufacturing license, in case the medical cannabis is processed, packed, labeled or market released in Germany according to Section 13 of the GMA).</li> </ul>

## Human Capital Resources

As of December 31, 2024, we had a total of 76 employees, 64 of which were full-time and eleven were part-time. A total of 46 of our employees and consultants were based in the United States and 30 of our employees and consultants were based internationally.

To our knowledge, none of our employees are represented by a labor organization or are a party to any collective bargaining arrangement. We have not experienced any work stoppages and we consider our relations with our employees to be good.

## Additional Information

Our website is at [www.floragrowth.com](http://www.floragrowth.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act, are available at [www.sec.gov/edgar](http://www.sec.gov/edgar). Our website address is included in this Annual Report only as an inactive textual reference. Information contained on, or available through, our website is not incorporated by reference in, or made a part of, this Annual Report.

## ITEM 1A. RISK FACTORS.

You should carefully consider the risks described below, as well as other information contained in this report, including the consolidated financial statements and the notes thereto and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events discussed below could significantly and adversely affect our business, prospects, results of operations, financial condition, and cash flows.

### RISKS RELATED TO OUR BUSINESS AND INDUSTRY

*We are an early-stage company with limited operating history and may never become profitable.*

We are an early-stage company focused on supplying natural, medicinal-grade cannabis flower and high-quality cannabis derived medical and wellness products to large channel distributors and retailers globally. Formed in March 2019, we have a limited operating history. We have limited financial resources and minimal operating cash flow. For the years ended December 31, 2024 and 2023, we had losses of \$15.9 million and \$56.3 million, respectively, and as of December 31, 2024 an accumulated deficit of \$158.1 million.

Additionally, there can be no assurance that additional funding will be available to us for the development of our business, which will require the commitment of substantial resources. Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development. Potential investors should carefully consider the risks and uncertainties that a company with a limited operating history will face. In particular, potential investors should consider that we may be unable to:

- successfully implement or execute our business plan, or that our business plan is sound;
- adjust to changing conditions or keep pace with increased demand;
- attract and retain an experienced management team;
- successfully integrate businesses that we acquire; or
- raise sufficient funds in the capital markets to effectuate our business plan, including product development, licensing and approvals.



***Recent and future acquisitions and strategic investments could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value, may subject us to liability, and harm our results of operations and financial condition.***

We acquired 100% equity interests in Just Brands, Franchise Global Health ("FGH"), AV, and TruHC. We have a history of acquisitive activity, and we may in the future seek to acquire or invest in businesses, products, or technologies that we believe could complement our operations or expand our breadth, enhance our capabilities, or otherwise offer growth opportunities. Our diversity of product offerings may not be successful. While our growth strategy includes broadening our service and product offerings, implementing an aggressive marketing plan and employing product diversification, there can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of our planned growth and diversified product offerings, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems. Additionally, the integration of our acquisitions and pursuit of potential future acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In addition, we have limited experience in acquiring other businesses. Specifically, we may not successfully evaluate or utilize the acquired products, assets or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges.

We may not be able to find and identify desirable acquisition targets or we may not be successful in entering into an agreement with any one target. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could harm our results of operations. In addition, if an acquired business fails to meet our expectations, our business, results of operations, and financial condition may suffer. In some cases, minority shareholders may exist in certain of our non-wholly-owned acquisitions (for businesses we do not purchase as an 100% owned subsidiary) and may retain minority shareholder rights which could make a future change of control or corporate approvals for actions more difficult to achieve and/or more costly.

We also make strategic investments in early-stage companies developing products or technologies that we believe could complement our business or expand our breadth, enhance our technical capabilities, or otherwise offer growth opportunities. These investments may be in early-stage private companies for restricted stock. Such investments are generally illiquid and may never generate value. Further, the companies in which we invest may not succeed, and our investments would lose their value.

Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized, or we may be exposed to unknown risks or liabilities of our acquisitions. Furthermore, we may be subject to unknown liabilities of the businesses we acquire. In addition, we may become subject to legal proceedings in connection with the businesses of, or resulting from, our acquisitions. For example, we have become party to certain litigation as a result of our acquisition of FGH, which falls under certain indemnification protections obtained in the acquisition. For more information, see Item 3 "Legal Proceedings."

***Certain conditions or events could disrupt the Company's supply chains, disrupt operations, and increase operating expenses.***

Conditions or events including, but not limited to, the following could disrupt the Company's supply chains and in particular its ability to deliver its products, interrupt operations at its facilities, increase operating expenses, resulting in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity; (iii) political instability, social and labor unrest, war or terrorism, including the current conflict between Russia and Ukraine; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

***Cannabis laws, regulations, and guidelines are dynamic and subject to changes.***

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require us to incur substantial costs associated with compliance or alter certain aspects of our business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain of our products and/or aspects of our businesses. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business. Management expects that the legislative and regulatory environment in the cannabis industry internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on our business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

***Demand for cannabis and derivative products could be adversely affected and significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention or other research findings.***

The legal cannabis industry is at a relatively early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medicinal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity, could have a material adverse effect on the demand for medicinal cannabis and on our business, results of operations, financial condition and cash flows. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. Our ability to gain and increase market acceptance of our business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure to materialize into significant demand may have an adverse effect on our financial condition.

***Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether such publicity is accurate or not.***

The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes pride in protecting its image and reputation, it does not ultimately have direct control over how it is perceived by others. Reputational loss may result in decreased ability to enter into new customer, distributor or supplier relationships, retain existing customers, distributors or suppliers, reduced investor confidence and access to capital, increased challenges in developing and maintaining community relations and an impediment to our overall ability to advance our projects, thereby having a material adverse effect on our financial performance, financial condition, cash flows and growth prospects.

***We are subject to the inherent risk of exposure to product liability claims, actions and litigation.***

As a distributor of products designed to be ingested 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 bodily harm or injury. In addition, the sale of our products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of our products alone or in combination with other medications or substances 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 health risks, possible side effects or interactions with other substances. Product liability claims or regulatory actions 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 results of operations and financial condition. There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our potential products.

***We are subject to the inherent risks involved with product recalls.***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. In addition, a product recall may require significant management attention. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if our products are subject to recall, our reputation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products and could have a material adverse effect on our results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of our operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses, and potential legal fees and other expenses.

***The Company's products could have unknown side effects.***

If the products the Company sells are not perceived to have the effects intended by the end user, its business may suffer and the business may be subject to products liability or other legal actions. Many of the Company's products contain innovative ingredients or combinations of ingredients. There is little long-term data available with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry, or interaction with other drugs. Moreover, there is little long-term data available with respect to efficacy, unknown side effects and/or its interaction with individual animal biochemistry. As a result, the Company's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

The Company may be unable to anticipate changes in its potential client requirements that could make the Company's existing products and services obsolete. The Company's success will depend, in part, on its ability to continue to enhance its product and service offerings so as to address the increasing sophistication and varied needs of the market and respond to technological and regulatory changes and emerging industry standards and practices on a timely and cost-effective basis.

***Research regarding the medical benefits, viability, safety, efficacy, use and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages.***

There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated herein or reach negative conclusions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products, which could result in a material adverse effect on our business, financial condition and results of operations or prospects.

***Our growth depends, in part, on expanding into additional consumer markets, and we may not be successful in doing so.***

We believe that our future growth depends not only on continuing to provide our current customers with new products, but also continuing to enlarge our customer base. The growth of our business will depend, in part, on our ability to continue to expand in the United States, as well as into international markets. We are investing significant resources in these areas, and although we hope that our products will gain popularity, we may face challenges that are different from those we currently encounter, including competitive merchandising, distribution, hiring, and other difficulties. We may also encounter difficulties in attracting customers due to a lack of consumer familiarity with or acceptance of our brand, or a resistance to paying for premium products, particularly in international markets. In addition, although we are investing in sales and marketing activities to further penetrate newer regions, including expansion of our dedicated sales force, we may not be successful. If we are not successful, our business and results of operations may be harmed.

***Fluctuations in the cost and availability of raw materials, equipment, labor, and transportation could cause manufacturing delays or increase our costs.***

The price and availability of key components used to manufacture our products has been increasing and may continue to fluctuate significantly. In addition, the cost of labor within our company or at our third-party manufacturers could increase significantly due to regulation or inflationary pressures. Additionally, the cost of logistics and transportation fluctuates in large part due to the price of oil, and availability can be limited due to political and economic issues. Any fluctuations in the cost and availability of any of our raw materials, packaging, or other sourcing or transportation costs could harm our gross margins and our ability to meet customer demand. If we are unable to successfully mitigate a significant portion of these product cost increases or fluctuations, our results of operations could be harmed.

***We rely on third-parties for raw materials and to manufacture and compound some of our products. We have no control over these third parties and if these relationships are disrupted our results of operations in future periods will be adversely impacted.***

We currently hold short term supply contracts with unaffiliated third-party vendors for our critical raw materials. In addition, some of our products are manufactured or compounded by unaffiliated third parties and the use of these third-party co-packers changes from time to time due to customer demand and the composition of our product mix and product portfolio. We do not have any long-term contracts with any of these third parties, and we expect to compete with other companies for raw materials, production and imported packaging material capacity. If we experience significant increased demand or need to replace an existing raw material supplier or third-party manufacturer, there can be no assurances that replacements for these third-party vendors will be available when required on terms that are acceptable to us, or at all, or that any manufacturer or compounder would allocate sufficient capacity to us in order to meet our requirements. In addition, even if we are able to expand existing or find new sources, we may encounter delays in production and added costs as a result of the time it takes to engage third parties. Any delays, interruption or increased costs in raw materials and/or the manufacturing or compounding of our products could have an adverse effect on our ability to meet retail customer and consumer demand for our products and result in lower revenues and net income both in the short and long-term.

***The Company's inventory has a shelf life and may reach its expiration and not be sold.***

The Company holds finished goods in inventory and its inventory has a shelf life. Finished goods in the Company's inventory may include cannabis flower, cannabis oil products and cosmeceuticals. The Company's inventory may reach its expiration and not be sold. Although management regularly reviews the quantity and remaining shelf life of inventory on hand, and estimates manufacturing and sales lead times in order to manage its inventory, write-downs of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

***The seasonal trends in our business create variability in our financial and operating results.***

Our financial and operating results are subject to seasonal and quarterly variations in our net revenue and operating income and, as a result, our quarterly results may fluctuate and could be below expectations. Our business has realized a disproportionate amount of our net revenue and earnings for prior fiscal years in the third and fourth quarter as a result of the holiday season, and we expect this seasonal impact on our operations to continue in the future. If we experience lower than expected net revenue during any third or fourth quarter, it may have disproportionately large effects on our operating results and financial condition for that year. Any factors that harm our third or fourth quarter operating results, including disruptions in our brands or our supply chains or unfavorable economic conditions, could have a disproportionate effect on our results of operations and our financial condition for our entire fiscal year.

***The Company may not be able to maintain effective quality control systems.***

The Company may not be able to maintain an effective quality control system. The Company ascribes its early successes, in part, on its commitment to product quality and its effective quality control system. The effectiveness of the Company's quality control system and its ability to obtain or maintain good manufacturing practice ("GMP") certification with respect to its manufacturing, processing and testing facilities depend on a number of factors, including the design of its quality control procedures, training programs, and its ability to ensure that its employees adhere to the Company's policies and procedures. The Company also depends on service providers such as toll manufacturers and contract laboratories to manufacture, process or test its products that are subject to GMP certification requirements.

We expect that regulatory agencies will periodically inspect our and our service providers' facilities to evaluate compliance with applicable GMP requirements. Failure to comply with these requirements may subject us or our service providers to possible regulatory enforcement actions. Any failure or deterioration of the Company's or its service providers' quality control systems, including loss of GMP certification, may have a material adverse effect on the Company's business, results of operations and financial condition.

***The cannabinoid industry faces strong opposition and may face similar opposition in other 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 geographies. Our business will need support from local governments, industry participants, consumers 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 efforts by these or other industries to halt or impede the cannabis industry could have detrimental effects on our business.

***The Company is subject to wholesale price volatility that could expose the Company to lower than anticipated revenues, gross margins, net income and cash flows.***

The pharmaceutical distribution and cannabis industries are margin-based businesses in which gross profits depend on the excess of sales prices over costs. 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, government regulations and demand), taxes, government programs and policies for the pharmaceutical distribution and cannabis industries (including price controls and wholesale price restrictions that may be imposed by government agencies responsible for the sale of pharmaceuticals and cannabis), and other market conditions, all of which are factors beyond our control. The Company's operating income may be significantly and adversely affected by a decline in the price of pharmaceuticals and cannabis and will be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as our profitability is directly related to the price of pharmaceuticals and cannabis. These prices affected by numerous factors beyond our control. Any price decline may have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company could face competitive risks from the development and distribution of synthetic cannabis.***

The pharmaceutical industry and others may attempt to enter the cannabis industry and, in particular, the medical cannabis industry through the development and distribution of synthetic products that emulate the effects of and treatment provided by naturally occurring cannabis. If synthetic cannabis products are widely adopted, the widespread popularity of such synthetic cannabis products could change the demand, volume and profitability of the botanical cannabinoid industry. This could adversely affect our ability to secure long-term profitability and success through the sustainable and profitable operation of our business.

***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. 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.

***The Company is reliant on third party transportation services and importation services to deliver its products to customers.***

The Company relies on third party transportation services and importation services to deliver its products to its customers. The Company is exposed to the inherent risks associated with relying on third party transportation service-providers, including logistical problems, delays, loss or theft of product and increased shipping and insurance costs. Any delay in transporting the product, breach of security or loss of product, could have a material adverse effect on the Company's business, financial performance and results of operations.

***We may not be able to establish and maintain bank accounts in certain countries.***

There is a risk that banking institutions in countries where we operate will not open accounts for us or will not accept payments or deposits from proceeds related to the cannabis industry. Such risks could increase our costs or prevent us from expanding into certain jurisdictions.

***We may not be able to renew certain of our leases.***

Several of the properties or facilities that we utilize in our operations are leased for a specific term. There is a risk that we may not be able to extend the term on some or all of such leases or, if we do so, that the terms of any such lease extension will be favorable. Likewise, there is a risk that some leases may expire and we will be required to relocate our operations to another location, thereby incurring costs.

***The Company may be subject to cyber-security and privacy risks that could disrupt its operations and expose the Company to financial losses, contractual losses, liability, reputational damage and additional expense.***

The Company may be subject to risks related to our information technology systems, including cyber-attacks, malware, ransomware and phishing attacks that could target our intellectual property, trade secrets, financial information, personal information of our employees, customers and patients, including sensitive personal health information. The occurrence of such an attack could disrupt our operations and expose the Company to financial losses, contractual damages, liability under labor and privacy laws, reputational damage and additional expenses. We have implemented security measures to protect our data and information technology systems; however, such measures may not be effective in preventing cyber-attacks. We may be required to allocate additional resources to implement additional preventative measures including significant investments in information technology systems. A serious cyber-security breach could have a material adverse effect on our business, financial condition and results of operations.

The Company may collect and store certain personal information about customers and is responsible for protecting such information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on the Company's business, financial condition and results of operations. If the Company were found to be in violation of privacy or security rules or other laws protecting the confidentiality of information, the Company could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company may incur significant costs to defend its intellectual property and other proprietary rights.***

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, regardless of their merit, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. Such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

***The Company may incur additional liability as a result of the insolvency of a subsidiary.***

The Company's subsidiaries are separate and distinct legal entities. Any right that the Company has to receive any assets of or distributions from any subsidiary upon its bankruptcy, dissolution, liquidation, or reorganization, or to realize proceeds from the sale of the assets of any subsidiary, will be junior to the claims of that subsidiary's creditors, including trade creditors. The Company may also be exposed to claims upon insolvency of a subsidiary in some jurisdictions where local laws or case law may provide for recourse against shareholders, especially when assets are insufficient to cover liabilities, including workforce redundancy costs.

**RISKS RELATED TO OUR REGULATORY FRAMEWORK**

***Marijuana remains illegal under U.S. federal law, and the enforcement of U.S. cannabis laws could change.***

There are significant legal restrictions and regulations that govern the cannabis industry in the United States. Marijuana remains a Schedule I drug under the Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. In those states in which the use of marijuana has been legalized, its use remains a violation of federal law pursuant to the Controlled Substances Act. The Controlled Substances Act classifies marijuana as a Schedule I controlled substance, and as such, medical and adult cannabis use is illegal under U.S. federal law. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to marijuana (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable U.S. federal money laundering legislation. While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis regulatory programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve us of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against us. Since U.S. federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, enforcement of federal law regarding marijuana is a significant risk and would greatly harm our business, prospects, revenue, results of operation and financial condition. The enforcement of federal laws in the United States is a risk to our business and any proceedings brought against us thereunder may materially, adversely affect our operations and financial performance.

Our activities are, and will continue to be, subject to evolving regulation by governmental authorities. The legality of the production, cultivation, extraction, distribution, retail sales, transportation and use of cannabis differs among states in the United States. Due to the current regulatory environment in the United States, new risks may emerge; Management may not be able to predict all such risks.

Due to the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses are subject to inconsistent laws and regulations. There can be no assurance that the federal government will not enforce federal laws relating to marijuana and seek to prosecute cases involving marijuana businesses that are otherwise compliant with state laws in the future.

The uncertainty of U.S. federal enforcement practices going forward and the inconsistency between U.S. federal and state laws and regulations present major risks for the Company.

***Changes to federal or state laws pertaining to industrial hemp could slow the use of industrial hemp which would materially impact our revenues in future periods.***

As of the date hereof, most states and the District of Columbia have authorized industrial hemp programs pursuant to the 2018 Farm Bill, or under prior programs authorized under the 2014 Farm Bill or have plans under review by the USDA. Effective January 1, 2022, several states without an approved plan under the Farm Bill, or a plan under review, will default to the USDA Hemp Producer License. Continued development of the industrial hemp industry will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress within the industrial hemp industry is currently encouraging, growth is not assured. While there appears to be ample public support for favorable legislative action, numerous factors may impact or negatively affect the legislative process(es) within the various states where we have business interests. Any one of these factors could slow or halt use of industrial hemp, which could negatively impact the business up to possibly causing us to discontinue operations as a whole. In addition, changes in Federal or state laws could require us to alter the way we conduct our business in order to remain compliant with applicable state laws in ways we are presently unable to foresee. These possible changes, if necessary, could be costly and may adversely impact our results of operations in future periods.

***Uncertainty caused by potential changes to legal regulations could impact the use of CBD products.***

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the scope of operation of Farm Bill-compliant hemp programs relative to the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the FDA and the extent to which manufacturers of products containing Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, they may have an adverse effect upon the introduction of our products in different markets.



***Any failure on our part to comply with applicable regulations could prevent us from being able to carry on our business, and there may be additional costs associated with any such failure.***

Our business activities are heavily regulated in all jurisdictions where we do business. Our operations are subject to various laws, regulations and guidelines by governmental authorities relating to the cultivation, processing, manufacture, marketing, management, distribution, transportation, storage, sale, packaging, labeling, pricing and disposal of cannabis and cannabis products. In addition, we are subject to laws and regulations relating to employee health and safety, insurance coverage and the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on our products and services.

Any failure by us to comply with the applicable regulatory requirements could

- require extensive changes to our operations;
- result in regulatory or agency proceedings or investigations;
- result in the revocation of our licenses and permits, increased compliance costs;
- result in damage awards, civil or criminal fines or penalties;
- result in restrictions on our operations;
- harm our reputation; or
- give rise to material liabilities.

There can be no assurance that any future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to our business.

Achievement of our business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all necessary regulatory approvals for the cultivation, processing, production, storage, distribution, transportation, sale, import and export, as applicable, of our products. Any failure to comply with the regulatory requirements applicable to our operations may lead to possible sanctions, including:

- the revocation or imposition of additional conditions on licenses to operate our business;
- the suspension or expulsion from a particular market or jurisdiction or of our key personnel;
- the imposition of additional or more stringent inspection, testing and reporting requirements;
- product recalls or seizures; and
- the imposition of fines and censures.

In addition, changes in regulations, government or judicial interpretation of regulations, or more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increase compliance costs or give rise to material liabilities or a revocation of our licenses and other permits. Furthermore, governmental authorities may change their administration, application or enforcement procedures at any time, which may adversely affect our ongoing regulatory compliance costs. There is no assurance that we will be able to comply or continue to comply with applicable regulations.

***The FDA limits the ability to discuss the medical benefits of CBD.***

Under FDA rules it is illegal for companies to make "health claims" or claim that a product has a specific medical benefit. The FDA has not recognized any medical benefits derived from CBD, which means that we are not legally permitted to advertise any potential health claims related to our CBD products. Because of the perception among many consumers that CBD is a health/medicinal product, the inability to make such health claims about its CBD products may limit our ability to market and sell products to consumers, which would negatively affect our revenues and profits.

***The legal cannabis market is a relatively new industry. As a result, the size of our target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.***

Because the cannabis industry is in a nascent stage, there is a lack of information about comparable companies available for potential investors to review and to decide whether to invest in us and, few, if any, established companies whose business model we can follow or upon whose success we can build. Accordingly, investors should rely on their own estimates regarding the potential size, economics and risks of the cannabis market in deciding whether to invest in our Common Shares. We are an early-stage company that has not generated net income. There can be no assurance that our growth estimates are accurate or that the cannabis market will be large enough for our business to grow as projected.

Although we are committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets or products, if any, will be commercially viable or successfully produced and marketed. We must rely largely on our own market research to forecast sales and design products as detailed forecasts and consumer research are not generally obtainable from reliable third-party sources in Canada and in other international jurisdictions.

In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. We could also be subject to other events or circumstances that adversely affect the cannabis industry, such as the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets.

## **RISKS RELATED TO FINANCIALS AND ACCOUNTING**

***Management has performed an analysis of our ability to continue as a going concern, and has determined that, based on our current financial position, there is a substantial doubt about our ability to continue as a going concern. In addition, our independent registered public accounting firm has raised substantial doubt as to our ability to continue as a going concern.***

Based on its assessment, management has raised substantial doubt about our ability to continue as a going concern. The Company had cash and cash equivalents of \$6.1 million at December 31, 2024, a loss of \$15.9 million for the year ended December 31, 2024, and an accumulated deficit of \$158.1 million at December 31, 2024. The Company's ability to continue as a going concern is dependent on its ability to obtain additional capital. The Company believes that its current level of cash and cash equivalents are not sufficient to continue investing in growth, while at the same time meeting its obligations as they become due. These conditions raise substantial doubt regarding our ability to continue as a going concern. In an effort to alleviate these conditions, management continues to evaluate various cost reduction, asset sales, and other alternatives and may seek to raise additional funds through the issuance of equity, mezzanine or debt securities, through arrangements with strategic partners, through obtaining credit from financial institutions or otherwise.

Our independent registered public accounting firm has raised substantial doubt as to our ability to continue as a going concern. A going concern opinion in the report of our independent registered public accounting firm could impair our ability to finance our operations through public or private equity offerings or debt financings, or a combination of one or more of these funding sources. Any additional equity or equity-linked debt financing could be extremely dilutive to our current stockholders. Additional capital may not be available on reasonable terms, or at all, and we may be required to terminate or significantly curtail our operations or enter into arrangements with collaborative partners or others that may require us to relinquish rights to certain aspects of our product candidates, or potential markets that we would not otherwise relinquish. If we are unable to obtain capital, our business would be jeopardized, and we may not be able to continue operations.

***We may increase our foreign sales in the future, and such sales may be subject to unexpected regulatory requirements, exchange rate fluctuations and other barriers.***

Our functional currency is denominated in U.S. dollars. We currently expect that a portion of our sales will be denominated in European euros and we may, in the future, have sales denominated in the currencies of additional countries in which we establish operations or distribution. In addition, we incur a portion of our operating expenses in European euros. In the future, the proportion of our sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively affect our business, financial condition and results of operations. We have not previously engaged in foreign currency hedging. If we decide to hedge our foreign currency exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide from foreign currency fluctuations and can themselves result in losses.

***Assumptions, estimates and judgments related to critical accounting matters could significantly affect our reported financial results or financial condition.***

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on limited historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the notes to our financial statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our Common Shares. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, as well as revenue and cost recognition.

***There are tax risks the Company may be subject to in carrying on business in multiple jurisdictions.***

We and our subsidiaries will operate and, accordingly, will be subject to income tax and other forms of taxation in multiple jurisdictions. We may be subject to income taxes and non-income taxes in a variety of jurisdictions and our tax structure may be subject to review by both domestic and foreign taxation authorities. Those tax authorities may disagree with our interpretation and/or application of relevant tax rules. A challenge by a tax authority in these circumstances might require us to incur costs in connection with litigation against the relevant tax authority or reaching a settlement with the tax authority and, if the tax authority's challenge is successful, could result in additional taxes (perhaps together with interest and penalties) being assessed on us, and as a result an increase in the amount of tax payable by us.

Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates are also subject to change. Therefore, our earnings may be affected by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The determination of our provision for income taxes and other tax liabilities will require significant judgment (including based on external advice) as to the interpretation and application of these rules. We may have exposure to greater than anticipated tax liabilities or expenses.

Additionally, dividends and other intra-group payments made by our subsidiaries or international branches may expose the recipients of such payments to taxes in their jurisdictions of organization and operation and such dividends and other intra-group payments may also be subject to withholding taxes imposed by the jurisdiction in which the entity making the payment is organized or tax resident. Unless such withholding taxes are fully creditable or refundable, dividends and other intra-group payments may increase the amount of tax paid by us. Although the Company and its subsidiaries arrange themselves and their affairs with a view to minimizing the incurrence of such taxes, there can be no assurance that we will succeed.

***Restrictions on Deduction of Certain Expenses for U.S. Federal Income Tax Purposes.***

Section 280E of the Internal Revenue Code of 1986, as amended (the "Code"), prohibits businesses from deducting certain expenses associated with trafficking-controlled substances for United States federal income tax purposes. The Internal Revenue Service (the "IRS") has invoked Code Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Section 280E of the Code prohibits cannabis businesses that are deemed to be trafficking in controlled substances from deducting certain ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the U.S. legal cannabis industry may be less profitable than they would otherwise be.

Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative bodies and federal courts challenging these restrictions, there is no guarantee that these authorities will issue an interpretation of Code Section 280E favorable to cannabis businesses.

If our tax filing positions were to be challenged by federal, state and local or foreign tax jurisdictions, we may not be wholly successful in defending our tax filing positions. We record reserves for unrecognized tax benefits based on our assessment of the probability of successfully sustaining tax filing positions. We, therefore, analyze and consider the appropriateness of recording reserves for unrecognized tax benefits each quarter. Management exercises significant judgment when assessing the probability of successfully sustaining tax filing positions, and in determining whether a contingent tax liability should be recorded and, if so, estimating the amount. If our tax filing positions are successfully challenged, payments could be required that are in excess of reserved amounts or we may be required to reduce the carrying amount of our net deferred tax asset, either of which result could be significant to our financial condition or results of operations.

***The Company may be at a higher risk of IRS audit.***

The Company believes there is a greater likelihood that the IRS will audit the tax returns of cannabis-related businesses. Any such audit of our tax returns could result in us being required to pay additional tax, interest and penalties, as well as incremental accounting and legal expenses, which could be material.

***The Company will likely be a "passive foreign investment company" for its current tax year, which may have adverse U.S. federal income tax consequences for U.S. investors.***

The Company believes it was a PFIC within the meaning of Section 1297 of the Code for its most recently completed tax year, and based on current business plans and financial expectations, it believes that it will likely be a PFIC for its current tax year and may be a PFIC in subsequent tax years. If the Company is a PFIC for any year during a U.S. taxpayer's holding period of Common Shares, then such U.S. taxpayer generally will be required to treat any gain realized upon a disposition of the Common Shares or any so-called "excess distribution" received on its Common Shares as ordinary income, and to pay an interest charge on a portion of such gain or distribution. In certain circumstances, the sum of the tax and the interest charge may exceed the total amount of proceeds realized on the disposition, or the amount of excess distribution received, by the U.S. taxpayer. Subject to certain limitations, these tax consequences may be mitigated if a U.S. taxpayer makes a timely and effective "QEF election" under Code Section 1295 ("QEF Election") or a "mark-to-market" election under Section 1296 of the Code ("Mark-to-Market Election"). U.S. taxpayers should be aware that there can be no assurances that the Company will satisfy the record keeping requirements that apply to a qualified electing fund (a "QEF"), or that the Company will supply U.S. taxpayers with information that such U.S. taxpayers are required to report under the QEF rules, in the event the Company is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their Common Shares. A U.S. taxpayer who makes a Mark-to-Market Election generally must include as ordinary income each year the excess of the fair market value of the Common Shares over the taxpayer's basis therein. This paragraph is qualified in its entirety by the discussion below under the heading of "*Certain United States Federal Income Taxation Considerations - Passive Foreign Investment Company Rules.*" Each potential investor who is a U.S. taxpayer should consult its own tax advisor regarding the tax consequences of the PFIC rules and the acquisition, ownership, and disposition of the Common Shares.

***The Company's ability to use its U.S. net operating loss carryforwards to offset its future U.S. taxable income may be subject to limitations.***

The Company's U.S. federal net operating loss carryforwards ("NOLs") generated in taxable years beginning before January 1, 2018 may be carried forward for 20 years. The Company's U.S. federal NOLs generated in taxable years beginning after December 31, 2017 may be carried forward indefinitely, but the utilization of such NOLs is limited. In addition, under Section 382 of the Code, a corporation that undergoes an "ownership change" (generally defined as a greater than 50% change (by value) in its stock ownership over a three-year period) is subject to limitations on its ability to utilize its pre-change U.S. federal NOLs to offset its future U.S. taxable income. If the Company has undergone an ownership change in the past, or if future changes in its stock ownership, some of which are outside its control, results in an ownership change, its ability to utilize its U.S. federal NOLs may be limited by Section 382 of the Code. It is uncertain if and to what extent U.S. states will conform to U.S. federal income tax law with respect to the treatment of NOLs. As a result, the Company's ability to use its U.S. NOLs to offset its future U.S. taxable income may be subject to limitations, which could increase its tax liability and decrease its cash flow.

***Changes in global and local tax laws and regulations in jurisdictions in which the Company operates may adversely impact the Company and the value of the Common Shares.***

Changes to tax laws in the U.S. or in any jurisdiction in which the Company conducts business (which changes may have retroactive application) could adversely affect the Company or holders of the Common Shares. In recent years, many changes to U.S. federal income tax laws have been proposed and made, and additional changes to U.S. federal income tax laws are likely to continue to occur in the future.

The U.S. Congress is currently considering numerous items of legislation which may be enacted prospectively or with retroactive effect, which legislation could adversely impact the Company's financial performance and the value of the Common Shares. Additionally, states in which the Company operates or owns assets may impose new or increased taxes. If enacted, most of the proposals would be effective for the current or later years. The proposed legislation remains subject to change, and its impact on the Company and purchasers of the Common Shares is uncertain.

In addition, the Inflation Reduction Act of 2022 includes provisions that impact the U.S. federal income taxation of corporations. Among other items, this legislation includes provisions that impose a minimum tax on the book income of certain large corporations and an excise tax on certain corporate stock repurchases that is imposed on the corporation purchasing such stock. It is unclear how this legislation will be implemented by the U.S. Department of the Treasury and the Company cannot predict how this legislation or any future changes in tax laws might affect the Company or purchasers of the Common Shares.

A number of international legislative and regulatory bodies have proposed legislation and begun investigations of the tax practices of multinational companies and, in the European Union, the tax policies of certain European Union member states. One of these efforts has been led by the Organization for Economic Co-operation and Development (OECD), which has finalized recommendations to revise corporate tax, transfer pricing, and tax treaty provisions in member countries. On December 15, 2022, European Union member states unanimously adopted the Minimum Tax Directive ensuring a global minimum level of taxation for multinational companies. Member states had until December 31, 2023, to transpose the Minimum Tax Directive into national legislation. The enactment of this and the heightened interest in and taxation of large multinational companies increase tax uncertainty and could ultimately have a material effect on our effective tax rate, income tax expense, net income, or cash flows.

***Failure to develop our internal controls over financial reporting as we grow could have an adverse effect on our operations.***

As we mature we will need to continue to develop and improve our current internal control systems and procedures to manage our growth. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish appropriate controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, financial condition or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. In connection with the audit of our financials for the year ended December 31, 2021, the Company's auditors noted material weaknesses and made certain recommendations to management regarding material weaknesses related to goodwill impairment testing and purchase price allocations, contract receivables and corresponding revenue and inventory procedures (the "2021 Material Weaknesses"). In connection with the 2021 Material Weaknesses, the Company allocated resources to its remediation plan, including (i) continuing to enhance our impairment testing procedures with the assistance of our third party experts (ii) implementing enhanced credit assessment over the creditworthiness of certain contract receivables and their corresponding revenue and (iii) implementing regularly scheduled physical inventory counts in all company locations and reconciling with internal accounting records. As of December 31, 2022, management believed the 2021 Material Weaknesses relating to its contract receivables and corresponding revenue and investor procedures have been fully remediated.

However, in connection with the audit of our financials for the year ended December 31, 2022, our auditors noted that the material weakness with respect to goodwill impairment testing and purchase price allocations remains un-remediated (the "2022 Material Weakness"). In connection with the 2022 Material Weakness, management has, and will continue to, allocate resources to its remediation plan, which include (i) the establishment of additional internal procedures with respect to the documentation of budget and forecasting process with respect to material assumptions or determinations, (ii) the implementation of a new validation process to bolster accuracy of underlying assumptions and (iii) the assessment of our third party experts engaged to assist in the accuracy of our impairment testing. As of December 31, 2023, management believed the 2022 Material Weaknesses relating to its goodwill impairment testing and purchase price allocations have been fully remediated.

Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting, disclosure of management's assessment of our internal controls over financial reporting or disclosure of our public accounting firm's attestation to or report on management's assessment of our internal controls over financial reporting may have an adverse effect on the price of our Common Shares.

## **RISKS RELATED TO OUR COMMON SHARES**

***We will need, but may be unable to, obtain additional funding on satisfactory terms, which could dilute our shareholders or impose burdensome financial restrictions on our business.***

In the future, we hope to rely on revenues generated from operations to fund all of the cash requirements of our activities. However, there can be no assurance that we will be able to generate any significant cash from our operating activities in the future. Future financings may not be available on a timely basis, in sufficient amounts or on terms acceptable to us, if at all. Any debt financing or other financing of securities senior to the Common Shares will likely include financial and other covenants that will restrict our flexibility. Any failure to comply with these covenants would have a material adverse effect on our business, prospects, financial condition and results of operations because we could lose our existing sources of funding and impair our ability to secure new sources of funding. There can be no assurance that we will be able to generate any investor interest in our securities. If we do not obtain additional financing, our business may never commence, in which case you would likely lose the entirety of your investment in the Company.

***Holders of our Common Shares are subject to dilution resulting from the issuance of equity-based compensation by us.***

We have awarded stock options and restricted common shares to our management and key employees to incentivize their performance and retention. Any additional equity grants and any exercise of existing warrants will cause our shareholders to be diluted and may negatively affect the price of the Common Shares.

***We continue to incur increased costs as a result of operating as a public company and our management is required to devote substantial time to new compliance initiatives.***

As a public company, particularly after we are no longer an emerging growth company, we will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), and rules implemented by the SEC and Nasdaq, impose various requirements on public companies, including requirements to file annual, quarterly and event-driven reports with respect to our business and financial condition and operations and establish and maintain effective disclosure and financial controls and corporate governance practices. Our existing management team will continue to devote a substantial amount of time to these compliance initiatives, and we may need to hire additional personnel to assist us with complying with these requirements. Moreover, these rules and regulations will continue to increase our legal and financial compliance costs and will make some activities more time consuming and costly.

Pursuant to Section 404 of the Sarbanes-Oxley Act ("Section 404"), we will be required to furnish a report by our management on our internal controls over financial reporting, which, after we are no longer an emerging growth company, must be accompanied by an attestation report on internal controls over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will document and evaluate our internal controls over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of our internal controls over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal controls over financial reporting.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some public company required activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and divert management's time and attention from revenue generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

***If we fail to meet applicable listing requirements, Nasdaq may delist our Common Shares from trading, in which case the liquidity and market price of our Common Shares could decline.***

We cannot assure you that we will be able to meet the continued listing standards of Nasdaq currently or in the future. Nasdaq imposes, among other requirements, continued listing standards including a minimum bid requirement and the requirement that the audit committee of the Board of Directors of the Company include three independent members as required by Nasdaq Listing Rule 5605(c)(2)(A). If the Company fails to meet any of the applicable continued listing standards of the Nasdaq and we are unable to regain compliance, Nasdaq may make a determination to delist our Common Shares. Any delisting of our Common Shares would likely adversely affect the market liquidity and market price of our Common Shares and our ability to obtain financing for the continuation of our operations or result in the loss of confidence by investors.

On February 25, 2025, the Company was notified by Nasdaq that it was not in compliance with the minimum bid price requirement of \$1.00 per share for 30 consecutive business days as set forth in Rule 5550(a)(2) of the Nasdaq Listing Rules. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), Nasdaq provided a 180-calendar day period following the date of the notice to regain compliance. For the Company, this date is August 25, 2025. To regain compliance with this minimum bid price requirement, the Company is required to maintain a minimum closing bid price of \$1.00 or more for at least 10 consecutive trading days.

***Ownership of our Common Shares may be considered unlawful in some jurisdictions and holders of our Common Shares may consequently be subject to liability in such jurisdictions.***

Cannabis-related financial transactions, including investment in the securities of cannabis companies and receipt of any associated benefits, such as dividends, are currently subject to anti-money laundering and a variety of other laws that vary by jurisdiction, many of which are unsettled and still developing. While the interpretation of these laws is unclear, in some jurisdictions, financial benefit directly or indirectly arising from conduct that would be considered unlawful in such jurisdiction may be viewed to be within the purview of these laws, and persons receiving any such benefit, including investors in an applicable jurisdiction, may be subject to liability under such laws. Each prospective investor should therefore contact his, her or its own legal advisor regarding the ownership of our Common Shares and any related potential liability.

***The Company's directors and officers may have a conflict of interest in conducting their duties.***

We may be subject to various potential conflicts of interest because of the fact that some of our officers and directors may be engaged in a range of business activities. In addition, our executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, our executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to our business and affairs and that could adversely affect our operations. These business interests could require significant time and attention of our executive officers and directors.

***As of January 1, 2023, we were required to report as a U.S. domestic issuer and the benefits of a "foreign private issuer" are no longer available to us, which will likely result in additional costs and expenses for us.***

On January 1, 2023, we lost our status as a "foreign private issuer" (within the meaning of Rule 3b-4 of the Exchange Act). Complying with these additional requirements increases our legal and audit fees which in turn, could have a material adverse effect on our business, financial condition and results of operations. As a result of being considered a "domestic issuer" for reporting and disclosure requirements. We were required to adjust our disclosure and reporting to comply with the requirements for domestic U.S. companies, including that:

- we are required to prepare and report on forms that are applicable to U.S. domestic issuers, such as Forms 10-K, 10-Q and 8-K, rather than the forms formerly used by us, such as Forms 20-F and 6-K;
- we are required to prepare and file proxy statements in accordance with SEC rules;
- we are no longer exempt from certain requirements of U.S. securities laws such as (i) Regulation FD, which restricts the selective disclosure of material information, (ii) exemptions for filing beneficial ownership reports under Section 16(a) of the Exchange Act for executive officers, directors and 10% shareholders (Forms 3, 4, and 5), and (iii) the Section 16(b) short swing profit rules;
- we are no longer permitted to disclose compensation information for our executive officers on an aggregate rather than an individual basis, although such exemption may still be available to us as long as we remain an "emerging growth company"; and
- we have lost the ability to rely upon exemptions from U.S. stock exchange rules related to corporate governance requirements that are available to foreign private issuers.

Complying with the additional requirements of being considered a "domestic issuer" for reporting and disclosure requirements increases our legal and audit fees as a result of the following reporting and disclosure requirements:

- we are not exempt from certain requirements of U.S. securities laws such as (i) Regulation FD, which restricts the selective disclosure of material information, (ii) exemptions for filing beneficial ownership reports under Section 16(a) of the Exchange Act for executive officers, directors and 10% shareholders (Forms 3, 4, and 5), and (iii) the Section 16(b) short swing profit rules;
- we are not permitted to disclose compensation information for our executive officers on an aggregate rather than an individual basis, although such exemption may still be available to us for as long as we remain an "emerging growth company"; and
- we lost the ability to rely upon exemptions from Nasdaq corporate governance requirements that are available to foreign private issuers.

***The regulated nature of our business may impede or discourage a takeover, which could reduce the market price of our Common Shares.***

We require and hold various government licenses to operate our business. These licensing requirements could impede a merger, amalgamation, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our Common Shares, which, under certain circumstances, could reduce the market price of our Common Shares.



***We do not intend to pay dividends on our Common Shares in the near future, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our Common Shares.***

We have never declared or paid any cash dividend on our Common Shares and do not currently intend to do so in the foreseeable future. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. Therefore, the success of an investment in the Common Shares will depend upon any future appreciation in their value. There is no guarantee that the Common Shares will appreciate in value or even maintain the price at which you purchased them.

***We are an emerging growth company and a smaller reporting company, and our compliance with the reduced reporting and disclosure requirements applicable to emerging growth companies and smaller reporting companies could make our Common Shares less attractive to investors and may make it more difficult to raise capital as and when we need it.***

We are an "emerging growth company", as defined in the Jumpstart our Business Startups Act of 2012, referred to as the JOBS Act, and we expect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved and extended adoption period for accounting pronouncements.

Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company," which would allow us to continue to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 and reduced disclosure obligations regarding executive compensation in this Annual Report and our periodic reports and proxy statements.

We cannot predict whether investors will find our Common Shares less attractive as a result of our reliance on 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 stock price may be more volatile.

Additionally, because of the exemptions from various reporting requirements provided to us as an emerging growth company, we may be less attractive to investors and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our reporting is not as transparent as the reporting of other companies in our industry. If we are unable to raise additional capital as and when we need it, our financial condition and results of operations may be materially and adversely affected.

***Future issuances of debt securities, which would rank senior to our Common Shares upon our bankruptcy or liquidation, and future issuances of preferred stock, which could rank senior to our Common Shares for the purposes of dividends and liquidating distributions, may adversely affect the level of return you may be able to achieve from an investment in our Common Shares.***

In the future, we may attempt to increase our capital resources by offering debt securities. Upon bankruptcy or liquidation, holders of our debt securities, and lenders with respect to other borrowings we may make, would receive distributions of our available assets prior to any distributions being made to holders of our Common Shares. Moreover, if we issue preferred stock, the holders of such preferred stock could be entitled to preferences over holders of Common Shares in respect of the payment of dividends and the payment of liquidating distributions. Because our decision to issue debt or preferred stock in any future offering, or borrow money from lenders, will depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any such future offerings or borrowings. Holders of our Common Shares must bear the risk that any future offerings we conduct or borrowings we make may adversely affect the level of return, if any, they may be able to achieve from an investment in our Common Shares.

***If the price of our Common Shares fluctuates, you could lose a significant part of your investment.***

The market price of our Common Shares could be subject to wide fluctuations in response to, among other things, the risk factors described in this section of this Annual Report, and other factors beyond our control, such as fluctuations in the valuation of companies perceived by investors to be comparable to us. Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political, and market conditions, such as recessions, interest rate changes or international currency fluctuations, may negatively affect the market price of our Common Shares. In the past, many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

Volatility in the market price of our Common Shares may prevent investors from being able to sell their shares at or above the public offering price. As a result, you may suffer a loss on your investment.

**GENERAL RISK FACTORS**

***Changes to United States tariff and import/export regulations may have a negative effect on our Company and, in turn, harm us.***

The United States has recently enacted and proposed to enact significant new tariffs. Additionally, President Trump has directed various federal agencies to further evaluate key aspects of U.S. trade policy and there has been ongoing discussion and commentary regarding potential significant changes to U.S. trade policies, treaties and tariffs. There continues to exist significant uncertainty about the future relationship between the U.S. and other countries with respect to such trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the U.S. Any of these factors could depress economic activity and restrict our access to suppliers or customers and have a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us.

***Political, social and geopolitical conditions can adversely affect our business.***

Political, social and geopolitical conditions in the markets in which our products are sold have been and could continue to be difficult to predict, resulting in adverse effects on our business. The results of elections, referendums or other political conditions (including government shutdowns), geopolitical events and tensions, wars and other military conflicts in these markets have in the past impacted and could continue to impact how existing laws, regulations and government programs or policies are implemented or result in uncertainty as to how such laws, regulations, programs or policies may change, including with respect to the negotiation of new trade agreements, new, expanded or retaliatory tariffs against certain countries or covering certain products or ingredients (including recent U.S. tariffs imposed or threatened to be imposed on China, Canada and Mexico and other countries and any retaliatory actions taken by such countries), sanctions, environmental and climate change regulations, taxes, benefit programs, the movement of goods, services and people between countries, relationships between countries, customer or consumer perception of a particular country or its government and other matters. Such conditions have resulted in and could continue to result in exchange rate fluctuation, limitations on access to credit markets and other corporate banking services, including working capital facilities, volatility in global stock markets and global economic uncertainty and heightened risk to employee safety, any of which can adversely affect our business.

***Political uncertainty may have an adverse impact on our operating performance and results of operations.***

General political uncertainty may have an adverse impact on our operating performance and results of operations. In particular, the U.S. continues to experience significant political events that cast uncertainty on global financial and economic markets, especially following the recent presidential election. It is presently unclear exactly what actions the second Trump administration in the U.S. will implement, and if implemented, how these actions may impact the industries in which we operate in the U.S. Any actions taken by the Trump administration, including the many recent executive orders, may have a negative impact on the U.S. economy and on our business, financial condition, and results of operations.

***The Company may become involved in legal proceedings from time to time, which could adversely affect the Company.***

From time to time, we may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. We will evaluate our exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. For more information, see Item 3 "Legal Proceedings." Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on our financial results.

Our participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against us. Litigation, complaints, and enforcement actions involving us could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on our future cash flows, earnings, results of operations and financial condition.

***The Company's success will depend, in part, on its ability to continue to enhance its product and service offerings to respond to technological and regulatory changes and emerging industry standards and practices.***

Rapidly changing markets, technology, emerging industry and regulatory standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies and regulatory developments may render the Company's equipment obsolete and its products and services less competitive or less marketable. The process of developing the Company's products and services is complex and requires significant continuing costs, development efforts, third-party commitments and regulatory approvals. The Company may not be successful in developing or effectively commercializing such new products and services, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of developing such products and services, may have a material adverse effect on the Company's business, financial condition and operating results.

***We are dependent upon our management and key employees, and the loss of any member of our management team or key employees could have a material adverse effect on our operations.***

The Company's success is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key employees. The loss of any member of our management team or key employees could have a material adverse effect on our business and results of operations. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's business, operating results or financial condition. We do not currently maintain key-person insurance on the lives of any of our key employees. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that the Company will be able to attract or retain key employees in the future, which may adversely affect the Company's operations.

***Our inability to retain and acquire skilled personnel could impair our business and operations.***

The loss of any member of our management team could have a material adverse effect on our business and results of operations. In addition, the inability to hire or the increased costs of hiring new personnel, including members of executive management, could have a material adverse effect on our business and operating results. The expansion of marketing and sales of our products will require us to find, hire and retain additional capable employees who can understand, explain, market and sell our products. There is intense competition for capable personnel in all of these areas and we may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take a significant amount of time before they achieve full productivity. As a result, we may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them. In addition, as we move into new jurisdictions, we will need to attract and recruit skilled employees in those new areas.

***We will need to grow the size of our organization, and we may experience difficulties in managing any growth we may achieve.***

As our development and commercialization plans and strategies develop, we expect to need additional research, development, managerial, operational, sales, marketing, financial, accounting, legal and other resources. Future growth would impose significant added responsibilities on members of management. In order to manage growth and changes in strategy effectively, the Company must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities, and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. Our management may not be able to accommodate those added responsibilities, and our failure to do so could prevent us from effectively managing future growth and successfully growing our Company.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our share price and trading volume could decline.***

The trading market for our Common Shares will depend, in part, on the research and reports that securities or industry analysts publish about us or our operations. We do not have any control over these analysts and their research and reports. If one or more of the analysts who cover us downgrade our shares or publish inaccurate or unfavorable research about our business, our share price would likely decline. In addition, if our operating results fail to meet the forecast of analysts, our share price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our shares could decrease, which might cause our share price and trading volume to decline.

***We expect to incur significant ongoing costs and obligations related to our investment in infrastructure, growth, regulatory compliance and operations.***

We expect to incur significant ongoing costs and obligations related to our investment in infrastructure and growth and regulatory compliance, which could have a material adverse effect on our results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our 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. Our efforts to grow our business may be costlier than we expect, and we may not be able to generate sufficient revenue to offset such higher operating expenses. We may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events.

***There is no assurance that the Company's insurance coverage will be sufficient to cover all claims to which the Company may become subject.***

Our production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labor disputes, changes in the legal and regulatory framework applicable to us and environmental contingencies.

We may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If we were to incur significant liability for which we were not fully insured, it could have an adverse effect on our business, financial condition and results of operations.

We do not currently maintain key-person insurance on the lives of any of our key employees.

*We may be unable to implement our business strategy, which could have negative financial and reputational effects on our business.*

The growth and expansion of our business is heavily dependent upon the successful implementation of our business strategy. There can be no assurance that we will be successful in the implementation of our business strategy. A failure to do so could have negative financial and reputational effects on us. 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.

*The Company could be subject to a security breach that could result in significant damage or theft of products and equipment.*

Breaches of security at our facilities may occur and could result in damage to or theft of products and equipment. A security breach at our facilities could result in a significant loss of inventory or work in process, expose us to liability under applicable regulations and increase expenses relating to the investigation of the breach and implementation of additional preventative security measures, any of which could have an adverse effect on our business, financial condition and results of operations.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

#### **ITEM 1C. CYBERSECURITY.**

We have processes in place for assessing, identifying, and managing material risks from potential unauthorized occurrences on or through our electronic information systems that could adversely affect the confidentiality, integrity, or availability of our information systems or the information residing on those systems. These include a wide variety of mechanisms, controls, technologies, methods, systems, and other processes that are designed to prevent, detect, or mitigate data loss, theft, misuse, unauthorized access, or other security incidents or vulnerabilities affecting the data. The data includes confidential, proprietary, and business and personal information that we collect, process, store, and transmit as part of our business, including on behalf of third parties. We also maintain a third-party security program to identify, prioritize, assess, mitigate and remediate third-party risks; however, we rely on the third parties we use to implement security programs commensurate with their risk, and we cannot ensure in all circumstances that their efforts will be successful.

We have implemented numerous policies and procedures concerning cybersecurity matters, which include policies that directly or indirectly relate to encryption standards, antivirus protection, remote access, multi-factor authentication, confidential information and the use of the internet, social media, email and wireless and personal devices for both Company business and personal matters while utilizing Company resources, among other relevant topics. These policies go through an internal review process on a periodic basis and are, if needed, updated and re-approved by the appropriate members of management.

Our systems periodically experience directed attacks intended to lead to interruptions and delays in our operations as well as loss, misuse or theft of personal information (of third parties, employees, and our members) and other data, confidential information, or intellectual property. Risk from cybersecurity threats, including relating to past incidents, have not materially affected our systems or business. Any significant disruption to our operations or access to our systems could adversely affect our business and results of operations. Further, a penetration of our systems or a third party's systems or other misappropriation or misuse of personal information could subject us to business, regulatory, litigation, and reputation risk, which could have a negative effect on our business, financial condition and results of operations.

We established an interdisciplinary team to monitor and assess cybersecurity risks on an ongoing basis, which is led by our Chief Financial Officer ("CFO"). It is a cross-departmental team that consists of finance and operations personnel, as well as third party legal and information technology ("IT") consultants, with all significant implementation efforts executed by our IT consultant, who has extensive experience in IT, enterprise security and cyber risk management. This team oversees developing, maintaining and measuring compliance with the cyber risk management program, and dedicates significant resources to cybersecurity and risk management processes to adapt to the ever-changing cybersecurity landscape and to respond to emerging threats in a timely and effective manner.

When a potential incident is first detected, the matter is communicated to the CFO as soon as possible so that the Company may work quickly and diligently to re-secure its systems and work to minimize any damage and further risk to it as a result thereof. Upon receipt, the CFO is charged with immediately investigating the report to ensure the existence or possibility of a cyberattack and employs every effort toward thwarting or limiting a cyberattack, if ongoing, to the fullest extent possible to avoid further damage and exposure to the Company and its systems. As soon as an immediate threat or cyberattack is sufficiently contained to permit it, the CFO notifies the Chief Executive Officer of the situation, who is charged to direct the CFO on any additional or special measures to be taken, including but not limited to a Company-wide alert or directive, which the CFO must follow/implement without delay. Questions or concerns relating to a directive's validity may be confirmed only by the CFO, or a designated executive officer, through a known form of contact not questionably in breach. As soon as reasonably practicable after response efforts commence, the designated executive officers are required to notify the Chair of the Audit Committee of the situation and to thereafter keep the Chair apprised of all material developments, who may escalate the matter to the full Board in the Chair's discretion. Our emergency response plan also sets forth our procedures for a transition back into normal work practices, as well as security incident investigation, remediation procedures, security incident recovery and mandatory reporting.

Our Board of Directors oversees the Company's aggregate risk profile and risk management process. The Board of Directors administers this oversight function with respect to cybersecurity risks through the Audit Committee, which is responsible for overseeing the Company's cybersecurity risk management processes, including the steps our management has taken to monitor and control cybersecurity risks.

## **ITEM 2. PROPERTIES.**

The Company leases a 14,280 sq. ft. facility in Pompano Beach, Florida where High Roller's manufacturing operations and Just CBD's and Vessel's distribution, wholesale (B2B), and direct-to-consumer (D2C) orders are fulfilled and shipped worldwide. We currently lease this facility for \$20,000 a month, pursuant to a lease agreement that expires in February 2029. The lease contains an option to extend in one 5-year increment.

Just CBD leases 4,184 sq. ft. of office space in Fort Lauderdale, Florida. We currently lease this facility for \$8,000 a month, pursuant to a lease agreement that expires in March 2028.

TruHC leases a 6,956 square foot EU-GMP certified facility for warehouse, laboratory and office space in Hamburg, Germany. The monthly lease payments are €8,800 per month, pursuant to a lease agreement that expires in April 2025. The lease contains options to extend the lease in 5-year increments. The Company is reasonably certain of renewing this lease for another 5 years.

AV leases a 7,169 square foot facility for warehouse and office space in Brisbane, Australia. The monthly lease payments are A\$7,700 per month, pursuant to a lease agreement that expires in April 2027. The lease contains two options to extend for 5-year increments.

Phatebo leases a 7,300 square foot pharmaceutical storage and logistic center certified under Good Distribution Practices located in Hilzingen, Germany. The monthly lease payments are €3,600 per month and the lease expired on February 29, 2024. The Company extended the lease for one year through February 29, 2025 after which Phatebo entered into a similar lease agreement in the same city.

Our Vessel operations were previously headquartered in Carlsbad, California, where we lease 12,000 sq. ft. of office and warehouse space for \$24,000 a month, pursuant to a lease agreement that expires in August 2027. During the fourth quarter of 2022, we made the decision to shift all operations relating to Vessel and its business to our facility in Fort Lauderdale. This property has been sublet to third parties for a total of \$23,000 per month, pursuant to a sublease agreement that expires in June 2027.

We lease an 800 sq. ft store located in Miami, Florida for \$8,000 per month, pursuant to a lease agreement that expires in November 2026, where we previously sold Stardog merchandise. During the fourth quarter of 2022, we made the decision to close this location and this property has been sublet to a third-party for \$8,000 per month, pursuant to a sublease agreement that expires in November 2026.

We believe that our current offices and facilities are sufficient to meet our anticipated needs for the foreseeable future and are suitable for the conduct of our business. We believe that suitable additional space would be available if required in the future on commercially reasonable terms.

### ITEM 3. LEGAL PROCEEDINGS.

Below is a summary of certain material legal matters relating to the Company. Other than the matters disclosed below, from time to time, we are involved in various routine legal proceedings incidental to the ordinary course of our business. We do not currently believe that the outcome of these legal matters have had in the recent past, or will have (with respect to any pending matters), significant effects on our financial position or profitability.

#### *FGH-related litigation*

Prior to consummating the Arrangement with FGH, we entered into an agreement with Clifford Starke, our current CEO and the former Chairman and CEO of FGH, along with certain of his affiliated entities, pursuant to which they agreed to indemnify the Company against any financial losses we may incur with respect to certain matters, up to an aggregate amount of \$5,000,000. Set forth below are two legal proceedings that have been brought against subsidiaries of the Company and for which we are entitled to be indemnified by Mr. Starke and his affiliated entities:

On February 3, 2023, an action was brought in the Ontario Superior Court by Nathan Shantz and Liberacion E Inversiones S.A. against various parties, including Clifford Starke, our current CEO and the former CEO of FGH, and FGH. The statement of claim alleges that prior to closing the Arrangement, an aggregate of 8,831,109 FGH shares purportedly owned by the plaintiffs were wrongfully transferred to third parties, in part through alleged unauthorized steps taken by Mr. Starke. Plaintiffs seek, among other things, a declaration that they are the rightful owners of the shares or, in the alternative, damages. Against FGH, they claim a declaration that, by virtue of the alleged unauthorized transfer of shares, FGH acted oppressively and seek damages in the amount of \$3,979,999. The defendants have brought motions to stay the proceedings on the grounds that the Ontario court lacks jurisdiction over the claim.

In December 2022, an action was brought against Franchise Cannabis Corp. ("FCC"), a wholly-owned subsidiary of FGH, in the Constance Regional Court in Germany, by the former principal shareholder of ACA Muller ADAG Pharma Vertriebs GmbH ("ACA Muller"). Plaintiff claims that FCC breached a share purchase agreement between the parties pertaining to the sale of ACA Muller to FCC and is seeking damages in the amount of \$3,600,000. In March 2024, the Constance Regional Court in Germany ordered the Company to pay the plaintiff \$3,000,000 plus interest thereon at a rate of 5% above the prime rate since September 6, 2020 in addition to 83% of the legal fees. The Company believes that this claim is without merit and has since filed an appeal in June 2024.

#### *JustCBD-related litigation*

On November 1, 2023, Just Brands filed an Emergency Complaint for Declaratory Judgment and Injunctive Relief in the Southern District of Florida against the Department stemming from stop sale orders issued by the Department whereby the Department prohibited Just Brands from selling and moving most of its products. Relying on Florida Statute Section 581.217, which includes the definition of "attractive to children," the Department determined Just Brand's product could not be sold or moved because the products were manufactured in the shape of humans, cartoons, or animals; in a form that bears a reasonable resemblance to an existing candy product; and containing color additives. The court ruled in favor of the Department and that Order was being appealed to the Eleventh Circuit Court of Appeals. Since then, the Department has initiated an Administrative Action claiming Just Brands moved product outside the State of Florida in violation of the stop sale orders. The statute provides for a penalty of up to \$5,000 per violation. The Department sought to assess penalties on what they claimed to be a total of 215,154 violations (one for each package). The Company disputed the Department's claim and vigorously defended against this action. The total cost of inventory impacted by the stop sale orders was \$1,900,000. On May 7, 2024, Just Brands and the Department agreed to a settlement and general release, whereby Just Brands will remove the products subject to the stop sales orders from the state of Florida, pay the Department \$60,500 to reimburse the Department's attorney's fees, and accept a five-year revocation of its food permit in the state of Florida. By signing the release, Just Brands waived, settled and released all claims it had or might have against the Department. Similarly, on June 27, 2024, Just Brands and the Department agreed to a settlement and general release, whereby High Roller will remove the products subject to the Stop Sales Orders from the state of Florida, destroy products containing controlled substances, pay the Department \$5,000 to reimburse the Department's attorney's fees, and accept a two-year suspension of the manufacture, distribution and sale of gummy hemp extract products in the state of Florida. By signing the release, High Roller waived, settled and released all claims it had or might have against the Department.

On April 30, 2024, a group representing the sellers of Just Brands LLC to Flora in February 2022 brought an action against the Company in the United States District Court for the Southern District of New York claiming that the Company failed to promptly issue additional shares in accordance with a specific formula set forth in the securities purchase agreement after the two-year anniversary of the closing, which occurred on February 24, 2024. The plaintiffs claim that they are entitled to 182,889 common shares and \$38,000,000 to complete the acquisition of Just Brands LLC. The Company disputes this claim and intends to vigorously defend against these actions.

*Other matters*

On May 31, 2023, Maria Beatriz Fernandez Otero and Sara Cristina Jacome De Torres brought an action against the Company in the Ontario Superior Court of Justice claiming that the Company is obligated to issue 500,000 Common Shares (before the June 9, 2023 1-for-20 reverse stock split) each for a purchase price of \$0.05 per share. The plaintiffs claim that they are entitled to such shares as compensation for alleged consulting services performed.

On May 31, 2023, Ramon Ricardo Castellanos Saenz and Miriam Ortiz brought an action against the Company in the Ontario Superior Court of Justice claiming that the Company is obligated to issue 1,500,000 Common Shares (before the June 9, 2023 1-for-20 reverse stock split) each for a purchase price of \$0.05 per share. The plaintiffs claim that they are entitled to such shares as compensation for alleged consulting services performed.

The Company disputes these claims and intends to vigorously defend against these actions.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

**Market Information**

Our Common Shares are traded publicly on Nasdaq under the symbol "FLGC".

As of March 22, 2025, there were approximately 4,466 holders of record of our Common Shares. s

We have not declared or paid any cash dividends on our Common Shares. No cash dividends have been previously paid on our Common Shares and none are anticipated in fiscal 2025. We repurchased no Common Shares during the fourth quarter of the year ended December 31, 2024.

**Unregistered sale of Equity Securities**

There were no unregistered sales of equity securities by us during the year ended December 31, 2024 that were not reported in our quarterly reports on Form 10-Q or our current reports on Form 8-K.



## **Certain Canadian Federal Income Taxation Considerations**

The following is a general summary of the principal Canadian federal income tax considerations generally applicable under *Income Tax Act* (Canada) (the "Tax Act") to a holder of Common Shares, each of whom, at all relevant times, for the purposes of the Tax Act, holds such Common Shares as capital property, deals at arm's length with the Company, is not affiliated with the Company and, for purposes of the Tax Act, is not, is not deemed to be, a resident of Canada and has not and will not use or hold or be deemed to use or hold the Common Shares in the course of carrying on business in Canada (a "Non-Resident Holder"). Special rules, which are not discussed below, may apply to a non-resident of Canada that is an insurer which carries on business in Canada and elsewhere. Such Non-Resident Holders should consult their own tax advisors.

The Common Shares will generally be considered capital property to a Non-Resident Holder unless either (i) the Non-Resident Holder holds the Common Shares in the course of carrying on a business of buying and selling securities or (ii) the Non-Resident Holder has acquired the Common Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade.

The term "U.S. Holder," for the purposes of this section, means a Non-Resident Holder who, for purposes of the *Canada-United States Tax Convention* (1980) as amended, (the "Convention"), is at all relevant times a resident of the United States and is a "qualifying person" within the meaning of the Convention. In some circumstances, fiscally transparent entities (including limited liability companies) will be entitled to benefits under the Convention. Non-Resident Holders are urged to consult with their own tax advisors to determine their entitlement to benefits under the Convention based on their particular circumstances.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), the current provisions of the Convention, counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") publicly available prior to the date hereof. This summary also takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (collectively, the "Proposed Tax Amendments"). No assurances can be given that the Proposed Tax Amendments will be enacted or will be enacted as proposed. Other than the Proposed Tax Amendments, this summary does not take into account or anticipate any changes in law or the administration policies or assessing practice of CRA, whether by judicial, legislative, governmental or administrative decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed herein.

***This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Non-Resident Holder and no representations with respect to the income tax consequences to any particular Non-Resident Holder are made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Non-Resident Holders should consult their own tax advisors with respect to their own particular circumstances. The discussion below is qualified accordingly.***

### **Currency Conversion**

Subject to certain exceptions that are not discussed herein, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Common Shares, including dividends, adjusted cost base and proceeds of dispositions must be determined in Canadian dollars using the daily exchange rate of the Bank of Canada on the particular date the particular amount arose or such other rate of exchange as acceptable to the CRA.

### **Disposition of Common Shares**

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of the Common Shares, nor will capital losses arising from the disposition be recognized under the Tax Act, unless the Common Shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention. As long as the shares are then listed on a "designated stock exchange" (as defined in the Tax Act) (which currently includes the TSX and the NYSE American) at the time of disposition, the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or persons with whom the Non-Resident Holder did not deal at arm's length holds a membership interest directly or indirectly through one or more partnerships, or the Non-Resident Holder together with all such persons, owned or was considered to own 25% or more of the issued shares of any class or series of shares of the capital stock of the Company; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or a options in respect of, or interests in, or civil law rights in, such properties, whether or not it exists.

If the Common Shares are taxable Canadian property to a Non-Resident Holder, any capital gain realized on the disposition or deemed disposition of such shares, may not be subject to Canadian federal income tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country of residence of a Non-Resident Holder, including the Convention.

**A Non-Resident Holder whose shares are taxable Canadian property should consult their own advisors.**

#### *Dividends on Common Shares*

Under the Tax Act, dividends on Common Shares paid or credited to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends. This withholding tax may be reduced pursuant to the terms of an applicable income tax treaty or convention between Canada and the country of residence of a Non-Resident Holder. Under the Convention, a U.S. Holder will generally be subject to Canadian withholding tax at a rate of 15% of the gross amount of such dividends (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company's voting shares). In addition, under the Convention, dividends may be exempt from Canadian non-resident withholding tax if paid to certain U.S. Holders that are qualifying religious, scientific, literary, educational or charitable tax-exempt organizations and qualifying trusts, companies, organizations or arrangements operated exclusively to administer or provide pension, retirement or employee benefits that are exempt from tax in the United States and that have complied with specific administrative procedures.

#### **Certain United States Federal Income Taxation Considerations**

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership and disposition of Common Shares. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from or relating to the acquisition, ownership and disposition of Common Shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including, without limitation, specific tax consequences to a U.S. Holder under an applicable income tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal net investment income, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the acquisition, ownership and disposition of Common Shares. In addition, except as specifically set forth below, this summary does not discuss applicable income tax reporting requirements. Each prospective U.S. Holder should consult its own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal net investment income, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of Common Shares.

No ruling from the Internal Revenue Service (the "IRS") or legal opinion from legal counsel has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of Common Shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, or contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

## Scope of this Summary

### *Authorities*

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the current provisions of the Convention between Canada and the United States with respect to Taxes on Income and on Capital of 1980, as amended (the "Canada-U.S. Tax Convention"), and U.S. court decisions that are applicable, and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis, which could affect the U.S. federal income tax considerations described in this summary. Except as provided herein, this summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

### *U.S. Holders*

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of Common Shares that is for U.S. federal income tax purposes:

- An individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

### *Non-U.S. Holders*

For purposes of this summary, a "non-U.S. Holder" is a beneficial owner of Common Shares that is not a U.S. Holder or an entity classified as a partnership for U.S. federal income tax purposes. This summary does not address the U.S. federal, state or local tax consequences to non-U.S. Holders arising from or relating to the acquisition, ownership and disposition of Common Shares. Accordingly, a non-U.S. Holder should consult its own tax advisors regarding the U.S. federal, state or local and non-U.S. tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership and disposition of Common Shares.

### *U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed*

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a "functional currency" other than the U.S. dollar; (e) own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other integrated transaction; (f) acquire Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) are subject to the alternative minimum tax; (i) are subject to special tax accounting rules with respect to Common Shares; (j) are partnerships or other "pass-through" entities (and partners or other owners thereof); (k) are S corporations (and shareholders thereof); (l) are U.S. expatriates or former long-term residents of the United States subject to Sections 877 or 877A of the Code; (m) hold Common Shares in connection with a trade or business, permanent establishment, or fixed base outside the United States; or (n) own or have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of the Company's outstanding shares. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal net investment income, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of Common Shares.

If an entity or arrangement that is classified as a partnership (or other "pass-through" entity) for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences to such entity or arrangement and the partners (or other owners or participants) of such entity or arrangement generally will depend on the activities of the entity or arrangement and the status of such partners (or owners or participants). This summary does not address the tax consequences to any such partner (or owner or participant). Partners (or other owners or participants) of entities or arrangements that are classified as partnerships or as "pass-through" entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership and disposition of Common Shares.

#### **Passive Foreign Investment Company Rules**

If the Company were to constitute a "passive foreign investment company" or "PFIC" within the meaning of Section 1297 of the Code for any year during a U.S. Holder's holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of Common Shares. The Company believes it was a PFIC for its most recently completed tax year, and based on current business plans and financial expectations, it believes that it will likely be a PFIC for its current tax year and may be a PFIC in subsequent tax years. No opinion of legal counsel or ruling from the IRS concerning its status as a PFIC has been obtained or is currently planned to be requested. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company or any of its subsidiaries concerning its PFIC status. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of the Company and each of its subsidiaries.

In any year in which the Company is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. In addition to penalties, a failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621 annually.

The Company generally will be a PFIC if, for a tax year, (a) 75% or more of its gross income is passive income (the "PFIC income test") or (b) 50% or more of the value of its assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets (the "PFIC asset test"). "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business, or supplies regularly used or consumed in the ordinary course of its trade or business, and certain other requirements are satisfied.

For purposes of the PFIC income test and PFIC asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and PFIC asset test described above, and assuming certain other requirements are met, "passive income" does not include certain interest, dividends, rents, or royalties that are received or accrued by the Company from certain "related persons" (as defined in Section 954(d)(3) of the Code) also organized in Canada, to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of the Company's direct or indirect equity interest in any company that is also a PFIC (a "Subsidiary PFIC"), and will generally be subject to U.S. federal income tax on their proportionate share of (a) any "excess distributions," as described below, on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by the Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. In addition, U.S. Holders may be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale or disposition of Common Shares. Accordingly, U.S. Holders should be aware that they could be subject to tax under the PFIC rules even if no distributions are received and no redemptions or other dispositions of Common Shares are made.

#### ***Default PFIC Rules Under Section 1291 of the Code***

If the Company is a PFIC for any tax year during which a U.S. Holder owns Common Shares, the U.S. federal income tax consequences to such U.S. Holder of the acquisition, ownership, and disposition of Common Shares will depend on whether and when such U.S. Holder makes an election to treat the Company and each Subsidiary PFIC, if any, as a "qualified electing fund" or "QEF" under Section 1295 of the Code (a "QEF Election") or makes a mark-to-market election under Section 1296 of the Code (a "Mark-to-Market Election"). A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a "Non-Electing U.S. Holder."

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code (described below) with respect to: (a) any gain recognized on the sale or other taxable disposition of Common Shares; and (b) any "excess distribution" received on the Common Shares. A distribution generally will be an "excess distribution" to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder's holding period for the Common Shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of Common Shares (including an indirect disposition of the stock of any Subsidiary PFIC), and any "excess distribution" received on Common Shares or with respect to the stock of a Subsidiary PFIC, must be ratably allocated to each day in a Non-Electing U.S. Holder's holding period for the respective Common Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income (and not eligible for certain preferred rates). The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as "personal interest," which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds Common Shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above), but not loss, as if Common Shares were sold on the last day of the last tax year for which the Company was a PFIC.

#### ***QEF Election***

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which the holding period of its Common Shares begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to its Common Shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) the Company's net capital gain, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the Company's ordinary earnings, which will be taxed as ordinary income to such U.S. Holder. Generally, "net capital gain" is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, for any tax year in which the Company is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest," which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election with respect to the Company generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents the Company's "earnings and profits" that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the Common Shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Common Shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" if such QEF Election is made for the first year in the U.S. Holder's holding period for the Common Shares in which the Company is a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year. If a U.S. Holder does not make a timely and effective QEF Election for the first year in the U.S. Holder's holding period for the Common Shares, the U.S. Holder may still be able to make a timely and effective QEF Election in a subsequent year if such U.S. Holder meets certain requirements and makes a "purging" election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such Common Shares were sold for their fair market value on the day the QEF Election is effective. If a U.S. Holder makes a QEF Election but does not make a "purging" election to recognize gain as discussed in the preceding sentence, then such U.S. Holder shall be subject to the QEF Election rules and shall continue to be subject to tax under the rules of Section 1291 discussed above with respect to its Common Shares. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC for the QEF rules to apply to both PFICs.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which the Company qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurances that the Company will satisfy the record keeping requirements that apply to a QEF, or that the Company will supply U.S. Holders with information that such U.S. Holders are required to report under the QEF rules, in the event the Company is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their Common Shares. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a QEF Election.

A U.S. Holder makes a QEF Election by attaching a completed IRS Form 8621, including a PFIC Annual Information Statement, to a timely filed United States federal income tax return. However, if the Company does not provide the required information with regard to the Company or any of its Subsidiary PFICs, U.S. Holders will not be able to make a QEF Election for such entity and will continue to be subject to the rules of Section 1291 of the Code discussed above that apply to Non-Electing U.S. Holders with respect to the taxation of gains and excess distributions.

#### ***Mark-to-Market Election***

A U.S. Holder may make a Mark-to-Market Election only if the Common Shares are marketable stock. The Common Shares generally will be "marketable stock" if the Common Shares are regularly traded on (a) a national securities exchange that is registered with the SEC, (b) the national market system established pursuant to section 11A of the Exchange Act, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and surveillance requirements, and meets other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange effectively promote active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be "regularly traded" for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Each U.S. Holder should consult its own tax advisor in this matter.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Common Shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such Common Shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for the Common Shares for which the Company is a PFIC and such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the Common Shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Common Shares, as of the close of such tax year over (b) such U.S. Holder's adjusted tax basis in such Common Shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder's adjusted tax basis in the Common Shares, over (b) the fair market value of such Common Shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the Common Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of Common Shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years). Losses that exceed this limitation are subject to the rules generally applicable to losses provided in the Code and Treasury Regulations.

A U.S. Holder makes a Mark-to-Market Election by attaching a completed IRS Form 8621 to a timely filed United States federal income tax return. A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the Common Shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the Common Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to avoid the application of the default rules of Section 1291 of the Code described above with respect to deemed dispositions of Subsidiary PFIC stock or excess distributions from a Subsidiary PFIC to its shareholder.

#### ***Other PFIC Rules***

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Common Shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations) in the event the Company is a PFIC during such U.S. Holder's holding period for the relevant shares. However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which Common Shares are transferred.

Certain additional adverse rules may apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder that uses Common Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such Common Shares.

In addition, a U.S. Holder who acquires Common Shares from a decedent will not receive a "step up" in tax basis of such Common Shares to fair market value unless such decedent had a timely and effective QEF Election in place.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with its own tax advisors regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisors regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

### **General Rules Applicable to the Ownership and Disposition of Common Shares**

The following discussion is subject, in its entirety, to the rules described above under the heading "*Passive Foreign Investment Company Rules*".

#### *Distributions on Common Shares*

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to an Common Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the Company's current or accumulated "earnings and profits", as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the Company is a PFIC for the tax year of such distribution or was a PFIC for the preceding tax year. To the extent that a distribution exceeds the Company's current and accumulated "earnings and profits", such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares and thereafter as gain from the sale or exchange of such Common Shares. (See "*Sale or Other Taxable Disposition of Common Shares*" below). However, the Company does not intend to maintain the calculations of its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder therefore should assume that any distribution by the Company with respect to the Common Shares will constitute ordinary dividend income. Dividends received on Common Shares by corporate U.S. Holders generally will not be eligible for the "dividends received deduction". Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada-U.S. Tax Convention or the Common Shares are readily tradable on a United States securities market, dividends paid by the Company to non-corporate U.S. Holders, including individuals, in respect of Common Shares generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

#### *Sale or Other Taxable Disposition of Common Shares*

Upon the sale or other taxable disposition of Common Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder's tax basis in such Common Shares sold or otherwise disposed of. A U.S. Holder's tax basis in Common Shares generally will be such U.S. Holder's U.S. dollar cost for such Common Shares. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the Common Shares have been held for more than one year.

Preferential tax rates currently apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.



## **Additional Considerations**

### *Receipt of Foreign Currency*

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of Common Shares generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

### *Foreign Tax Credit*

Dividends paid on the Common Shares will be treated as foreign-source income, and generally will be treated as "passive category income" or "general category income" for U.S. foreign tax credit purposes. Any gain or loss recognized on a sale or other disposition of Common Shares generally will be United States source gain or loss. Certain U.S. Holders that are eligible for the benefits of Canada-U.S. Tax Convention may elect to treat such gain or loss as Canadian source gain or loss for U.S. foreign tax credit purposes. The Code applies various complex limitations on the amount of foreign taxes that may be claimed as a credit by U.S. taxpayers. In addition, Treasury Regulations that apply to foreign taxes paid or accrued (the "Foreign Tax Credit Regulations") impose additional requirements for Canadian withholding taxes to be eligible for a foreign tax credit, and there can be no assurance that those requirements will be satisfied. The Treasury Department has recently released guidance temporarily pausing the application of certain of the Foreign Tax Credit Regulations.

Subject to the PFIC rules and the Foreign Tax Credit Regulations, each as discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Common Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income that is subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year. The foreign tax credit rules are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

### *Backup Withholding and Information Reporting*

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a non-U.S. entity. U.S. Holders may be subject to these reporting requirements unless their Common Shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of Common Shares will generally be subject to information reporting and backup withholding tax if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

**THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF COMMON SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.**

**ITEM 6. [Reserved].**

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

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of the Company should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024, and the accompanying notes thereto (the "Financial Statements") included in this Annual Report, which have been prepared in accordance with U.S. GAAP. Amounts are expressed in USD unless otherwise stated to be in Canadian dollars ("CAD"), Euro ("€" or "EUR"), or Australian dollars ("AUD"). Amounts stated in foreign currencies include approximate USD amounts based on exchange rates on December 31, 2024. Variance, ratio, and percentage changes in this MD&A are based on unrounded numbers. This MD&A reports the Company's activities through December 31, 2024, unless otherwise indicated.*

*Forward-looking statements are based on the Company's current expectations and assumptions regarding its business, potential target businesses, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. The Company's actual results may differ materially from those contemplated by the forward-looking statements as a result of various factors, including, without limitation, changes in local, regional, national or global political, economic, business, competitive, market (supply and demand) and regulatory conditions. Please see "Cautionary Statement Regarding Forward-Looking Statements" in this Annual Report for more information regarding forward-looking statements.*

#### **Overview of our Business**

We are a multi-national cannabis company that manufactures and distributes consumer packaged goods and distributes medicinal cannabis and pharmaceutical products. Flora exists to create a world where the benefits of cannabis are accessible to everyone. Our business strategy is built on two core pillars: House of Brands and Commercial & Wholesale. This strategy was devised to allow us access to markets around the globe based on the legal standing of cannabis in each of the geographical locations in which we operate. Our approach has enabled us to develop distribution networks, build customer bases, establish operations as the regulatory framework evolves and allow for expanded access to cannabis and its derivatives.

Our brand portfolio consists of a mix of products across multiple categories, including food and beverage, nutraceuticals, cannabis accessories and technology, personal care, and wellness. Consumer brands allow Flora to move assertively into nascent markets, develop customer bases and distribution channels, and gather consumer insights which would not be possible with traditional cannabis sales alone. Through this channel we seek to build loyalty, credibility and enjoy healthy margins that help to support the rapid growth of our business.

#### *House of Brands*

JustCBD is Flora's leading consumer packaged goods brand. JustCBD was launched in 2017 with a mission to bring high-quality, trustworthy, and budget-friendly CBD products to market. JustCBD products are available for purchase in smoke and vape shops, clinics, spas and pet stores, as well as other independent non-traditional retail channels. JustCBD's products are both internally and third-party lab-tested to ensure quality.

Vessel is Flora's cannabis accessory and technology brand currently servicing the United States and Canada through direct-to-consumer and retail sales. Vessel's products include cannabis consumption accessories, personal storage, and travel accessories for the vape and dry herb categories, which are sold to consumers, dispensaries, smoke shops and cannabis brands. Vessel has been fully integrated into JustCBD and now benefits from operational, logistical and sales synergies with JustCBD.

Australian Vaporizers was founded in 2010 and has become a prominent online retailers of vaporizers, hardware, and accessories in Australia. It is an online expert for aromatherapy products, specializing in dry herb vaporizers. It has been providing vapes, accessories and knowledge to enthusiasts and newcomers alike. Its website [www.australianvaporizers.com.au](http://www.australianvaporizers.com.au) is a popular designation in the country with a large database of satisfied customers.

#### *Commercial & Wholesale*

The Company's Commercial and Wholesale pillar encompasses the distribution of pharmaceutical products to international markets. This pillar is anchored by Flora's wholly owned subsidiary, Phatebo, a multi-national operator in pharmaceutical and medical cannabis distribution, with principal operations in Germany. Phatebo is a wholesale pharmaceutical distribution company with import and export capabilities of a wide range of pharmaceutical goods and medical cannabis products to treat a variety of health indications, including drugs related to cancer therapies, ADHD, multiple sclerosis and anti-depressants, among others. Phatebo holds a license for the Trade in Narcotic Drugs (including the cannabis sales license amendment) and a wholesale trading license, both of which are issued by BfArM (the largest drug approval authority in Europe). Phatebo is focused on distributing pharmaceutical products within 28 countries globally, primarily in Europe, but also with sales to Asia, Latin America, and North America. In November 2018, Phatebo also received a medical cannabis import and distribution license. We intend to leverage Phatebo's existing network of pharmacies as Flora begins to move medicinal cannabis from third parties into Germany. Additionally, the Phatebo warehouse provides a logistics outpost for Flora's growing product portfolio and distribution network within the European Union.

During 2024, we acquired TruHC, an early-stage cannabis company based in Hamburg, Germany. TruHC holds a GDP wholesale, and an EU-GMP processing and production license for medical cannabis. It also owns and operates an EU-GMP certified laboratory ready for instant cannabis analysis as required for the new Cannabis Social Clubs. The facility of TruHC is a flexible production space with EU-GMP certified modules that can be extended and customized for any production process from processing to extraction. TruHC also holds a narcotic license with EU-GMP certified storage.

#### *Colombian Related Subsidiaries*

On July 5, 2023, the Company entered into a share purchase agreement with Lisan, a Delaware limited liability company, to sell all its shares in certain of its Colombian subsidiaries and its Colombian assets for a purchase price of CAD \$0.8 million (USD \$0.6 million). The sale relates to Flora's operations in Colombia, including its interest in (i) its 361-acre Cosechemos farm located in Giron, Colombia and its related processing facilities and inventory and (ii) all other assets relating to Flora Lab 2, Flora Lab 4 and Flora's Colombian food and beverage and consumer products business (collectively "Colombia Assets"). The sale enables the Company to concentrate on its core business divisions, which are lifestyle brands in the United States and international pharmaceutical distribution. The sale was part of several strategic changes to cut costs and streamline operations. The Company received proceeds of CAD \$0.5 million during the quarter ended September 30, 2023. The Company and Lisan completed the sale of Cosechemos Ya S.A.S on November 1, 2023.

## Factors Impacting our Business

*Challenges in realization of overhead reductions.* Management has taken, and continues to implement, various cost-saving initiatives to lower overhead costs. However, the Company has not yet reached the critical balance in reducing overhead to meet both the existing and potential market demand in aggregate. The Company strives to attain sufficient growth to cover its overhead to reach profitability. If the Company fails to grow its business or reduce its operating expenses further in the long term, it will continue to face significant cash flow deficiencies in the future and continue to be reliant on debt and/or equity financing to fund operations.

*Consistent profitability and positive operating cash flows.* A key determinant of the Company's success is to deliver profitable results and positive cashflows from operating activities. The Company's results have not yet achieved the prerequisite consistency to achieve self-sufficiency. Since its inception, only the third quarter of 2023 yielded net income and positive cashflows from operating activities. There is no assurance that the Company would be able to produce adequate levels of sustained profitability and cash flow positive, or at all. These factors, amongst others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2024. For more information, see Item 1A "Risk Factors."

*Acquisition strategy disadvantages include significant transaction costs and liabilities of our acquirees.* The Company has been opportunistic and pursues acquisitions from time to time that management believes will be complementary to or synergistic to the Company's existing business. However, any such acquisitions require the Company to incur heightened upfront transaction costs and require the Company to assume certain liabilities from the acquired companies. In addition, while the Company believes such acquisitions will provide enhanced value in the long term, it is possible that the anticipated synergies from the acquisition may never be realized. For example, the Company acquired TruHC in April 2024 and Australian Vaporizers in June 2024. In connection with the acquisition of TruHC, the Company incurred \$0.2 million in transaction costs in 2024, which included legal and consulting fees incurred by the Company. In addition, we assumed \$1.5 million in liabilities, which included \$0.4 million of lease liabilities and other ordinary course operating liabilities. In connection with the acquisition of Australian Vaporizers, the Company incurred less than \$0.1 million in transaction costs in 2024, which included legal and consulting fees incurred by the Company. In addition, we assumed \$0.4 million in liabilities, which included \$0.1 million of lease liabilities and other ordinary course operating liabilities.

*Diversification of cashflows.* Our sources of cash are diversified across geographic and product lines. Revenues are concentrated primarily in Germany and the United States, spanning pharmaceuticals, hemp and non-hemp consumer products and medicinal cannabis.

*International cannabis developments.* Flora's growth is embedded in the expansion, regulation and legalization of medicinal and recreational cannabis and cannabis derivative products across the world. While medicinal cannabis has been regulated at the federal level in multiple countries, the Company is focused on the most robust markets in Germany and the European Union. We remain tuned to international developments as potentially lucrative medicinal cannabis markets open.

*Product evolution and brand acceptance.* As the cannabis industry continues to change, divergent regulations and the corresponding resources required to introduce high-quality products are expected to impact our market share. Gaining access to continuously evolving and superior products remains a critical success factor. Our ultimate ability to produce and acquire products meeting stringent quality control standards drives the extent of consumer acceptance. Furthermore, the intrinsic value within our brands, including JustCBD and Vessel, is subject to evolving consumer sentiment.

*Regulatory proficiency and adoption.* The markets in which Flora operates are highly regulated and require extensive experience in navigating the associated complexities. We have assembled a team with deep knowledge of the regulatory and governance environments in which the Company operates. Fundamental expertise entails compliance with product approvals, import permits, export permits, distribution licenses and other pertinent licenses.

*Integration of acquired companies.* Our growth has been fueled substantially by the acquisition of JustCBD, Vessel and FGH. Our continued ability to extract incremental synergies from a group of diversified entities is a key determinant of our ability to expand organically.

#### **Public Company Costs**

Following the consummation of our initial public offering, we became a public company, which has required the hiring of additional staff and implementation of processes and procedures to address public company regulatory requirements and customary practices. We expect to continue to incur substantial additional annual expenses for, among other things, directors' and officers' liability insurance and additional internal and external costs for investor relations, accounting, audit, legal, and other functions.

#### **Audit Committee Requirement**

On December 6, 2023, the Company received a notification from Nasdaq, confirming that, due to having less than three independent audit committee members, the Company no longer complies with Nasdaq's audit committee requirements contained in Nasdaq Listing Rule 5605(c)(2)(A). As set forth in such notification, Nasdaq advised the Company that, under Nasdaq Rule 5605(c)(4), the Company was afforded a cure period in order to regain compliance (i) until the earlier of the Company's next annual shareholders' meeting or November 30, 2024, or (ii) if the next annual shareholders' meeting is held before May 28, 2024, then the Company must evidence compliance no later than May 28, 2024.

On May 2, 2024, the Board appointed Mr. Brendan Cahill as a director and member of each of the Company's audit committee, compensation committee and nominating and corporate governance committee.

After giving effect to Mr. Cahill's appointment, the audit committee of the Board had three independent members as required by Nasdaq Listing Rule 5605(c)(2)(A). As a result of the foregoing, the Company regained compliance with the audit committee composition requirements of Nasdaq Listing Rule 5605(c)(2)(A).

On August 26, 2024, Mr. Kevin Taylor resigned as director of the Company. After giving effect to Mr. Taylor's resignation, the audit committee no longer had three independent members as required by Nasdaq Listing Rule 5605(c)(2)(A). The Company informed Nasdaq of the foregoing on August 27, 2024.

On August 29, 2024, the Board appointed Mr. Harold Wolkin as an independent director and member of each of the Company's audit committee, compensation committee and nominating and corporate governance committee.

After giving effect to Mr. Wolkin's appointment, the audit committee of the Board had three independent members as required by Nasdaq Listing Rule 5605(c)(2)(A). As a result of the foregoing, the Company regained compliance with the audit committee composition requirements of Nasdaq Listing Rule 5605(c)(2)(A).

On December 5, 2024, Brendan Cahill resigned as director of the Company.

Also on December 5, 2024, the Board appointed Mr. Manfred Leventhal as an independent director and member of each of the Company's audit committee, compensation committee and nominating and corporate governance committee.

As a result of the foregoing, the Company regained and has maintained compliance with the audit committee composition requirements of Nasdaq Listing Rule 5605(c)(2)(A).

## Key Components of Results of Operations

### *Revenue*

The Company primarily generates revenue as a distributor of pharmaceutical goods, and a manufacturer and reseller of a range of cannabis-based and complementary products. The Company has two major revenue groups, which are also its two reportable segments:

- (1) House of Brands; and
- (2) commercial and wholesale.

These segments reflect how the Company's operations are managed, how the Company's Chief Executive Officer, who is the chief operating decision maker, allocates resources and evaluates performance, and how the Company's internal management financial reporting is structured.

The Company's operates its manufacturing and distribution business through its subsidiaries in the United States, Germany and Australia. Until the sale of the Colombia Assets, the Company also was engaged in the growth, cultivation, and development of medicinal cannabis and medicinal cannabis derivative products in Colombia.

The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligations.

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Gross revenue excludes duties and taxes collected on behalf of third parties. Revenue is presented net of expected price discounts, sales returns, customer rebates and other incentives. The Company's cannabis consumption accessory products include a six-month warranty, which the Company accrues for the estimated liability based on historical and expected claim costs.

The Company's contracts with customers for the sales of products consist of one performance obligation. Revenue from product sales is recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract terms. The Company's payment terms generally range from 0 to 30 days from the transfer of control, and sometimes up to six months.

### *Cost of sales*

The Company includes the cost of raw materials and supplies, purchased finished goods and changes in inventory reserves in cost of sales for each of its three reportable segments. Raw materials include the purchase cost of the materials, freight-in and duty. Finished goods include the cost of direct materials and labor and a proportion of manufacturing overhead allocated based on normal production capacity. Inventory reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The primary factors that can impact cost of goods sold on a period-to-period basis include the volume of products sold, the mix of products sold, third-party quality costs, transportation, overhead allocations and changes in inventory provisions.

## *Operating Expenses*

The Company's operating expenses are apportioned based on the following categories:

- *Consulting and management fees* include salary and benefit expenses for employees, directors and consultants for the Company's corporate activities, other than those included in one of general and administrative, share-based compensation, and research and development.
- *Professional fees* include legal, audit and other expenses incurred by third-party service providers.
- *General and administrative* include certain public company costs, merchant fees and temporary labor and subcontractor costs for the Company's operating subsidiaries.
- *Promotion and communication 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.
- *Travel expenses* relate to flight, lodging and incidental expenses for attending conferences, events and key business meetings.
- *Share-based compensation* includes the cost of vesting of the Company's equity awards, including share options, restricted share awards and stock appreciation rights.
- *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.
- *Operating lease expense* represents the cost of the Company's operating leases, primarily consisting of real estate and equipment.
- *Depreciation and amortization expense* is provided on a straight-line basis over the corresponding assets' estimated useful lives.
- *Bad debt expense* consists of changes in the provision for the Company's expected credit losses. The Company utilizes a provision matrix to estimate lifetime expected credit losses.
- *Asset impairment* includes the difference between the fair value and carrying amount of the asset group. An impairment loss is recognized when the sum of projected undiscounted cash flows is less than the carrying value of an asset group.
- *Other expenses (income), net* include miscellaneous expenses that do not fit the criteria for recognition in another category.

## *Non-Operating Expenses*

Non-operating expenses include interest income and expenses, foreign exchange losses and changes in financial instruments fair value. Interest is primarily related to the Company's operating lines of credit. Foreign exchange is largely related to the revaluation of balances denominated in foreign currencies to U.S. dollars. Changes in financial instruments fair value pertains to fluctuations in the fair values of the Company's investments and liabilities.

## *Income Tax*

Income tax consists primarily of income taxes related to U.S. federal and state income taxes and income taxes in foreign jurisdictions in which we conduct business.

## *Loss from Discontinued Operations*

Loss from discontinued operations includes the net loss, net of tax, of the Colombian subsidiaries sold on July 5, 2023 and on November 1, 2023. It also includes an expected loss on the disposal as the carrying value of the assets being sold exceeded the expected sale price.

## **Results of Operations**

The following table sets forth the Company's consolidated results of operations for the fiscal years ended December 31, 2024 and 2023 (in thousands). The period-to-period comparisons of the Company's historical results are not necessarily indicative of the results that may be expected in the future. The results of operations data have been derived from our audited consolidated financial statements included elsewhere in this Annual Report.

	For the year ended December 31, 2024	For the year ended December 31, 2023
Revenue	\$ 59,505	\$ 76,071
Gross profit	12,497	17,738
Consulting and management fees	9,661	11,876
Professional fees	2,684	2,301
General and administrative	1,938	1,646
Promotion and communication	5,298	4,710
Travel expenses	505	413
Share based compensation	2,779	1,591
Research and development	418	62
Operating lease expense	718	1,211
Depreciation and amortization	768	2,335
Bad debt expense	411	236
Other expenses, net	725	2,204
Goodwill and other asset impairments	2,237	39,507
Operating loss	(15,645)	(50,354)
Non-operating expenses	439	(2,057)
Net loss before taxes and discontinued operations	(16,084)	(48,297)
Income tax benefit	(177)	(1,628)
Net loss from continuing operations	(15,907)	(46,669)
Loss from discontinued operations	-	(9,678)
Net loss for the period	\$ (15,907)	\$ (56,347)

*Stop Sale Order by Florida Department of Agriculture and Consumer Services Division of Food Safety*

On October 31, 2023, the Department issued 340 stop sale orders on hemp extract products distributed by Just Brands primarily on the basis that such products were determined to be attractive to children with the product and/or labels in the shape of an animal, human, or cartoon; or bears any reasonable resemblance to an existing candy product, or branded food product. As a result, Just Brands has stopped distributing these products in the State of Florida. There is no assurance that these products can be sold in another jurisdiction, or at all.

On January 22, 2024, the Department issued a stop sale order on 231 hemp extract and other products distributed by Just Brands primarily on the basis that such products were determined to be attractive to children with the product and/or labels in the shape of an animal, human, or cartoon; or bears any reasonable resemblance to an existing candy product, or branded food product. As a result, Just Brands has stopped distributing these products in the State of Florida. There is no assurance that these products can be sold in another jurisdiction, or at all.

On April 2, 2024, the Department issued a stop sale order on 84 hemp extract and other products distributed by High Roller primarily on the basis that such products were determined to be attractive to children with the product and/or labels in the shape of an animal, human, or cartoon; or bears any reasonable resemblance to an existing candy product, or branded food product. As a result, Higher Roller has stopped distributing these products in the State of Florida. There is no assurance that these products can be sold in another jurisdiction, or at all.

On May 7, 2024, Just Brands and the Department agreed to a settlement and general release, whereby Just Brands will remove the products subject to the Stop Sales Orders from the state of Florida, pay the Department \$60,500 to reimburse the Department's attorney's fees, and accept a five-year revocation of its food permit in the state of Florida. By signing the release, Just Brands waived, settled and released all claims it had or might have against the Department.



On June 27, 2024, Just Brands and the Department agreed to a settlement and general release, whereby High Roller will remove the products subject to the Stop Sales Orders from the state of Florida, destroy products containing controlled substances, pay the Department \$5,000 to reimburse the Department's attorney's fees, and accept a two-year suspension of the manufacture, distribution and sale of gummy hemp extract products in the state of Florida. By signing the release, High Roller waived, settled and released all claims it had or might have against the Department.

The Company estimates that the disruption from these stop sale orders had an unfavorable impact of \$0.7 million on revenue during the year ended December 31, 2024. The total cost of inventory impacted by the stop sale orders was \$1.9 million. As per the agreement with the Department, all the impacted inventory has been moved and is being sold outside the state of Florida.

#### *Revenue*

Revenue totaled \$59.5 million and \$76.1 million for the years ended December 31, 2024 and 2023, respectively. The decrease was primarily driven by the following:

- Phatebo contributed \$35.9 million for the year ended December 31, 2024 compared to \$38.3 million for the year ended December 31, 2023.
- JustCBD contributed \$17.7 million for the year ended December 31, 2024 compared to \$31.1 million for the year ended December 31, 2023.
- Vessel contributed \$5.2 million for the year ended December 31, 2024, compared to \$6.7 million for the year ended December 31, 2023.
- AV was acquired in June 2024 and contributed \$0.7 million during the year ended December 31, 2024.

Revenues generated for the year ended December 31, 2023 by the Company's Colombian entities are included separately within *Loss from Discontinued Operations*.

Revenues generated for the year ended December 31, 2024 by the House of Brands segment were \$23.6 million compared to revenues generated for the year ended December 31, 2023 of \$37.8 million. The decrease was driven by the Company's decision to discontinue several unprofitable product lines during 2023, increased competition and market saturation, as well as the stop sales orders discussed above.

Revenues generated for the year ended December 31, 2024 by the commercial and wholesale segment were \$35.9 million compared to revenues generated for the year ended December 31, 2023 of \$38.3 million. The decrease in revenue, which was entirely generated by Phatebo, was driven by a change in management and customer transition.

#### *Gross Profit*

Gross profit totaled \$12.5 million and \$17.7 million for the years ended December 31, 2024 and 2023, respectively. The decrease was primarily driven by the decreased sales at JustCBD, which contributed \$7.6 million in the year ended December 31, 2024 compared to \$12.7 million in the year ended December 31, 2023. In addition, \$0.7 million of inventory impairment was recorded at JustCBD in the year ended December 31, 2024 related to inventory theft and recoveries of stolen inventory that is no longer saleable. Moreover, gross profit at Vessel decreased from \$3.0 million in the year ended December 31, 2023 to \$2.7 million in the year ended December 31, 2024. The gross margins at Phatebo remained flat at \$2.2 million for both years ended December 31, 2024 and December 31, 2023. TruHC and AV were acquired in 2024 and contributed a total of less than \$0.1 million during the year ended December 31, 2024. As a percentage of net sales, or gross margin, the Company reported 21% and 23% for the years ended December 31, 2024 and 2023, respectively. The decrease is primarily due to an unfavorable mix, with increased sales of lower margin pharmaceuticals.

#### *Operating Expenses*

Operating expenses totaled \$28.1 million and \$68.1 million for the years ended December 31, 2024 and 2023, respectively. The decrease is seen across multiple expense categories and is due to management's cost-cutting initiatives implemented during the second half of 2023 as well as asset impairments recorded during the year ending December 31, 2023.

### *Consulting and Management Fees*

Consulting and management fees were \$9.7 million for the year ended December 31, 2024 compared to \$11.9 million for the year ended December 31, 2023. These fees are related to employment and consulting contracts with most of the Company's management, as well as directors. The decrease is primarily due to a substantial reduction in the Company's total headcount across all its business units.

### *Professional Fees*

Professional fees totaled \$2.7 million for the year ended December 31, 2024 compared to \$2.3 million for the year ended December 31, 2023. These expenses are associated with legal, accounting and audit services. The increase is due to costs related to share offerings as well as to the acquisitions of TruHC and AV during the year ended December 31, 2024, as well as credit memos received during the year ended December 31, 2023.

### *General and Administrative Expenses*

General and administrative expenses totaled \$1.9 million for the year ended December 31, 2024 compared to \$1.6 million for the year ended December 31, 2023. The primary expenses included in both periods were filing services and shareholder communications, as well as professional dues and subscriptions.

### *Promotion and Communication Expenses*

Promotion and communication expenses totaled \$5.3 million for the year ended December 31, 2024 compared to \$4.7 million for the year ended December 31, 2023. The increase is due to increased promotion expenses during 2024. Promotion expenses incurred in both periods also largely relate to the nature of JustCBD's business model, which is centered around promoting its products as a method for stimulating revenue.

### *Travel Expenses*

Travel expenses totaled \$0.5 million for the year ended December 31, 2024 compared to \$0.4 million for the year ended December 31, 2023. These expenses were for various trips related to the subsidiaries' and the Company's promotional activities.

### *Share-based Compensation Expenses*

Share based compensation expenses totaled \$2.8 million for the year ended December 31, 2024 compared to \$1.6 million for the year ended December 31, 2023. These expenses represent the amortization of the fair value of share-based payments. The increase is due to the grant of Stock Appreciation Rights to key employees during the year ended December 31, 2024.

### *Research and Development Expenses*

Research and development expenses totaled \$0.4 million for the year ended December 31, 2024 compared to \$0.1 million for the year ended December 31, 2023. Research and development expenses consist primarily of contract research fees, manufacturing, consultant fees, and costs related to the launch of new brands for the Vessel business.

### *Operating Lease Expenses*

Operating lease expenses totaled \$0.7 million for the year ended December 31, 2024 compared to \$1.2 million for the year ended December 31, 2023. The decrease is due to the impairment of the right-of-use operating lease assets during 2023, causing reduced operating lease expense in 2024.

#### *Depreciation and Amortization Expense*

Depreciation and amortization expenses totaled \$0.8 million for the year ended December 31, 2024 compared to \$2.3 million for the year ended December 31, 2023. The decrease is primarily due to the impairment recorded on the Company's long-lived assets during 2023, causing reduced depreciation and amortization in 2024, partially offset by the acquisitions of TruHC and AV during the year ended December 31, 2024.

#### *Bad Debt Expense*

Bad debt expense totaled \$0.4 million for the year ended December 31, 2024 compared to \$0.2 million for the year ended December 31, 2023. The amounts reflect the Company's estimate of lifetime expected losses related to outstanding trade receivables.

#### *Other Expenses*

Other expenses totaled \$0.7 million for the year ended December 31, 2024 compared to \$2.2 million for the year ended December 31, 2023. These expenses consist mainly of insurance, repairs and maintenance and royalties partially offset by miscellaneous incomes. The decrease is primarily due to lower insurance expenses, as well as sublease income collected during the year ended December 31, 2024.

#### *Goodwill and other asset impairments*

Goodwill and other asset impairments totaled \$2.2 million and \$39.5 million in asset impairments for the years ended December 31, 2024 and 2023, respectively. The Company tests its goodwill and indefinite-lived intangibles for impairment as part of its annual fourth quarter impairment test, and at interim periods when impairment indicators exist. For the year ended December 31, 2024, the Company tested its goodwill for impairment as at September 30, 2024 and December 31, 2024 due to external indicators such as new limitations imposed by the Australian government which will negatively impact the AV reporting unit sales. In addition, the Company assessed its other long-lived assets for impairment as at March 31, 2024, June 30, 2024 and September 30, 2024. The Company concluded that the carrying value of its AV reporting unit was higher than its estimated fair value, and a goodwill impairment loss totaling \$0.2 million was recognized in the year ended December 31, 2024.

For asset groups that had indicators of impairment, the Company performed a quantitative analysis as of each interim period in 2024 to determine if impairment existed by comparing the carrying amount of each asset group to the future undiscounted cash flows the asset group is expected to generate over their remaining lives. This analysis resulted in impairments of property, plant and equipment, operating lease right of use assets and certain intangibles assets totaling \$2.0 million for the year ended December 31, 2024.

At June 30, 2023 and December 31, 2023, Flora determined that the decline in the share price of the Company's publicly traded Common Shares, the declining share price of comparable public companies and challenging economic factors making it difficult to access capital were indicators of impairment. Flora then concluded that the carrying values of its JustCBD and FGH reporting units were higher than their respective estimated fair values, and a cumulative goodwill impairment loss totaling \$23.4 million was recognized for the year ended December 31, 2023.

For asset groups that had indicators of impairment, the Company performed a quantitative analysis as of each interim period in 2023 to determine if impairment existed by comparing the carrying amount of each asset group to the future undiscounted cash flows the asset group is expected to generate over their remaining lives. This analysis resulted in impairments of property, plant and equipment, operating lease right of use assets and certain intangibles assets totaling \$16.1 million for the year ended December 31, 2023.

#### *Non-operating Expenses (Income)*

Flora realized \$0.4 million in non-operating expense for the year ended December 31, 2024 compared to non-operating income of \$2.1 million for the year ended December 31, 2023. This expense (income) consists of unrealized losses (gains) from changes in fair value, interest (income) expense and foreign exchange loss. The reduced income is primarily due to a \$0.3 million gain on the value of the contingent consideration related to the JustCBD and Original Hemp acquisitions during the year ended December 31, 2024, compared to a \$2.0 million gain during the year ended December 31, 2023.

### *Income Tax Benefit*

The Company recognized \$0.2 million and \$1.6 million in income tax benefit for the years ended December 31, 2024 and 2023, respectively. Our effective tax rate during the year ended December 31, 2024 and 2023 was 1.1% and 3.4%, respectively. The Company maintains valuation allowances when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change. In determining whether a valuation allowance is required, the Company considers such factors as prior earnings history, expected future earnings, carry-back and carry-forward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. Flora continues to believe its deferred tax assets are not more-likely-than-not to be realized and a full valuation allowance remains recorded against net deferred taxes as of December 31, 2024 and 2023.

### *Loss from Discontinued Operations*

Loss from discontinued operations totaled \$nil in the year ended December 31, 2024 compared to \$9.7 million in the year ended December 31, 2023. The sale of the Colombian subsidiaries was completed during the third and fourth quarters of 2023.

### *Net loss*

The Company incurred a net loss of \$15.9 million and \$56.3 million for the years ended December 31, 2024 and 2023, respectively. This decrease in net loss is driven by lower operating expenses and the loss from the disposed Colombia operations in 2023 partially offset by lower gross profit and income tax benefit, as well as higher non-operating losses in 2024.

### **EBITDA and Adjusted EBITDA**

EBITDA and Adjusted EBITDA are non-U.S. GAAP financial measures that do not have any standardized meaning prescribed by U.S. GAAP and may not be comparable to similar measures presented by other companies. Flora calculates EBITDA as total net (loss) income from continuing operations, plus (minus) income taxes (recovery), plus (minus) interest expense (income), plus depreciation and amortization. Flora calculates Adjusted EBITDA as EBITDA plus (minus) non-operating expense (income), plus share based compensation expense, plus asset impairment charges, plus (minus) changes in financial instruments fair value, plus charges related to the flow-through of inventory step-up on business combinations, plus other acquisition and transaction costs. Management believes that EBITDA and Adjusted EBITDA provide meaningful and useful financial information as these measures demonstrate the operating performance of the business.

The reconciliation of the Company's EBITDA and Adjusted EBITDA, non-U.S. GAAP financial measures, to net loss from continuing operations, the most directly comparable U.S. GAAP financial measure, for the year ended December 31, 2024 is presented in the table below:

(In thousands of United States dollars)	JustCBD	Vessel	Germany (3)	Australian Vaporizers	Corporate & Other	Consolidated
<b>Net loss from continuing operations</b>	<b>\$ (3,007)</b>	<b>\$ (2,129)</b>	<b>\$ (1,004)</b>	<b>\$ (643)</b>	<b>\$ (9,124)</b>	<b>\$ (15,907)</b>
Income tax expense (recovery)	2	1	(186)	(46)	52	(177)
Interest expense	59	8	142	1	3	213
Depreciation and amortization	168	62	488	15	35	768
<b>EBITDA</b>	<b>(2,778)</b>	<b>(2,058)</b>	<b>(560)</b>	<b>(673)</b>	<b>(9,034)</b>	<b>(15,103)</b>
Non-operating loss (1)	3	-	-	21	461	485
Share based compensation	-	-	-	-	2,779	2,779
Asset impairment	585	1,206	-	414	32	2,237
Changes in financial instruments fair value (2)	(57)	-	-	-	(202)	(259)
Charges related to the flow-through of inventory step-up on business combinations	-	-	-	79	-	79
Other acquisition and transaction costs	-	-	-	-	266	266
<b>Adjusted EBITDA</b>	<b>\$ (2,247)</b>	<b>\$ (852)</b>	<b>\$ (560)</b>	<b>\$ (159)</b>	<b>\$ (5,698)</b>	<b>\$ (9,516)</b>

The reconciliation of the Company's EBITDA and Adjusted EBITDA, non-U.S. GAAP financial measures, to net (loss) income from continuing operations, the most directly comparable U.S. GAAP financial measure, for the year ended December 31, 2023 is presented in the table below:

(In thousands of United States dollars)	JustCBD	Vessel	Germany (3)	Corporate & Other	Consolidated
<b>Net (loss) income from continuing operations</b>	<b>\$ (22,790)</b>	<b>\$ (8,372)</b>	<b>\$ 274</b>	<b>\$ (15,781)</b>	<b>\$ (46,669)</b>
Income tax expense (recovery)	-	3	101	(1,732)	(1,628)
Interest expense (income)	9	2	92	(11)	92
Depreciation and amortization	742	736	28	829	2,335
<b>EBITDA</b>	<b>(22,039)</b>	<b>(7,631)</b>	<b>495</b>	<b>(16,695)</b>	<b>(45,870)</b>
Non-operating loss (income) (1)	2	14	-	(174)	(158)
Share based compensation	-	-	-	1,591	1,591
Asset impairment	22,892	7,402	-	9,213	39,507
Changes in financial instruments fair value (2)	(964)	-	-	(1,027)	(1,991)
Charges related to the flow-through of inventory step-up on business combinations	-	-	-	45	45
<b>Adjusted EBITDA</b>	<b>\$ (109)</b>	<b>\$ (215)</b>	<b>\$ 495</b>	<b>\$ (7,047)</b>	<b>\$ (6,876)</b>

- (1) Non-operating loss (income) includes foreign exchange (loss) gain.
- (2) Changes in financial instruments fair value includes changes in the value of the Company's long-term investment in an early-stage European cannabis company and the value of the Company's contingent consideration associated with its acquisitions of JustCBD and Original Hemp.
- (3) Germany includes the Company's main operating entities in Germany, Phatebo and TruHC.

## Liquidity and Capital Resources

Since the Company's inception, we have funded our operations and capital spending through cash flows from product sales and proceeds from the sale of our capital stock. The Company is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term to support our business growth and expansion. We have generated significant operating losses and negative cash flows from operations as reflected in our accumulated deficit and consolidated statements of cash flows. We expect to continue to incur operating losses and negative cash flows for the foreseeable future. Our current, principal sources of liquidity are cash and cash equivalents provided by our operations and prior equity offerings. Cash and cash equivalents consist primarily of cash on deposit with banks. Cash and cash equivalents were \$6.1 million and \$4.4 million as of December 31, 2024 and 2023, respectively. As of December 31, 2024, 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 2025 and beyond depends on its ability to obtain additional funding through equity offerings, debt financing, or other forms of financing to meet planned growth requirements and to fund future operations, which may not be available on acceptable terms, or at all. If we are unable to raise the requisite funds, we will need to curtail or cease operations. See Note 2 to the audited consolidated financial statements for more information and Item 1A "Risk Factors - Management has performed an analysis of our ability to continue as a going concern, and has determined that, based on our current financial position, there is a substantial doubt about our ability to continue as a going concern" in this Annual Report. We have based our estimates as to how long we expect we will be able to fund our operations on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. In the long-term, we may be required to obtain additional financing to fund our current planned operations, which may consist of incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds. There can be no assurance that the Company will be able to obtain additional funds on terms acceptable to it, on a timely basis or at all. The failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the results of operations, and financial condition. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing shareholders will be diluted. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

The Company's primary uses of cash are for working capital requirements and capital expenditures. Additionally, from time to time, it may use capital for acquisitions and other investing and financing activities. Working capital is used principally for the Company's personnel as well as costs related to the growth, manufacture, and production of its products. The Company's capital expenditures consist primarily of additional facilities, improvements in existing facilities and product development.

## Cash Flows

The following table sets forth the major components of the Company's condensed consolidated statements of cash flows for the periods presented.

	<b>For the year ended December 31, 2024</b>	<b>For the year ended December 31, 2023</b>
(In thousands of United States dollars)		
Cash used in operating activities	\$ (5,032)	\$ (8,396)
Cash from financing activities	6,494	3,150
Cash from (used) in investing activities	203	(234)
Effect of exchange rate change	2	930
Change in cash during the period	1,667	(4,550)
Cash, beginning of period	4,385	8,935
Cash, end of period	<u>\$ 6,052</u>	<u>\$ 4,385</u>

### *Cash used in Operating Activities*

Net cash used in operating activities for the years ended December 31, 2024 and 2023 totaled \$5.0 million and \$8.4 million, respectively. Cash flows used in operating activities for the year ended December 31, 2024 were due primarily to operating expenses exceeding the gross profit for the year.

Cash flows used in operating activities for the year ended December 31, 2023 were also due primarily to operating expenses exceeding the gross profit for the year.

### *Cash from Financing Activities*

Net cash provided from financing activities for the years ended December 31, 2024 and 2023 totaled \$6.5 million and \$3.2 million, respectively. Cash flows provided from financing activities for the year ended December 31, 2024 were related to the Company's April 2024 and December 2024 unit offerings (as described below) as well as net borrowings on the credit facilities in Germany through the Company's Phatebo subsidiary (as described below).

Cash flows provided from financing activities for the year ended December 31, 2023 were primarily related to the Company's September 2023 unit offering (as described below) and borrowings on a credit facility through its FGH subsidiary (as described below), partially offset by amounts used for equity issuances costs and loan repayments.

#### *Cash from (used) in Investing Activities*

Net cash from investing activities for the year ended December 31, 2024 totaled \$0.2 million. Cash flows from investing activities for the year ended December 31, 2024 were primarily proceeds from the sale of property, plant and equipment.

Net cash used in investing activities for the year ended December 31, 2023 totaled \$0.2 million. Cash flows used in investing activities for the year ended December 31, 2023 were primarily related to capital expenditures related to equipment in the House of Brands segment.

#### *Working Capital*

As of December 31, 2024, we had working capital of \$0.9 million. The Company's primary cash flow needs are for the development of its cannabis and pharmaceutical activities, administrative expenses and for general working capital to support growing sales and production with related receivables and payables.

#### **Funding Requirements**

Our continued existence is dependent on our ability to generate positive cash flows through synergies within our operations, expanding our production capacity and geographic footprint, exploring strategic partnerships, and pursuing accretive acquisitions to supplement our organic growth. We are committed to attaining a level of sustained growth that will effectively offset our overhead costs, thereby paving the path to achieving profitability. We will be required in the future to raise additional capital through either equity or debt financings. To date, we have raised capital through multiple equity offerings. Our equity offerings in 2023 and 2024 are described below.

#### *December 2024 Unit Offerings*

In December 2024, we closed a registered direct offering of 2,850,000 units of the Company at a price of \$1.25 per unit for gross proceeds of \$3.6 million. Each unit is comprised of one Common Share of the Company. We paid \$0.8 million in issuance costs relating to this December 2024 unit offering.

Also in December 2024, we sold an aggregate of 425,000 units of the Company at a price of \$1.67 per unit for gross proceeds of \$0.7 million pursuant to separate subscription agreements entered into between the Company and certain institutional investors. The common shares to be issued were offered pursuant to the Company's Offering Statement on Form 1-A, initially filed by the Company with the SEC under the Securities Act, on July 16, 2024, as subsequently amended with the SEC on each of August 7, 2024, October 15, 2024, and November 22, 2024, and most recently qualified by the SEC on November 29, 2024. Each unit is comprised of one Common Share of the Company. The Company paid \$0.1 million in issuance costs relating to this December 2024 unit offering.

#### *April 2024 Unit Offering*

In April 2024, we closed a registered direct offering of 1,700,000 units of the Company at a price of \$1.90 per unit for gross proceeds of \$3.2 million. Each unit is comprised of one Common Share of the Company. We paid \$0.4 million in issuance costs relating to the April 2024 unit offering.

### September 2023 Unit Offering

In September 2023, we closed a registered direct offering of 1,369,000 units of the Company at a price of \$2.00 per unit for gross proceeds of \$2.7 million. Each unit is comprised of one Common Share of the Company and one Common Share purchase warrant (1,369,000 total warrants) to purchase one additional Common Share at an exercise price of \$2.50 per share. The warrants expire on March 21, 2029. We paid \$0.3 million in issuance costs relating to the September 2023 unit offering and issued 54,760 warrants issued to the placement agent. As of December 31, 2024, all of the warrants issued in connection with the September 2023 unit offering remain outstanding.

### Debt

In addition to the equity offerings described above, the Company also has access to credit facilities through Phatebo. The credit facilities total 2.4 million Euros with three different German banks, Hypoverinsbank, Arztebank and Volksbank, secured by default guarantees. On December 31, 2024, the outstanding amount was 2.0 million Euros (\$2.1 million USD) and was due within six months. The credit facilities have interest rates ranging from 5.15% to 5.29% per year and does not have a set maturity date. The interest rate is reset every time a new amount is drawn.

### Off-Balance Sheet Arrangements

As of December 31, 2024, the Company did not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition, including, and without limitation, such considerations as liquidity and capital resources.

### Contractual Obligations

At December 31, 2024, the Company had the following contractual obligations to make future payments, representing contracts and other commitments that are known and committed:

(In thousands of United States dollars)	Total	Less than 1 Year	1 - 3 Years	More than 3 Years
Legal disputes (1)	4,241	4,241	-	-
Sales tax (1)	2,695	2,695	-	-
Contingent purchase consideration (2)	835	835	-	-
Operating lease obligations (3)	3,409	1,048	1,721	640
Long term debt (4)	2,080	2,080	-	-
Total	<u>\$ 13,260</u>	<u>\$ 10,899</u>	<u>\$ 1,721</u>	<u>\$ 640</u>

(1) See Note 19 of the Company's consolidated financial statements for the year ended December 31, 2024.

(2) Contingent purchase consideration related to the February 2022 acquisition of JustCBD and the March 2023 acquisition of Original Hemp.

(3) See Note 14 of the Company's consolidated financial statements for the year ended December 31, 2024.

(4) See Note 13 of the Company's consolidated financial statements for the year ended December 31, 2024.

### Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP and the Company's discussion and analysis of its financial condition and operating results require management to make judgments, assumptions and estimates that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Note 3, Significant Accounting Policies, of the Company's notes to the consolidated financial statements describes the significant accounting policies and methods used in the preparation of its consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates, and such differences may be material.



The Company believes that the following critical accounting policies involve the more significant judgments and estimates used in the preparation of its consolidated financial statements and are the most critical to aid the reader in fully understanding and evaluating the Company's reported financial results. Management considers these policies critical because they are both important to the portrayal of the Company's financial condition and operating results, and they require management to make judgments and estimates about inherently uncertain matters.

#### *Inventories*

Inventories are comprised of raw materials and supplies, internally produced work in progress, and finished goods. Inventories are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventory cost is determined either on a weighted average cost or specific identification basis and any trade discounts and rebates are deducted from the purchase price. Raw material costs include the purchase cost of the materials, freight-in and duty. Finished goods include the cost of direct materials and labor and a proportion of manufacturing overhead allocated based on normal production capacity.

Net realizable value 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. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory and 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 impact of changes in inventory reserves is reflected in cost of sales.

#### *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred. At the acquisition date, the identifiable assets acquired, and the liabilities assumed, are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the amounts of identifiable assets acquired and liabilities assumed on the acquisition date. If, after assessment, the net of the amounts of identifiable assets acquired and liabilities assumed on the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the fair value of the acquiree's identifiable net assets.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates, with the corresponding gain or loss recognized in the consolidated statements of operations and comprehensive income.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Purchase price allocations may be preliminary and, during the measurement period not to exceed one year from the date of acquisition, changes in assumptions and estimates that result in adjustments to the fair value of assets acquired and liabilities assumed are recorded in the period the adjustments are determined.

#### *Intangible Assets*

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which do not exceed the contractual period, if any.

The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively. Amortization expense is recorded within depreciation and amortization on the consolidated statements of loss and comprehensive loss.

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 might be impaired.

#### *Impairment of goodwill and indefinite-lived intangible assets*

Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. The Company reviews goodwill and indefinite lived intangible assets annually for impairment in the fourth quarter, or sooner, if events or circumstances indicate that the carrying amount of an asset may not be recoverable. The Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If factors indicate this is the case, then a quantitative test is performed and an impairment is recorded for any excess carrying value above the reporting unit's fair value, not to exceed the amount of goodwill. The Company performs a one-step test to calculate the fair value of the asset and record goodwill impairment to the extent the fair value of the reporting unit exceeds its carrying amount. Several factors, including historical results, business plans, forecasts, market data and the weighting of valuation model results when multiple are developed, are used to determine the fair value.

#### *Income taxes*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.

An unrealized tax benefit may arise in connection with a period that has not yet been reviewed by the relevant tax authority. A change in the recognition or measurement of an unrealized tax benefit is reflected in the period during which the change occurs.

Interest and penalties in respect of income taxes are not recognized in the consolidated statement of operations as a component of income taxes but as a component of interest expense.

**Recently Adopted Accounting Principles**

See Note 3, "Significant Accounting Policies", of the notes to the consolidated financial statements for a discussion of recently issued accounting standards.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for smaller reporting companies.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Directors of  
Flora Growth Corp.

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of financial position of Flora Growth Corp. (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, 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, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024 and 2023 in conformity with accounting principles generally accepted in the United States of America.

### *Going Concern*

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's current level of cash is not sufficient to continue investing in growth, while at the same time meeting its obligations as they become due. 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 consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated 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 audit 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 entity'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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2020.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Professional Accountants  
PCAOB ID: 731

March 24, 2025



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6  
Telephone (604) 687-0947 Davidson-co.com

**Flora Growth Corp.**

## Consolidated Statements of Financial Position

(in thousands of United States dollars, except share amounts which are in thousands of shares)

As at:	December 31, 2024	December 31, 2023
<b>ASSETS</b>		
Current		
Cash	\$ 6,017	\$ 4,350
Restricted cash	35	35
Trade and amounts receivable, net of \$611 allowance (\$315 at 2023)	3,061	3,950
Prepaid expenses and other current assets	638	1,368
Indemnification receivables	4,241	3,153
Inventory	5,771	8,508
<b>Total current assets</b>	<b>19,763</b>	<b>21,364</b>
Non-current		
Property, plant and equipment	312	847
Operating lease right of use assets	1,297	389
Intangible assets	2,746	946
Goodwill	2,006	-
Investments	-	-
Other assets	103	80
<b>Total assets</b>	<b>\$ 26,227</b>	<b>\$ 23,626</b>
<b>LIABILITIES</b>		
Current		
Trade payables	\$ 5,464	\$ 5,111
Contingencies	6,936	5,500
Current portion of debt	2,080	1,931
Current portion of operating lease liability	791	799
Current portion of contingent purchase considerations	835	1,095
Other accrued liabilities	2,726	1,844
<b>Total current liabilities</b>	<b>18,832</b>	<b>16,280</b>
Non-current		
Non-current operating lease liability	2,029	942
Deferred tax	856	-
<b>Total liabilities</b>	<b>21,717</b>	<b>17,222</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital, no par value, unlimited authorized, 18,512 issued and outstanding (8,935 at 2023)	-	-
Additional paid-in capital	162,871	149,093
Accumulated other comprehensive loss	(221)	(140)
Deficit	(158,140)	(142,549)
<b>Total shareholders' equity</b>	<b>4,510</b>	<b>6,404</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 26,227</b>	<b>\$ 23,626</b>

The accompanying notes are an integral part of these consolidated financial statements. Commitments and contingencies - see Note 19.

**Flora Growth Corp.**

## Consolidated Statements of Loss and Comprehensive Loss

(in thousands of United States dollars, except per share amounts which are in thousands of shares)

	For the year ended December 31, 2024		For the year ended December 31, 2023	
<b>Revenue</b>	\$	59,505	\$	76,071
<b>Cost of sales</b>		47,008		58,333
<b>Gross profit</b>		12,497		17,738
<b>Operating expenses</b>				
Consulting and management fees		9,661		11,876
Professional fees		2,684		2,301
General and administrative		1,938		1,646
Promotion and communication		5,298		4,710
Travel expenses		505		413
Share based compensation		2,779		1,591
Research and development		418		62
Operating lease expense		718		1,211
Depreciation and amortization		768		2,335
Bad debt expense		411		236
Goodwill impairment		236		23,372
Other asset impairments		2,001		16,135
Other expenses, net		725		2,204
<b>Total operating expenses</b>		28,142		68,092
<b>Operating loss</b>		(15,645)		(50,354)
Interest expense, net		213		92
Foreign exchange loss (income)		485		(158)
Changes in financial instruments fair value		(259)		(1,991)
<b>Net loss before income taxes and discontinued operations</b>		(16,084)		(48,297)
Income tax benefit		(177)		(1,628)
<b>Net loss from continuing operations</b>		(15,907)		(46,669)
Loss from discontinued operations, net of taxes		-		(9,678)
<b>Net loss for the period</b>		(15,907)		(56,347)
Net income (loss) attributable to noncontrolling interest		-		689
<b>Net loss attributable to Flora Growth Corp</b>	\$	(15,907)	\$	(57,036)
Basic loss per share from continuing operations	\$	(1.30)	\$	(6.34)
Diluted loss per share from continuing operations	\$	(1.30)	\$	(6.34)
Basic loss per share attributable to Flora Growth Corp.	\$	(1.30)	\$	(7.75)
Diluted loss per share attributable to Flora Growth Corp.	\$	(1.30)	\$	(7.75)
Weighted average number of common shares outstanding - basic		12,267		7,356
Weighted average number of common shares outstanding - diluted		12,267		7,356
<b>Comprehensive loss:</b>				
Net loss	\$	(15,907)	\$	(56,347)
Foreign currency translation, net of income taxes of \$nil (\$nil in 2023)		81		(2,592)
<b>Comprehensive loss for the period</b>		(15,988)		(53,755)
Comprehensive income (loss) attributable to noncontrolling interests		-		689
<b>Comprehensive loss attributable to Flora Growth Corp.</b>	\$	(15,988)	\$	(54,444)

*The accompanying notes are an integral part of these consolidated financial statements.*

**Flora Growth Corp.**

## Consolidated Statement of Shareholders' Equity

(in thousands of United States dollars, except share amounts which are in thousands of shares)

	Common Shares		Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated Deficit	Non- Controlling interests in subsidiaries (Deficiency)	Shareholders' Equity
	#						
Balance, December 31, 2022	6,776	\$ -	\$ 150,420	\$ (2,732)	\$ (90,865)	\$ (411)	\$ 56,412
September unit offering	1,369	-	2,738	-	-	-	2,738
September unit offering issuance costs	-	-	(254)	-	-	-	(254)
Equity issued for other agreements	126	-	590	-	-	-	590
Options issued	-	-	226	-	-	-	226
Options forfeited	-	-	(5,627)	-	5,352	-	(275)
Restricted stock granted	838	-	1,989	-	-	-	1,989
Restricted stock cancelled	(174)	-	(844)	-	-	-	(844)
Share issuance costs	-	-	(145)	-	-	-	(145)
Derecognition of equity related to Colombia assets	-	-	-	1,310	-	(278)	1,032
Other comprehensive loss - exchange differences on foreign operations (net of income taxes of \$nil)	-	-	-	1,282	-	-	1,282
Current year net loss attributable to Flora Growth Corp.	-	-	-	-	(57,036)	689	(56,347)
Balance, December 31, 2023	8,935	\$ -	\$ 149,093	\$ (140)	\$ (142,549)	\$ -	\$ 6,404
Common stock offerings	4,975	-	7,502	-	-	-	7,502
Common stock offering issuance costs	-	-	(1,205)	-	-	-	(1,205)
Equity issued for business combinations	3,321	-	4,960	-	-	-	4,960
Equity issued for other agreements	50	-	55	-	-	-	55
Options issued	-	-	5	-	-	-	5
Options forfeited	-	-	(316)	-	316	-	-
Restricted stock granted	1,235	-	1,648	-	-	-	1,648
Restricted stock cancelled	(4)	-	(9)	-	-	-	(9)
SARs issued	-	-	1,138	-	-	-	1,138
Other comprehensive loss - exchange differences on foreign operations (net of income taxes of \$nil)	-	-	-	(81)	-	-	(81)
Current year net loss attributable to Flora Growth Corp.	-	-	-	-	(15,907)	-	(15,907)
Balance, December 31, 2024	18,512	\$ -	\$ 162,871	\$ (221)	\$ (158,140)	\$ -	\$ 4,510

*The accompanying notes are an integral part of these consolidated financial statements.*



**Flora Growth Corp.**

## Consolidated Statements of Cash Flows

(in thousands of United States dollars)

	For the year ended December 31, 2024	For the year ended December 31, 2023
<b>Cash flows from operating activities:</b>		
Net loss	\$ (15,907)	\$ (56,347)
Adjustments to net loss:		
Depreciation and amortization	768	2,484
Stock-based compensation	2,779	1,591
Goodwill impairment	236	23,372
Inventory impairments through costs of sales	1,842	2,688
Other asset impairments	2,001	20,840
Changes in financial instruments at fair value	(259)	(1,991)
Bad debt expense	411	801
Loss on fixed asset disposals	129	-
Loss on disposal of discontinued operations	-	3,132
Interest expense (income)	213	94
Interest paid	(213)	(94)
Income tax benefit	(177)	(1,617)
	(8,177)	(5,047)
Net change in non-cash working capital:		
Trade and other receivables	(685)	1,522
Inventory	1,317	(2,112)
Prepaid expenses and other assets	722	(419)
Trade payables and accrued liabilities	1,791	(2,340)
<b>Net cash used in operating activities</b>	<b>(5,032)</b>	<b>(8,396)</b>
<b>Cash flows from financing activities:</b>		
Units issued	7,502	2,738
Equity issue costs	(1,267)	(396)
Loan borrowings	8,405	995
Loan repayments	(8,146)	(187)
<b>Net cash provided by financing activities</b>	<b>6,494</b>	<b>3,150</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment and intangible assets	(134)	(163)
Net cash on asset disposals	273	(71)
Business and asset acquisitions, net of cash acquired	64	-
<b>Net cash provided (used) in investing activities</b>	<b>203</b>	<b>(234)</b>
Effect of exchange rate on changes on cash	2	930
<b>Change in cash during the period</b>	<b>1,667</b>	<b>(4,550)</b>
Cash and restricted cash at beginning of period	4,385	8,935
Cash included in assets held for sale	-	-
<b>Cash and restricted cash at end of period</b>	<b>\$ 6,052</b>	<b>\$ 4,385</b>
<b>Supplemental disclosure of non-cash investing and financing activities</b>		
Common shares issued for business combinations	\$ 4,960	\$ -
Common shares issued for other agreements	55	95
Option cancellations reclassified to equity	316	5,352
Operating lease additions to right of use assets	2,208	245
Intangible assets acquired for contingent consideration	-	194

The accompanying notes are an integral part of these consolidated financial statements.

# Flora Growth Corp.

## Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(United States dollars, except shares and per share amounts)

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### 1. NATURE OF OPERATIONS

Flora Growth Corp. (the "Company" or "Flora") was incorporated under the laws of the Province of Ontario, Canada on March 13, 2019. The Company is a manufacturer and distributor of global cannabis and pharmaceutical products and brands, building a connected, design-led collective of plant-based wellness and lifestyle brands. The Company's registered office is located at 40 King Street, W Suite 5800, Toronto, Ontario, M5H 3S1, Canada and our principal place of business in the United States is located at 3230 W. Commercial Boulevard, Suite 180, Fort Lauderdale, Florida 33309.

On November 27, 2024, Flora completed its acquisition of all the issued and outstanding common shares of TruHC Pharma GmbH ("TruHC"). The acquisition was achieved in two closings, the first occurring on April 22, 2024 and the second occurring on November 27, 2024. TruHC is an early-stage cannabis company with principal operations in Germany, that holds wholesale, processing and production licenses for medical cannabis as well as a facility offering flexible production space with EU\_GMP certified modules. See Note 10 for further discussion.

On June 4, 2024, Flora completed the acquisition of 100% of the outstanding common shares of Australian Vaporizers Pty LTD ("AV"). AV is an online retailer of vaporizers, hardware and accessories with principal operations in Australia. See Note 10 for further discussion.

These consolidated financial statements have been prepared on a going concern basis, meaning that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

### 2. BASIS OF PRESENTATION

These consolidated financial statements have been presented in United States dollars and are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). The Company has determined that the United States dollar is the most relevant and appropriate reporting currency as, despite continuing shifts in the relative size of our operations across multiple geographies, the majority of our operations are conducted in United States dollars and our financial results are prepared and reviewed internally by management in United States dollars.

Prior to January 1, 2023, Flora was a foreign private issuer reporting its financial statements under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Boards. These consolidated financial statements, for all periods, are presented in accordance with U.S. GAAP.

#### Going concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will continue one year after the date these financial statements are issued and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Pursuant to the requirements of ASC Topic 205-40, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date these financial statements are issued. This evaluation does not take into consideration the potential mitigating effects of management's plans that have not been fully implemented or are not within control of the Company as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company had cash of \$6.0 million at December 31, 2024, net loss of \$15.9 million for the year ended December 31, 2024, and an accumulated deficit of \$158.1 million at December 31, 2024. Current economic and market conditions have put pressure on the Company's growth plans. The Company's ability to continue as a going concern is dependent on its ability to obtain additional capital. The Company believes that its current level of cash is not sufficient to continue investing in growth, while at the same time meeting its obligations as they become due. These conditions raise substantial doubt regarding the Company's ability to continue as a going concern for a period of at least one year from the date of issuance of these consolidated financial statements. To alleviate these conditions, management is currently evaluating various cost reductions and other alternatives and may seek to raise additional funds through the issuance of equity, debt securities, through arrangements with strategic partners, through obtaining credit from financial institutions, through the disposition of assets or otherwise. The actual amount that the Company may be able to raise under these alternatives will depend on market conditions and other factors. As it seeks additional sources of financing, there can be no assurance that such financing would be available to the Company on favorable terms or at all. The Company's ability to obtain additional financing in the debt and equity capital markets is subject to several factors, including but not limited to market and economic conditions, the Company's performance and investor sentiment with respect to it and its industry. These 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.

## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(United States dollars, except shares and per share amounts)

### Presentation of comparative financial statements

On June 9, 2023, the Company consolidated its issued and outstanding common shares based on one new common share of the Company for every twenty existing common shares of the Company. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation. See discussion in Note 15.

### Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement in the entity and can affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are included in the consolidated financial results of the Company from the date of acquisition up to the date of disposition or loss of control. As at December 31, 2024, the Company had the following subsidiaries:

Subsidiaries	Country of Incorporation	Ownership %	Functional Currency
Vessel Brand Inc.	United States	100%	United States Dollar (USD)
Vessel Brand Canada Inc.	Canada	100%	United States Dollar (USD)
Just Brands LLC	United States	100%	United States Dollar (USD)
Just Brands FL LLC	United States	100%	United States Dollar (USD)
Just Brands International LTD	United Kingdom	100%	British Pound (GBP)
High Roller Private Label LLC	United States	100%	United States Dollar (USD)
Flora Growth US Holdings Corp.	United States	100%	United States Dollar (USD)
Franchise Global Health Inc.	Canada	100%	Canadian Dollar (CAD)
Harmony Health One Inc.	Canada	100%	Canadian Dollar (CAD)
ACA Mueller ADAG Pharma Vertriebs GmbH	Germany	100%	Euro (EUR)
Sativa Verwaltungs GmbH	Germany	100%	Euro (EUR)
Sativa Verwaltungs GmbH and Co. KG	Germany	100%	Euro (EUR)
CBD Med Therapeutics Inc.	Canada	100%	Canadian Dollar (CAD)
Fayber Technologies Canada Inc.	Canada	100%	Canadian Dollar (CAD)
Catalunia SAS	Colombia	100%	Colombia Peso (COP)
Green CannaHealth SAS	Colombia	100%	Colombia Peso (COP)
Klokken Aarhus Inc.	Canada	100%	Canadian Dollar (CAD)
Rangers Pharmaceuticals A/S	Denmark	100%	Danish Krone (DAK)
1200325 B.C. LTD.	Canada	100%	Canadian Dollar (CAD)
Phatebo	Germany	100%	Euro (EUR)
Franchise Cannabis Corp.	Canada	100%	Canadian Dollar (CAD)
TruHC Pharma GmbH	Germany	100%	Euro (EUR)
Australian Vaporizers	Australia	100%	Australian Dollar (AUD)

## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(United States dollars, except shares and per share amounts)

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On July 5, 2023, the Company entered into a Share Purchase Agreement with Lisan Farma Colombia LLC ("Lisan"), a Delaware limited liability company, to sell all of its shares in certain Colombian companies and other Flora assets related to its Colombian operations for a purchase price of CAD \$0.8 million (USD \$0.6 million).

The Company sold all of its shares and assets related to the following Colombian companies and branches:

- Flora Growth Corp Colombia S.A.S. (formerly Hemp Textiles & Co. S.A.S.)
- Flora Lab S.A.S. (formerly Grupo Farmaceutico Cronomed S.A.S.)
- Flora Med S.A.S. (formerly Breeze Laboratory S.A.S.)
- Labcofarm Laboratorios S.A.S
- Cosechemos Ya S.A.S.
- Kasa Wholefoods Company S.A.S.
- Flora Growth Corp. Sucursal Colombia
- Flora Beauty LLC Sucursal Colombia

The applicable capital stock of the Colombian entities was transferred to Lisan at the date of closing. All assets underlying this sale were transferred to Lisan on an "as is where is" basis. The results of these subsidiaries are included in discontinued operations in the accompanying consolidated financial statements. See discussion in Note 5.

During the year ending December 31, 2023, the Company voluntarily dissolved the following U.S. companies:

- Hemp Textiles & Co. LLC
- Keel Brand Corp.
- Flora Growth F&B Corp
- Flora Growth Management Corp.
- Masaya Holding Corp.

During the year ending December 31, 2024, the Company voluntarily dissolved the following U.S. companies:

- Cardiff Brand Corp.
- Kasa Wholefoods LLC
- Flora Beauty LLC

#### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of trade and amounts receivable, indemnification receivables, prepaids and other current assets, and trade and other payables, accrued liabilities, current portion of long term debt, and current portion of lease liability approximate their fair values due to their short periods to maturity. The Company calculates the estimated fair value of financial instruments, including investments, and contingent consideration, using quoted market prices when available. When quoted market prices are not available, fair value is determined based on valuation techniques using the best information available and may include quoted market prices, market comparable, and discounted cash flow projections.

The consolidated financial statements are presented in United States dollars ("\$\$") unless otherwise noted.

#### Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(United States dollars, except shares and per share amounts)

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### 3.SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Company are as follows:

#### **Cash and restricted cash**

Cash in the consolidated statement of financial position includes cash on hand and deposits held with banks and other financial intermediaries that have a maturity of less than three months at the date they are acquired. Restricted cash in the consolidated statement of financial position includes cash required to be held in deposit accounts related to credit card accounts and merchant accounts.

#### **Financial assets**

##### *Initial recognition and measurement*

The Company aggregates its financial assets into classes at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows. Non-derivative financial assets are classified and measured as "financial assets at fair value", as either fair value through profit or loss ("FVPL"), or "financial assets at amortized cost", as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification.

##### *Subsequent measurement - Financial assets at amortized cost*

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by considering any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. In these consolidated financial statements, cash, trade and amounts receivables, and indemnification receivables are classified in this category.

##### *Subsequent measurement - Financial assets at FVPL*

Financial assets measured at FVPL include financial assets such as the Company's equity investments in other entities, and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statement of financial position with changes in fair value recognized in a separate caption in the consolidated statements of loss and comprehensive loss.

##### *Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

##### *Impairment of financial assets*

Financial assets classified subsequently as amortized cost are subject to impairment based on the expected credit losses ("ECL's"). The Company's financial assets subject to impairment are cash and trade and amounts receivables.

Trade and note receivables are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. Impairment provisions are estimated using the ECL impairment model where any expected future credit losses are provided for, irrespective of whether a loss event has occurred at the reporting date. Estimates of expected credit losses consider the Company's collection history by country and customer, deterioration of collection rates during the average credit period, as well as observable changes in and forecasts of future economic conditions that affect default risk. The Company utilizes a provision matrix to estimate lifetime ECL's for trade receivables, supplemented by specific allowance based on customer-specific data. Changes in the allowance are recognized as bad debt expense in the consolidated statements of loss and comprehensive loss. When the Company determines that no recovery of the amount owed is possible, the amount is deemed irrecoverable, and the financial asset is written off. This is determined with judgment or otherwise when discharged by bankruptcy or other legal proceedings.

## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(United States dollars, except shares and per share amounts)

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#### Inventory

Inventories are comprised of raw materials and supplies and finished goods. Inventories are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventory cost is determined either on a weighted average cost or specific identification basis and any trade discounts and rebates are deducted from the purchase price. Raw material costs include the purchase cost of the materials, freight-in and duty. Costs incurred during the production process are capitalized as incurred to the extent that cost is less than net realizable value. These costs include materials, labor and manufacturing overhead used in the production processes. Finished goods include the cost of direct materials and labor and a proportion of manufacturing overhead allocated based on normal production capacity.

Net realizable value 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. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory and 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 impact of changes in inventory reserves is reflected in cost of sales.

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided for on a straight-line basis over the assets' estimated useful lives, which management has determined to be as follows:

Machinery and office equipment	5-10 years
Vehicle	5 years
Building	30 years
Right-of-use assets	Lesser of useful life and remaining term of the lease

The Company assesses an asset's residual value, useful life and depreciation method at each financial year end and adjusts if appropriate. During their construction, property, plant and equipment are not subject to depreciation. The Company capitalizes all costs necessary to get the asset to its intended use, including interest on borrowings when significant. When the asset is available for use, depreciation commences. Depreciation expense is recorded within depreciation and amortization on the consolidated statements of loss and comprehensive loss.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the consolidated statements of loss and comprehensive loss of the related year.

#### Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which do not exceed the contractual period, if any. The Company's finite-lived intangible assets are amortized as follows:

Patents and developed technology	9 years
Customer and supplier relationships	5-10 years
Trademarks and brands	8-10 years
Licenses	5 years
Non-compete agreements	3 years

The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively. Amortization expense is recorded within depreciation and amortization on the consolidated statements of loss and comprehensive loss.

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 might be impaired.

#### Investments

## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(United States dollars, except shares and per share amounts)

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Investments include investments in equity securities of entities over which the Company does not have a controlling financial interest or significant influence and are accounted for at fair value. Equity investments without readily determinable fair values are measured at cost with adjustments for observable changes in price or impairments (referred to as the "measurement alternative"). In applying the measurement alternative, the Company performs a qualitative assessment on a quarterly basis and recognizes an impairment if there are sufficient indicators that the fair value of the equity investments is less than carrying values. Changes in value are recorded in changes in financial instruments fair value on the consolidated statements of loss and comprehensive loss.

#### Impairment of long-lived assets

The Company reviews long-lived assets, including property and equipment and definite life intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of projected undiscounted cash flows is less than the carrying value of the asset group. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying amount of the asset group.

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognized in the consolidated statements of loss and comprehensive loss as incurred. At the acquisition date, the identifiable assets acquired, and the liabilities assumed, are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the amounts of identifiable assets acquired and liabilities assumed on the acquisition date. If, after assessment, the net of the amounts of identifiable assets acquired and liabilities assumed on the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated statements of loss and comprehensive loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the fair value of the acquiree's identifiable net assets.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates, with the corresponding gain or loss recognized in the consolidated statements of operations and comprehensive loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognized in the consolidated statements of loss and comprehensive loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the consolidated statements of loss and comprehensive loss where such treatment would be appropriate if that interest were disposed of.

Purchase price allocations may be preliminary and, during the measurement period not to exceed one year from the date of acquisition, changes in assumptions and estimates that result in adjustments to the fair value of assets acquired and liabilities assumed are recorded in the period the adjustments are determined.

#### Impairment of goodwill and indefinite-lived intangible assets

Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. The Company operates in three operating segments which are the reporting units and goodwill is allocated at the operating segment level. The Company reviews goodwill and indefinite-lived intangible assets annually for impairment in the fourth quarter, or more frequently, if events or circumstances indicate that the carrying amount of an asset may not be recoverable.

# Flora Growth Corp.

## Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(United States dollars, except shares and per share amounts)

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### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade and other payables and other accrued liabilities and long-term debt, which are measured at amortized cost. All financial liabilities are recognized initially at fair value.

#### *Subsequent measurement - Financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by considering any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

#### *Subsequent measurement - Financial liabilities at FVPL*

Financial liabilities measured at FVPL include any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statement of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss and comprehensive loss. In these consolidated financial statements, trade and other payables and other accrued liabilities, lease liability and loans payable are measured at amortized cost.

#### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss and comprehensive loss.

### Provisions

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) due to a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is probable. The Company expenses legal costs as incurred related to such matters.

The expense relating to any provision is presented in the consolidated statements of loss and comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statements of loss and comprehensive loss.

### Share capital

Issued common shares are recorded as equity at par value. Additional proceeds from the issuance of common shares are classified as equity in additional paid in capital. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects. Common shares are considered issued when consideration has been received. The fair value of warrants is determined using the Black Scholes model.

### Share based compensation

Share based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The Company operates an equity based compensation plan. The corresponding amount is recorded to the additional paid-in capital caption within shareholders' equity, and the expense to the consolidated statements of loss and comprehensive loss over the vesting period. The fair value of options is determined using the Black-Scholes pricing model which incorporates all market vesting conditions. For awards with graded vesting schedules, the Company has elected to calculate the fair value as a single award and recognize expense over the total expected vesting period rather than in tranches. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Upon exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from exercise are recorded to share capital. Upon expiration of a stock option, any amount related to the initial value of the stock option is recorded to accumulated deficit. The Company also grants employees and non-employees restricted stock awards ("RSAs"). The fair value of the RSAs is determined using the fair value of the common shares on the date of the grant. The Company has elected to recognize forfeitures as they occur. The Company also grants employees and non-employees stock appreciation rights ("SARs"). The fair value of the SARs is determined using the Black-Scholes pricing model which incorporates all market vesting conditions. For SARs awards with multiple vesting schedules, fair value was determined using a Monte Carlo simulation incorporating Brownian motion with 100,000 trials through a binomial model.



## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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#### Foreign currency translation

These consolidated financial statements are presented in U.S. dollars ("USD"), which is the Company's reporting currency; however, the functional currency of the entities in these financial statements are their respective local currencies, including Canadian dollar, Australian dollar, USD, British pound and euro.

##### *Translation into functional currency*

Transactions in foreign currencies are recorded in the functional currency at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rates. Non-monetary items are translated at the exchange rates in effect on the date of the transactions. Foreign exchange gains and losses arising on translation are presented in the consolidated statements of loss and comprehensive loss.

##### *Translation into presentation currency*

The assets and liabilities of foreign operations are translated into USD at year-end exchange rates. Revenue, expenses, and cash flows of foreign operations are translated into USD using average exchange rates of the reporting period. Exchange differences resulting from translating foreign operations are recognized in other comprehensive income and accumulated in shareholders' equity. The cumulative exchange differences are reclassified to the consolidated statements of loss and comprehensive loss upon the disposal of the foreign operation.

#### Research expenses

Research expenses are expensed as they are incurred, net of any related investment tax credits, unless the criteria for capitalization of development expenses are met.

#### Revenue recognition

The Company primarily generates revenue as a distributor of pharmaceuticals and a distributor and retailer of cannabidiol oil derived products. See disaggregation of the Company's revenue by operating segments and sales by country in Note 24.

The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligations.

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Gross revenue excludes duties and taxes collected on behalf of third parties. Revenue is presented net of expected price discounts, sales returns, sales taxes, customer rebates and other incentives.

The Company's contracts with customers for the sales of products consist of one performance obligation. Revenue from product sales is recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract terms. The Company's payment terms generally range from 0 to 30 days from the transfer of control, and sometimes up to two months.

## Flora Growth Corp.

### Notes to the consolidated financial statements

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The Company elected as a permitted practical expedient to not adjust the customer contract consideration for significant financing components when the period between the transfer of the Company's goods and services and customer payment is one year or less.

The Company elected as a permitted practical expedient to expense, as incurred, the costs of obtaining a customer contract such as sales commissions and other selling transaction costs when the amortization period of the assets otherwise would be one year or less. Accordingly, the Company has no assets recorded for costs to obtain a customer contract as at December 31, 2024 and 2023 as there are no contracts where the underlying asset would have a life exceeding one year.

The Company elected as a permitted practical expedient for shipping and handling not to be a separate performance obligation.

#### Advertising costs

Advertising costs are expensed as incurred and recorded within the promotion and communication caption on the consolidated statements of loss and comprehensive loss. Advertising costs were \$2.8 million in 2024 (\$3.4 million in 2023).

#### Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's estimated incremental borrowing rate.

The lease term at the lease commencement date is determined based on the noncancellable period for which the Company has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option, periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Company considers several factors when evaluating whether the options in its lease contracts are reasonably certain of exercise, such as length of time before an option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to the Company's operations, costs to negotiate a new lease, any contractual or economic penalties, and the economic value of leasehold improvements.

For finance leases, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, the right-of-use asset is amortized on a straight-line basis and the interest expense is recognized on the lease liability using the effective interest method. For operating leases, lease expense is recognized on a straight-line basis over the term of the lease and presented as a single charge in the consolidated statements of operations and comprehensive income. The lease liability is subsequently measured at amortized cost using the effective interest method.

Right-of-use assets are adjusted for impairment losses, if any. The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Company has elected not to separate non-lease components from lease components for real estate leases.

## Flora Growth Corp.

### Notes to the consolidated financial statements

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#### Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.

An unrealized tax benefit may arise in connection with a period that has not yet been reviewed by the relevant tax authority. A change in the recognition or measurement of an unrealized tax benefit is reflected in the period during which the change occurs.

Interest and penalties in respect of income taxes are not recognized in the consolidated statement of operations as a component of income taxes but as a component of interest expense.

#### Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted loss per share calculation excludes any potential conversion of options and warrants that would be anti-dilutive.

#### Non-controlling interests

Non-controlling interests of subsidiaries ("NCI") are recognized either at fair value or at the NCI's proportionate share of the net assets, determined on an acquisition-by-acquisition basis at the date of acquisition. Subsequently, the NCI's share of net loss and comprehensive loss is attributed to the NCI.

During 2023, the Company completed the sale of Cosechemos YA S.A.S. and Kasa Wholefoods Company S.A.S to Lisan. These entities each had 10% NCI which was derecognized when the Company lost control during the year ended December 31, 2023. See discussion in Note 5.

During 2024, the Company completed the acquisition of TruHC through two closings. At the first closing on April 22, 2024, the Company acquired a controlling 77% interest in TruHC. The Company acquired the remaining 23% of TruHC at the second closing on November 27, 2024, at which time the NCI was derecognized. See discussion in Note 10.

#### Discontinued operations and assets and liabilities held for sale

On July 5, 2023, the Company entered into a Share Purchase Agreement with Lisan to sell all of its shares in certain Colombian companies and other Flora assets related to its Colombian operations for a purchase price of CAD \$0.8 million (USD \$0.6 million). The assets and liabilities of these Colombian companies are reflected in the accompanying consolidated balance sheets as assets and liabilities held for sale, respectively. The results of operations of these Colombian companies are included in loss from discontinued operations, net of tax in the accompanying consolidated statements of operations and comprehensive loss. See discussion in Note 5.

# Flora Growth Corp.

## Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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### Adoption of accounting standards and amendments

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers ("ASU 2021-08"), which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Revenue from Contracts with Customers ("ASC 606") rather than adjust them to fair value at the acquisition date. The effects of adoption are applied prospectively to business combinations occurring on or after the effective date. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company adopted ASU 2021-08 effective as of January 1, 2023, and as such had no impact on the Company's consolidated financial statements.

In June 2022, the FASB issued Accounting Standards Update 2022-03-Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU 2022-03"), which requires that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The effects of adoption are accounted for prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. ASU 2022-03 is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company adopted ASU 2022-03 effective as of January 1, 2024, and as such had no impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting - Improvements to Reportable Segments Disclosures. The amendments enhance disclosures of significant segment expenses by requiring disclosure of significant segment expenses regularly provided to the chief operating decision maker (CODM), extend certain annual disclosures to interim periods, and permit more than one measure of segment profit or loss to be reported under certain conditions. The amendments are effective for the Company in fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption of the amendment is permitted, including adoption in any interim periods for which financial statements have not been issued. The Company adopted ASU 2023-07 effective as of December 31, 2024 and the segment disclosures in Note 24 in this Annual Report are reflective of that adoption.

### Accounting pronouncements not yet adopted

Certain new standards, amendments and interpretations, and improvements to existing standards have been published by the FASB and United States Securities and Exchange Commission but are not yet effective and have not been adopted early by the Company. Management anticipates that all the relevant pronouncements will be adopted in the first reporting period following the date of application unless noted. Information on new standards, amendments and interpretations, and improvements to existing standards which could potentially impact the Company's financial statements are detailed as follows:

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which improve the transparency of disclosures related to the income tax rate reconciliation and income taxes paid. The amendments are effective for the Company in fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is currently evaluating the guidance and its impact to the financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires all public entities to disclose information about purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion for each income statement line item that contains those expenses. The amendments are effective for the Company in fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 27, 2027. Early adoption is permitted on either a prospective or retrospective basis. The Company is currently evaluating the guidance and its impact to the financial statements.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

# Flora Growth Corp.

## Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(United States dollars, except shares and per share amounts)

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### 4. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues, and expenses. These estimates and judgements are subject to change based on experience and new information which could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

#### Going concern considerations

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Management must assess the Company's ability to continue as a going concern each reporting period. This assessment involves the use of internal budgets and estimates of revenues, expenses and cash flows, which requires a significant amount of management judgement.

#### Determination of functional currency

The Company determines the functional currency through an analysis of several indicators. Primary considerations include the currency in which the Company's goods and services are sold and the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The Company also considers the currency in which funds from financing debt and equity activities are generated and the currency in which receipts from operating activities are retained. Management judgment is applied when there are indicators supporting more than one currency for a Company subsidiary.

#### Expected credit losses on financial assets

Determining an allowance for expected credit losses for all financial asset receivables not held at fair value through profit or loss requires judgment. Factors that cause the estimate to be sensitive to change include historical and expected future patterns for the probability of default, the timing of collection and the amount of incurred credit losses, and management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest. These conditions are applied across each of the Company's business units to the extent the expected risk of loss differ from each other.

#### Inventory

Inventory is valued at the lower of cost and net realizable value. Determining net realizable value requires the Company to make assumptions about estimated selling prices in the ordinary course of business, the estimated costs of completion and the estimated variable costs to sell. Management judgment is applied to determine potential impairment exposure related to potential excess product inventory levels, obsolescence, and expiration.

#### Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date, as well as the fair value of consideration paid and contingent consideration payable. In certain circumstances, such as the valuation of property, plant and equipment, intangible assets and goodwill acquired, the Company obtains assistance from third-party valuation specialists. The determination of these fair values involves a variety of judgment in assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.

#### Estimated useful lives and depreciation of long-lived assets with finite lives

Amortization of intangible assets with finite lives are dependent upon estimates of useful lives and when the asset is available for use. These are determined through the exercise of judgment and are dependent upon estimates that consider factors such as economic and market conditions, frequency of use, and anticipated changes in laws.

#### Determination of reporting units and asset groups for impairment testing

Management is required to use judgement in determining which assets or group of assets make up appropriate reporting units and asset groups for the level at which goodwill and other long-lived assets are tested for impairment. Management considers the nature of operations and ability to track asset performance within each of the Company's business units to determine the appropriate level of asset aggregation and allocation, as well as the materiality of the underlying assets within the units.

## Flora Growth Corp.

### Notes to the consolidated financial statements

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#### Impairment of goodwill and long-lived assets

For reporting units to which goodwill and other long-lived assets is allocated is based on a recoverable amount, the impairment test is determined in accordance with the expected cash flow approach or another suitable model depending on the asset type. The calculation is based on assumptions including, but not limited to, the cash flow growth rate and the discount rate. Significant management judgment is required when developing these assumptions, which include internal budgets and expectations, as well as consideration of external Company communications and market estimates of the Company's and its industry's future growth.

For reporting units that test using the market based fair value approach, the fair value is determined based on guideline public companies similar to the reporting unit and considers similar financial metrics, operations and sales channels. The fair value calculation is based on assumptions including the determination of guideline public companies, determining the relevant financial metric to measure the reporting unit's recoverable value, and selecting the amount of the financial metric from the observable range of guideline public company amounts to apply to the reporting unit.

Asset groups are subject to a two-step impairment testing model. Under Step 1 (recoverability test), the undiscounted expected future cash flows from an asset group are compared to the asset group's carrying amount. The estimates involved in this first step are similar to the recoverable amount assumptions discussed above. If the carrying amount exceeds the undiscounted estimated future cash flows, the Company is required to perform a Step 2 fair value test, with a chosen model and estimates similar to those discussed above.

#### Revenue recognition

Management judgment is required to determine when the Company is acting as principal or agent in a sales contract where the Company is an intermediary, which affects whether the amount of revenue recognized is presented on a gross or net basis, respectively. The Company first considers whether it has obtained control over the product when acting as an intermediary before transferring it to the customer, and if the Company combines or transforms the product with other goods and services before transferring the good to the customer. The Company considers secondary factors, including whether the Company is primarily responsible for the fulfillment of the product obligations to the customer, whether the Company has inventory risk (acquiring and/or paying for the product prior to transferring to the customer, Company liability for damages and sales returns), and whether the Company has price discretion when selling the product to its customers. Management considers the terms of the customer and supplier contracts, as well as established business practices for the arrangements.

Management judgment is required to determine the effects on the sales contract transaction price for the potential impacts of sales returns, discounts, rebates, and other customer incentives. The Company considers the terms of the contract, historical experience, as well as actual and expected customer activity after the end of the reporting period.

The Company's primary sale of products requires management judgment to determine at what point in time control passes to the customer to recognize revenue. The Company considers the customer contract terms, logistic supplier terms, local law, and established business practices to make this determination.

#### Share based compensation transactions

The Company measures the cost of equity-settled transactions with employees and applicable non-employees by reference to the fair value of the equity instruments at the date at which they are vested. Estimating fair value for share based compensation requires judgment to determine the appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock price, stock option, risk-free interest rates, volatility, and dividend yield. For awards with market or performance-based features, the Company applies judgment to determine its expectation of achieving the agreement milestones. Due to the Company's limited history of publicly traded common shares, the volatility and expected term assumptions require additional judgment. The Company considers the Company's actual trading volatility to date compared to actual and expected volatility of comparable companies of similar size and industry that have been publicly traded longer than the Company's shares.

For expected term, the Company generally uses the maximum stated term in the award agreement unless there is reasonable likelihood established to shorten the expected term for potential early exercises.

# Flora Growth Corp.

## Notes to the consolidated financial statements

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### Income taxes and valuation allowances for deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined considering all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized net of valuation allowances. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

The Company applies judgment when determining whether the earnings of its foreign subsidiaries (outside Canada) will be indefinitely reinvested in those subsidiaries and earnings will not be repatriated. The Company considers its historical practices and projected plans for such subsidiaries when making this assessment.

The Company must apply judgement when determining whether it has taken an uncertain tax position. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2024 and 2023, there were no uncertain tax positions taken.

### 5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On July 5, 2023, the Company entered into a Share Purchase Agreement with Lisan Farma Colombia LLC ("Lisan"), a Delaware limited liability company, to sell all its shares in its Colombian related subsidiaries and its Colombian assets for a purchase price of CAD \$0.8 million (USD \$0.6 million). The sale relates to all of Flora's operations in Colombia, including its interest in (i) its 361-acre Cosechemos farm located in Giron, Colombia and its related processing facilities and inventory and (ii) all other assets relating to Flora Lab S.A.S., Flora Med S.A.S. and Flora's Colombian food and beverage and consumer products business. The Company received proceeds of CAD \$0.5 million during the year ended December 31, 2023 which completed the sale and transfer of Flora Growth Corp Colombia S.A.S, Flora Lab S.A.S., Flora Med S.A.S., Labcofarm Laboratorios S.A.S., Kasa Wholefoods Company S.A.S., Flora Growth Corp. Sucursal Colombia and Flora Beauty LLC Sucursal Colombia. The Company and Lisan completed the sale of Cosechemos Ya S.A.S on November 1, 2023.

The sale enables the Company to concentrate on its core business divisions, which are lifestyle brands in the United States and international pharmaceutical distribution. The sale was part of several strategic changes to cut costs and streamline operations.

The following table summarizes the major classes of line items included in loss from discontinued operations, net of tax, for years ended December 31, 2024 and 2023:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Revenue	\$ -	\$ 1,450
Cost of sales	-	1,123
Gross profit from discontinued operations	-	327
Consulting and management fees	-	847
Professional fees	-	82
General and administrative	-	282
Promotion and communication	-	14
Operating lease expense	-	93
Depreciation and amortization	-	148
Bad debt expense	-	565
Asset impairment	-	4,704
Other (income) expense	-	125
Operating loss from discontinued operations	-	(6,533)
Interest expense	-	2
Net loss before income taxes	-	(6,535)
Loss on disposal of discontinued operations	-	3,132
Income tax expense	-	11
Loss from discontinued operations	\$ -	\$ (9,678)
Basic loss per share from discontinued operations	\$ 0.00	\$ (1.32)
Diluted loss per share from discontinued operations	\$ 0.00	\$ (1.32)

## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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The following table summarizes the significant operating and investing items related to the Colombian subsidiaries for the years ended December 31, 2024 and 2023:

	For the year ended December 31, 2024	For the year ended December 31, 2023
<b>Operating activities of discontinued operations</b>		
Depreciation and amortization	\$ -	\$ 148
Bad debt expense	-	565
Asset impairment	-	4,704
<b>Investing activities of discontinued operations</b>		
Purchases of property, plant and equipment	\$ -	\$ 92

The subsidiaries sold included Cosechemos Ya S.A.S, which was part of the commercial and wholesale segment; Flora Lab S.A.S, Flora Med S.A.S. and Labcofarm Laboratories S.A.S, which were part of the pharmaceuticals segment; Flora Growth Corp Colombia S.A.S., Kasa Wholefoods Company, S.A.S. and Flora Beauty LLC Sucursal Colombia which were part of the house of brands segment; Flora Growth Corp. Sucursal Colombia which was part of the corporate segment.

The Company applies judgement in determining whether a disposal meets the criteria to present as held for sale at the reporting date, and whether the disposal represents a strategic shift that has (or will have) a major effect on its operations and financial results in order to be classified as a discontinued operation. The criteria evaluated are both quantitative and qualitative in nature, to evaluate the significance of the disposal relative to the operations of the Company as a whole. The Company has determined this disposition represents a strategic shift in operations that will have a major effect on the Company's operations and financial results, and accordingly, has been presented as discontinued operations.

During the year ended December 31, 2023, the Company recorded a loss on disposal of \$3.1 million driven by the write-off of the Company's net investment in the Colombian assets.

## 6. TRADE AND AMOUNTS RECEIVABLE

The Company's trade and amounts receivable are recorded at amortized cost. The trade and other receivables balance as at December 31, 2024 and December 31, 2023 consists of trade accounts receivable, amounts recoverable from the Government of Canada for Harmonized Sales Taxes ("HST"), as well as Value Added Tax ("VAT") from various jurisdictions, and other receivables.

	December 31, 2024	December 31, 2023
Thousands of United States dollars		
Trade accounts receivable	\$ 2,334	\$ 2,299
Allowance for expected credit losses	(611)	(315)
HST/VAT receivable	660	1,840
Other receivables	678	126
Total	\$ 3,061	\$ 3,950



## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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Changes in the trade accounts receivable allowance in the year ended December 31, 2024 relate to establishing an allowance for expected credit losses. The Company recorded \$0.1 million of write-offs of trade receivables during 2024 (2023 - \$1.3 million, \$1.1 million of which was related to discontinued operations). The Company has no amounts written-off that are still subject to collection enforcement activity as at December 31, 2024. The Company's aging of trade accounts receivable is as follows:

	December 31, 2024	December 31, 2023
Thousands of United States dollars		
Current	\$ 441	\$ 218
1-30 Days	710	588
31-60 Days	257	577
61-90 Days	440	448
91-180 Days	486	401
180+ Days	-	67
Total trade receivables	\$ 2,334	\$ 2,299

A continuity schedule of the allowance for expected credit losses for the years ended December 31, 2024 and 2023 is as follows:

	December 31, 2024	December 31, 2023
Balance at January 1	\$ (315)	\$ (1,385)
Current period additions for expected credit losses	(411)	(236)
Write-offs charges against allowance	115	1,282
Recoveries collected	-	24
Balance at December 31	\$ (611)	\$ (315)

## 7. INVENTORY

Inventory is comprised of the following as at December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Thousands of United States dollars		
Raw materials and supplies	\$ 508	\$ 1,180
Finished goods	5,263	7,328
Total	\$ 5,771	\$ 8,508

In the year ended December 31, 2024, \$43.7 million of inventory was expensed to cost of sales (2023 - \$54.9 million) and write-downs to cost of sales for impairment was \$1.8 million (2023 - \$2.7 million), with the decrease due to write-downs related to a flooding incident at a JustCBD facility in Florida during 2023 and other factors. Approximately \$0.7 million of the write-down in the year ended December 31, 2024, is related to inventory theft and recoveries of stolen inventory that is no longer saleable. There were no reversals of previous inventory impairments in the years ended December 31, 2024 or 2023.

# Flora Growth Corp.

## Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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### 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31, 2024	December 31, 2023
Thousands of United States dollars		
Land	\$ -	\$ 298
Buildings	31	78
Machinery and office equipment	655	696
Vehicles	22	37
Total	708	1,109
Less: accumulated depreciation	(396)	(262)
Property, plant and equipment, net	\$ 312	\$ 847

Depreciation expense for the year ended December 31, 2024 was \$0.1 million (2023 - \$0.2 million) and was recorded in depreciation and amortization in the consolidated statements of operations and comprehensive loss.

During the year ended December 31, 2024, the Company recorded an impairment charge of the remaining value of the property, plant and equipment of Vessel and High Roller, both within the House of Brands segment. The amount of \$0.3 million (2023 - \$0.2 million) is included in "other asset impairments" in the consolidated statements of operations and comprehensive loss. See Note 12 for further discussion.

As at December 31, 2024, the Company's property, plant and equipment have no significant restrictions on title or pledges as security for liabilities, there are no significant commitments for future purchases, and there were no significant disposals during the year ended December 31, 2024.

### 9. INVESTMENTS

As at December 31, 2024, the Company's investments consist of common shares and warrants to purchase additional common shares in an early-stage European cannabis company. The Company purchased common shares from the investee during 2021 for Euro 2.0 million (\$2.4 million), purchased its first tranche of warrants from existing investors in exchange for 11,250 common shares of the Company and obtained a second tranche of warrants from the investee as an inducement to exercise some of the first tranche of warrants. As at December 31, 2024, the Company owns approximately 9.6% of the investee, or approximately 9% on a diluted basis including exercisable warrants of the Company and other investors.

The warrants allowed the holder to purchase one common share of the investee for CAD 0.30 (\$0.22) for the first tranche, and CAD 1.00 (\$0.74) for the second tranche. The Company did not exercise the warrants and they expired on February 1, 2023.

The Company's cost of the investments was recorded based on the fair value of the consideration exchanged as at the respective transaction dates. The investee is not a publicly listed entity and has no active quoted prices for its common shares or warrants. The Company has elected the measurement alternative to record the common share investment at cost and test for impairment. The investment had impairment indicators during 2022 and 2023, and impairments were recorded as indicated in the table below. The Company also considers observable transactions of the common shares for indicators of fair value but there have been none. Cumulative impairment related to the common shares was \$2.9 million and the net carrying value was \$nil at December 31, 2024.

When impairment indicators were present, the investee common shares were valued considering price to book value and price to tangible book value of the investee (3.6 and 4.8, respectively) as well as comparable guideline publicly traded companies at the time of initial investment. These initial investment multiples were compared to the guideline public company multiples observed as at December 31, 2024 (negligible or nil price to book and price to tangible values), with these updated valuation multiples applied to the investee's estimated book value. The Company also considered the status of the investee's milestones since the purchase date, as well as recent transactions in the European cannabis market for indicators of change in value. The impairment valuation model for the common shares uses Level 3 inputs of the fair value hierarchy.

A schedule of the Company's investments activity is as follows:

Financial asset hierarchy level	Investee common shares Level 3	Warrants CAD 0.30 exercise price Level 3	Warrants CAD 1.00 exercise price Level 3	Total
Thousands of United States dollars				
Balance at December 31, 2022	\$ 730	\$ 34	\$ -	\$ 764
Impairment	(730)	-	-	(730)
Loss on changes in fair value	-	(34)	-	(34)
Balance at December 31, 2023	-	-	-	-
Loss on changes in fair value	-	-	-	-
Balance at December 31, 2024	\$ -	\$ -	\$ -	\$ -

## Flora Growth Corp.

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The impairment of common shares and loss on changes in fair value appear in the unrealized loss on fair value of investments caption in the consolidated statements of loss and comprehensive loss.

The value of the investee common shares appears in the investment line on the consolidated statement of financial position. The value of the warrants appeared in current assets within the prepaid expenses and other accrued assets line on the consolidated statement of financial position.

As a sensitivity assessment to the fair value calculations, a 10% change in the valuation multiples applied to the investee common shares results in a 10% change in the fair value as at December 31, 2024 of less than \$0.1 million.

## 10. ASSET ACQUISITIONS AND BUSINESS COMBINATIONS

### *TruHC Pharma GmbH ("TruHC") business combination*

On April 16, 2024, the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") with TruHC Holding GmbH (the "Seller") pursuant to which the Company acquired all of the issued and outstanding shares of TruHC in exchange for 2,770,562 common shares of the Company (the "Purchase Price"), valued at \$4.3 million.

The Purchase Price was paid and satisfied by the Company in two closings. At the first closing on April 22, 2024, the Company issued 2,135,199 of its common shares, which was equal to 19.99% of the Company's issued and outstanding common shares prior to signing the Purchase Agreement, to Seller. The common shares issued at the first closing on April 22, 2024, valued at \$3.3 million, represent a 77% ownership in TruHC. The remaining 23% noncontrolling interest was valued at \$1.0 million, which represents the 635,363 common shares to be issued at the second closing multiplied by the \$1.56 share price at the first closing. The second closing occurred on November 27, 2024 when the Company issued 635,363 of its common shares, valued at \$1.0 million, to Seller after receiving shareholder approval for such issuance in accordance with the rules of the Nasdaq Stock Capital Market at its annual general meeting of shareholders, held August 14, 2024.

TruHC is an early-stage cannabis company based in Hamburg, Germany, that holds wholesale, processing and production licenses for medical cannabis as well as a facility offering flexible production space with EU-GMP certified modules. The acquisition will allow the Company to leverage TruHC's German network and EU-GMP production facility and maximize the benefits of the recent cannabis legislation passed in Germany.

The purchase is accounted for as a business combination with amounts recognized as at the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

(Thousands of United States dollars)	
Current assets	
Cash	\$ 5
Trade and amounts receivable	27
Prepaid expenses and other current assets	22
Total current assets	54
Non-current assets	
Property, plant and equipment, net	109
Operating lease right of use assets	448
Intangible assets	3,193
Goodwill	2,050
Total assets	5,854
Current liabilities	
Trade and amounts payable	(48)
Current portion of operating lease liability	(51)
Other accrued liabilities	(6)
Total current liabilities	(105)
Non-current operating lease liability	(398)
Deferred tax	(1,029)
Total liabilities	(1,532)
Total net assets acquired	\$ 4,322

## Flora Growth Corp.

### Notes to the consolidated financial statements

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Since the acquisition date through December 31, 2024, TruHC reported revenue of \$nil and net loss and comprehensive loss of \$0.8 million.

The intangible assets of \$3.2 million are comprised of licenses with a 5-year useful life.

The goodwill is attributable to the assembled workforce of TruHC and the expected synergies between TruHC and Flora's existing operations. This includes:

- the ability to leverage TruHC's licenses to import, process and sell medicinal cannabis;
- the opportunity to process and produce medical cannabis for other third party customers in the German market; and
- the potential to obtain the requisite licenses to process and produce recreational cannabis for sale in the future should German regulations allow.

The Company does not expect the goodwill and intangible asset values to be deductible for Canadian tax purposes. The goodwill is assigned to the commercial and wholesale segment.

If TruHC was acquired at January 1, 2023, the combined revenue of TruHC and the Company would not have changed for the years ending December 31, 2024 and 2023 (unaudited). The combined net loss of TruHC and the Company would have increased by approximately \$0.7 million and \$0.4 million for the years ending December 31, 2024 and 2023, respectively (unaudited).

The Company incurred acquisition-related costs of \$0.2 million which were expensed as incurred in professional fees on the consolidated statements of loss and comprehensive loss.

#### *Australian Vaporizers Pty LTD ("AV") business combination*

On June 4, 2024, the Company acquired 100% of the issued and outstanding common shares of AV in exchange for 550,000 common shares of the Company, valued at \$0.6 million, which represents the 550,000 common shares issued multiplied by the \$1.16 share price on June 4, 2024. AV was founded in 2010 and is an online retailer of vaporizers, hardware, and accessories in Australia. The acquisition provides the Company with a historically profitable business and allows the Company to drive synergies with its existing portfolio of brands.

The purchase is accounted for as a business combination with amounts recognized as at the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

(Thousands of United States dollars)	
Current assets	
Cash	\$ 59
Inventory	422
Prepaid expenses and other current assets	21
Total current assets	502
Non-current assets	
Property, plant and equipment, net	49
Operating lease right of use assets	123
Intangible assets	180
Goodwill	230
Total assets	1,084
Current liabilities	
Trade and amounts payables	(139)
Current portion of operating lease liability	(33)
Other accrued liabilities	(134)
Total current liabilities	(306)
Non-current operating lease liability	(95)
Deferred tax	(45)
Total liabilities	(446)
Total net assets acquired	\$ 638

## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(United States dollars, except shares and per share amounts)

Since the acquisition date through December 31, 2024, AV reported revenue of \$0.7 million and net loss and comprehensive loss of \$0.6 million.

The intangible assets of \$0.2 million are comprised of brands with an 8-year useful life.

The goodwill is attributable to the assembled workforce of AV and the significant synergies expected to arise after its acquisition. The Company does not expect the goodwill and intangible asset values to be deductible for Canadian income tax purposes. The goodwill is assigned to the house of brands segment.

If AV was acquired at January 1, 2023, the combined revenue of AV and the Company would have increased approximately \$1.6 million and \$4.9 million for the years ended December 31, 2024 and 2023, respectively (unaudited). The combined net loss of AV and the Company would have increased by less than \$0.1 million for the year ended December 31, 2024, and decreased by \$0.2 million for the year ended December 31, 2023 (unaudited).

The Company incurred acquisition related costs of less than \$0.1 million which were expensed as incurred in professional fees on the consolidated statements of loss and comprehensive loss.

#### Original Hemp asset acquisition

On March 1, 2023, the Company completed its acquisition of all the assets operating under the brand "Original Hemp". The Company analyzed the acquisition under ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, determining Original Hemp did not meet the definition of a business as it did not have inputs, processes, and outputs in place that constituted a business under Topic 805. As a result, the transaction has been accounted for as an asset acquisition whereby all of the assets acquired and liabilities assumed are assigned a carrying amount based on relative fair values. Total purchase consideration was \$0.3 million and will consist of paying a portion of net profits not to exceed \$0.6 million. The assets acquired included \$0.1 million of Inventory and \$0.2 million of customer relationships.

## 11. INTANGIBLE ASSETS AND GOODWILL

A continuity of intangible assets for the years ended December 31, 2024 and 2023 is as follows:

In Thousands of United States dollars	License	Customer and Supplier Relationships	Trademarks and Brands	Patents	Non- Compete Agreements	Goodwill	Total
<b>Cost</b>							
At December 31, 2022	\$ 1,469	\$ 7,515	\$ 5,153	\$ 4,530	\$ 1,190	\$ 23,633	\$ 43,490
Additions	-	194	-	-	-	-	194
Impairment	(1,216)	(6,502)	(3,249)	(3,432)	(529)	(23,372)	(38,300)
At December 31, 2023	\$ 253	\$ 1,207	\$ 1,904	\$ 1,098	\$ 661	\$ 261	\$ 5,384
<b>Accumulated Amortization</b>							
At December 31, 2022	\$ 72	\$ 348	\$ 618	\$ 621	\$ 463	\$ -	\$ 2,122
Additions	200	916	514	291	198	-	2,119
At December 31, 2023	\$ 272	\$ 1,264	\$ 1,132	\$ 912	\$ 661	\$ -	\$ 4,241
Foreign Currency translation	19	57	(12)	-	-	(261)	(197)
<b>Net book value at December 31, 2023</b>	\$ -	\$ -	\$ 760	\$ 186	\$ -	\$ -	\$ 946

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	License	Customer and Supplier Relationships	Trademarks and Brands	Patents	Non- Compete Agreements	Goodwill	Total
In Thousands of United States dollars							
<b>Cost</b>							
At December 31, 2023	\$ 253	\$ 1,207	\$ 1,904	\$ 1,098	\$ 661	\$ 261	\$ 5,384
Acquired through business combinations	3,193	-	180	-	-	2,280	5,653
Impairment	-	-	(721)	(165)	-	(236)	(1,122)
At December 31, 2024	\$ 3,446	\$ 1,207	\$ 1,363	\$ 933	\$ 661	\$ 2,305	\$ 9,915
<b>Accumulated Amortization</b>							
At December 31, 2023	\$ 272	\$ 1,264	\$ 1,132	\$ 912	\$ 661	\$ -	\$ 4,241
Additions	487	-	133	22	-	-	642
At December 31, 2024	\$ 759	\$ 1,264	\$ 1,265	\$ 934	\$ 661	\$ -	\$ 4,883
Foreign Currency translation	(32)	57	(7)	1	-	(299)	(280)
<b>Net book value at December 31, 2024</b>	<b>\$ 2,655</b>	<b>\$ -</b>	<b>\$ 91</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,006</b>	<b>\$ 4,752</b>

The Company's intangible asset additions in 2023 primarily consist of customer relationships acquired as part of the March 2023 purchase of Original Hemp (Note 10). These customer relationships were fully impaired during the year ended December 31, 2023, and their carrying amount at December 31, 2024 was \$nil.

The Company's intangible assets acquired through business combinations in 2024 consist of assets acquired as part of the April 2024 purchase of TruHC and the June 2024 purchase of AV (Note 10). Information regarding the TruHC intangible assets within the indicated categories of the table above is as follows as at December 31, 2024:

- Licenses: carrying amount \$2.7 million with a remaining amortization period of 51 months

Information regarding the AV intangible assets within the indicated categories of the table above is as follows as at December 31, 2024:

- Trademark and brands: carrying amount \$nil million after full impairment of \$0.2 million recorded during the year ended December 31, 2024

The gross cost of the intangible assets is amortized over their estimated useful lives, as the Company does not expect the assets to have significant residual value for any of the asset classes. The weighted average amortization period at December 31, 2024 by asset class subject to amortization is as follows:

Licenses	4.3 years
Trademarks and brands	5.2 years
Total	4.3 years

Certain trademarks have renewal or extension terms available, with a weighted average of 5.2 years remaining before the next renewal or extension is due at December 31, 2024. The Company expenses such costs as incurred. The Company's trademarks and brands are registered to protect the assets from use by others, and cash flows of the related reporting units and asset groups could be negatively impacted if the Company did not successfully renew them.

## Flora Growth Corp.

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(United States dollars, except shares and per share amounts)

At December 31, 2024, the estimated aggregate amortization expense for each of the next five years is as follows:

Thousands of United States dollars

2025	\$642
2026	\$642
2027	\$642
2028	\$642
2029	\$174

The Company's goodwill is assigned to the following reporting units for the years ended December 31, 2023 and 2024:

In Thousands of United States dollars	Vessel	JustCBD	FGH	TruHC	Australian Vaporizers	Total
Gross goodwill recorded prior to December 31, 2022	\$ 19,675	\$ 25,038	\$ 3,732	\$ -	\$ -	\$ 48,445
Impairment recorded prior to December 31, 2022	(19,675)	(5,398)	-	-	-	(25,073)
Net book value as at December 31, 2022	-	19,640	3,732	-	-	23,372
Impairment	-	(19,640)	(3,732)	-	-	(23,372)
<b>Net book value as at December 31, 2023</b>	-	-	-	-	-	-
Acquired through business combinations	-	-	-	2,050	230	2,280
Impairment	-	-	-	-	(236)	(236)
Foreign exchange	-	-	-	(44)	6	(38)
<b>Net book value as at December 31, 2024</b>	\$ -	\$ -	\$ -	\$ 2,006	\$ -	\$ 2,006

## 12. IMPAIRMENT OF ASSETS

The Company tests its goodwill for impairment as part of its annual fourth quarter impairment test, and at interim periods when impairment indicators exist. For the year ended December 31, 2024, the Company tested its goodwill for impairment at September 30, 2024 and December 31, 2024 due to external indicators such as new limitations imposed by the Australian government which will negatively impact the AV reporting units sales. In addition, the Company assessed its other long-lived assets for impairment at March 31, 2024, June 30, 2024 and September 30, 2024. The Company's goodwill was assigned to the reporting units associated with the original acquisition of those operations. Management determined the Company's reporting units for 2024 impairment testing are its reportable segments shown in Note 24, but with the house of brands segment broken down into separate reporting units for the Company's JustCBD, Vessel and AV product groups of assets, and with the commercial and wholesale segment broken down into separate reporting units for the Company's Franchise Global Health Inc. ("FGH") and TruHC reporting units.

The Company may consider the results of both an income approach (discounted cash flows) and market approach (guideline public companies) when determining the recoverable amount of its reporting units. For the income approach, the significant assumptions used in the calculation of the recoverable amounts of the reporting units include forecasted revenue, expenses and net cash flows, terminal period cash flows and growth rates, and the weighted average cost of capital used as the discount rate. These assumptions are considered Level 3 inputs in the fair value hierarchy. The assumptions consider historical and projected data from internal sources as well as external industry trends and expectations. For the market approach, the significant assumptions include identifying and calibrating relevant guideline public companies and determining the financial metric to measure against. The results of the two approaches are considered, and judgment is applied in weighting each approach to determine the recoverable amount of the reporting unit.

For long-lived assets other than goodwill, which show impairment indicators are present, the Company compares its expected undiscounted future cash flows to the carrying value of the asset group. If the undiscounted future cash flows are less than the carrying value of the assets, then the fair value of the asset group is calculated using an income or market approach as discussed in the prior paragraph. The significant assumptions used in calculating the undiscounted future cash flows include determining the primary asset of the asset group which sets the length of time to project the cash flows, and the forecasted revenue, expenses and net cash flows relating to the asset group.

## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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#### 2024 Annual Impairment Test

The Company qualitatively assessed whether it is more likely than not that the fair value of TruHC is less than its carrying amount, including goodwill. Based on that assessment, we determined that this condition, for TruHC, does not exist. As such, performing the first step of the two-step test impairment test for TruHC was unnecessary.

#### 2024 Goodwill Impairment Test of AV

At September 30, 2024, the Company's AV reporting unit had external indicators of impairment due to new limitations by the Australian government that limits the sales of vaporizers containing nicotine to only pharmacies, which will likely negatively impact AV's direct-to-consumer online sales. As such, the Company tested the AV reporting unit for impairment as at September 30, 2024 and determined that the carrying value of the AV reporting unit's assets exceeded the recoverable amount, resulting in goodwill impairment of \$0.2 million recorded in the period ending September 30, 2024. The impairment is recorded in the goodwill impairment caption on the consolidated statements of loss and comprehensive loss.

AV's September 30, 2024 carrying value of \$0.6 million was comprised primarily of goodwill of \$0.2 million and other long-lived assets of \$0.2 million. The carrying value is reduced by inseparable market participant liabilities associated with the June 2024 acquisition of AV which includes \$0.1 million of lease liability. The estimated recoverable amount of AV at September 30, 2024 was \$nil, resulting in goodwill impairment of the remaining \$0.2 million as the carrying value of the reporting unit's assets exceeds the recoverable amount. The impairment is recorded in the goodwill impairment caption on the consolidated statements of loss and comprehensive loss.

The reporting unit's fair value was determined based on an income approach discounted cash flow model. After working capital adjustments, the resulting fair value was estimated at \$nil. The income approach used a discount rate of 16%, operating margins from -31% to -41%, working capital requirements of 3% of revenue, and a terminal period growth rate of 2.5%. Revenue is expected to decrease 46% in 2024, decrease another 30% in 2025, then increase at 2.5% in 2026 and thereafter. The impairment test valuation is considered a Level 3 method within the ASC 820 fair value hierarchy.

After the impairment recorded at September 30, 2024, AV's carrying value was equal to its recoverable amount. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate by 3% in the income approach model would decrease the reporting unit fair value by \$0.1 million. However, there would be no impact on the goodwill impairment amount for this unfavorable change in the model as the imputed fair value of the goodwill exceeded its carrying amount with the goodwill impaired to zero.

#### Other Long-Lived Asset Impairment Tests for the year ended December 31, 2024

For asset groups that had indicators of impairment, the Company performed a quantitative analysis as of each interim period in 2024 to determine if impairment existed by comparing the carrying amount of each asset group to the future undiscounted cash flows the asset group is expected to generate over their remaining lives. This analysis indicated that certain asset values may not be recoverable. The Company then calculated the fair value of these assets using an income approach. These analyses are discussed below. All the below charges were recorded in the other asset impairments caption on the consolidated statements of loss and comprehensive loss for the year ended December 31, 2024. These impairment test valuations are considered a Level 3 method within the ASC 820 fair value hierarchy.

As discussed in Note 19, on May 7, 2024, Just Brands agreed to a settlement and general release, whereby Just Brands will remove the products subject to the stop sales orders from the state of Florida and accept a five-year revocation of its food permit in the state of Florida. As a result of this settlement, the Company began negotiations to exit its current warehouse lease in Pompano Beach, FL, and searching for a new warehousing facility in a different state. The Company considered this to be an indicator of impairment and, thus, performed a quantitative analysis as of March 31, 2024 to determine if impairment existed by comparing the carrying amount of the operating lease right of use asset and related leasehold improvements to the future undiscounted cash flows the asset is expected to generate over its remaining life. This analysis indicated the asset values may not be recoverable. The Company then calculated the fair value of this asset using an income approach. As a result, the Company recorded an impairment of operating lease right of use assets and property, plant and equipment within its Vessel asset group within the house of brands segment totaling \$0.9 million. The key inputs included in the recoverable amount calculations are the potential sub-lease recoveries and a 10% discount rate. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate in the income approach model by 3% would result in a nominal decrease of the recoverable amounts.



## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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Likewise, a facility lease housing the High Roller operations expired on June 30, 2024, and the Company has completed the move of these operations to the new warehouse in Pompano Beach, FL. The Company determined that much of the machinery and office equipment at the old facility would not be used at the new facility. As such, the Company looked to sell these assets. The Company was able to estimate the selling price of each asset as well as any potential cost of sales, which was then compared to the current book value of the assets. The difference of \$0.1 million was recorded within its JustCBD asset group within the house of brands segment for the period ending June 30, 2024. The Company has been unsuccessful in selling these assets and has no intention of utilizing them in the future. As such, the Company believed the value of these assets was \$nil and recorded impairment of \$0.1 million within its JustCBD asset group within the house of brands segment for the period ending December 31, 2024. The key inputs included in the recoverable amount calculations are the expected selling prices of each asset. As a sensitivity assessment to the recoverable amount calculations, increasing the selling prices by 3% would result in a nominal increase of the recoverable amounts.

The Company determined that the reduced sales forecast of Vessel was an indicator of impairment as of June 30, 2024 and again at December 31, 2024. The Company performed a quantitative analysis to determine if impairment existed by comparing the carrying amount of each asset group to the future undiscounted cash flows the asset group is expected to generate over their remaining lives. This analysis indicated that the carrying amount of certain asset values may not be recoverable. The Company then calculated the fair value of these assets using an income approach. As a result, the Company recorded impairment of patents and tradenames within its Vessel asset group within the house of brands segment totaling \$0.1 million and \$0.3 million for the periods ended June 30, 2024 and December 31, 2024, respectively. The key inputs included in the recoverable amount calculations are 2024 sales 20% lower than 2023 sales and a royalty rate of nil%.

The Company determined that the reduced sales forecast of JustCBD was an indicator of impairment as at December 31, 2024. The Company performed a quantitative analysis to determine if impairment existed by comparing the carrying amount of each asset group to the future undiscounted cash flows the asset group is expected to generate over their remaining lives. This analysis indicated that the carrying amount of certain asset values may not be recoverable. The Company then calculated the fair value of these assets using an income approach. As a result, the Company recorded impairment of tradenames within its JustCBD asset group within the house of brands segment totaling \$0.4 million the period ended December 31, 2024. The key inputs included in the recoverable amount calculations are 2024 sales decreasing 42% compared to 2023 sales, then decreasing another 26% in 2025, royalty rate of 0.25%, and discount rate of 25.5%. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate in the income approach model by 3% would result in a nominal decrease of the recoverable amounts.

The Company determined that the new limitations by the Australian government that limits the sales of vaporizers containing nicotine to only pharmacies was an indicator of impairment as at September 30, 2024. The Company performed a quantitative analysis to determine if impairment existed by comparing the carrying amount of each asset group to the future undiscounted cash flows the asset group is expected to generate over their remaining lives. This analysis indicated that the carrying amount of certain asset values may not be recoverable. The Company then calculated the fair value of these assets using an income approach. As a result, the Company recorded impairments of brands within its AV asset group within the house of brands segment totaling \$0.2 million. The key inputs included in the recoverable amount calculations are 2024 sales decreasing 46% compared to 2023 sales, then decreasing another 30% in 2025, royalty rate of 0.7%, and discount rate of 17.0%. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate in the income approach model by 3% would result in a nominal decrease of the recoverable amounts.

# Flora Growth Corp.

## Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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### 2023 Annual Impairment Test

The Company concluded that the carrying values of its JustCBD and FGH reporting units were higher than their respective estimated fair values, and a goodwill impairment loss totaling \$23.4 million was recognized in the year ended December 31, 2023, with details of these impairment tests discussed below. The goodwill impairment loss was comprised of (i) \$19.6 million related to the JustCBD reporting unit, representing the entirety of the goodwill assigned to the JustCBD reporting unit, part of the house of brands segment; and (ii) \$3.7 million related to the FGH reporting unit, part of the commercial and wholesale segment. See Note 24 for discussion of the Company's segments. Certain negative trends, including slower growth rates, resulted in updated long-term financial forecasts indicating lower forecasted revenue and cash flow generation for the JustCBD and FGH reporting units.

### 2023 Annual Goodwill Impairment Test of FGH

At June 30, 2023, the Company's FGH reporting unit had external indicators of impairment primarily due to the Company's declining share price, the declining share price of comparable public companies and challenging economic factors making it difficult to access capital. As such, the Company tested the FGH reporting unit for impairment as at June 30, 2023 and determined that the carrying value of the reporting unit's assets exceeded the recoverable amount, resulting in goodwill impairment of \$3.7 million recorded in the first half of fiscal 2023. The impairment is recorded in the goodwill impairment caption on the consolidated statements of loss and comprehensive loss.

FGH's June 30, 2023 carrying value of \$7.7 million was comprised primarily of goodwill and identified intangible assets of \$5.2 million and other long-lived assets of \$0.5 million. The carrying value is reduced by inseparable market participant liabilities associated with the December 2022 acquisition of FGH which includes \$0.1 million of lease liability. The estimated recoverable amount of FGH at June 30, 2023 was \$1.5 million, resulting in goodwill impairment of the remaining \$3.7 million as the carrying value of the reporting unit's assets exceeds the recoverable amount. The impairment is recorded in the goodwill impairment caption on the consolidated statements of loss and comprehensive loss.

The reporting unit's fair value was determined based on an income approach discounted cash flow model. After working capital adjustments, the resulting fair value was estimated at \$1.5 million. The income approach used a discount rate of 17%, operating margins of about 2%, working capital requirements of 6% revenue, and a terminal period growth rate of 2%. The revenue growth rates start at 5% in 2023 and trend down to 2% in 2028 and thereafter. The impairment test valuation is considered a Level 3 method within the ASC 820 fair value hierarchy.

After the impairment recorded at June 30, 2023, FGH's carrying value was equal to its recoverable amount. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate by 3% in the income approach model would decrease the reporting unit fair value by \$0.3 million. However, there would be no impact on the goodwill impairment amount for this unfavorable change in the model as the imputed fair value of the goodwill exceeded its carrying amount with the goodwill impaired to zero.

### 2023 Annual Goodwill Impairment Test of JustCBD

At June 30, 2023 and December 31, 2023, the Company's JustCBD reporting unit had external indicators of impairment primarily due to the Company's declining share price, the declining share price of comparable public companies and challenging economic factors making it difficult to access capital. As such, the Company tested the JustCBD reporting unit for impairment as at June 30, 2023 and December 31, 2023 and determined that the carrying value of the reporting unit's assets exceeded the recoverable amount, resulting in goodwill impairment of \$19.6 million recorded in 2023. The impairment is recorded in the goodwill impairment caption on the consolidated statements of loss and comprehensive loss.

JustCBD's June 30, 2023 and December 31, 2023 carrying values of \$23.8 and \$7.0 million, respectively, were comprised primarily of goodwill and identified intangible assets of \$20.8 million and \$3.5 million and other long-lived assets of \$1.2 million and \$0.7 million. The carrying value is reduced by inseparable market participant liabilities associated with the February 2022 acquisition of JustCBD which includes \$1.6 million and \$0.4 million of lease liability. The estimated recoverable amount of JustCBD at June 30, 2023 and December 31, 2023 was \$7.1 million and \$nil, respectively, resulting in goodwill impairment of \$19.6 million for the year ended December 31, 2023 as the carrying value of the reporting unit's assets exceeds the recoverable amount. The impairment is recorded in the goodwill impairment caption on the consolidated statements of loss and comprehensive loss.

## Flora Growth Corp.

### Notes to the consolidated financial statements

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The reporting unit's fair value at June 30, 2023 and December 31, 2023 was determined based on an income approach discounted cash flow. After working capital adjustments, the resulting fair value was estimated at \$7.1 million and \$nil. The income approach used a weighted average discount rate of 28%, operating margins from 8.5% to -19.7%, weighted average working capital requirements of 1% revenue, and a terminal period growth rate of 3%. The revenue growth rates start at 17% in 2023 and taper down to 3% in 2025 and thereafter. The impairment test valuation is considered a Level 3 method within the ASC 820 fair value hierarchy.

After the impairment recorded for the year ended December 31, 2023, JustCBD's carrying value was equal to its recoverable amount. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate in the income approach model by 3% would result in a decrease of the reporting unit fair value of approximately \$1.5 million. However, there would be no impact on the goodwill impairment amount for this unfavorable change in the model as the imputed fair value of the goodwill exceeded its carrying amount with the goodwill impaired to zero.

#### Other Long-Lived Asset Impairment Tests for the year ended December 31, 2023

For asset groups that had indicators of impairment, the Company performed a quantitative analysis as of June 30, 2023 to determine if impairment existed by comparing the carrying amount of each asset group to the future undiscounted cash flows the asset group is expected to generate over their remaining lives. This analysis indicated that certain asset values may not be recoverable. The Company then calculated the fair value of these assets using an income approach. As a result, the Company recorded an impairment of property, plant and equipment, operating lease right of use assets, customer relationships, trademarks, patents and non-compete agreements within its Vessel asset group within the house of brands segment totaling \$7.4 million. The key inputs included in the recoverable amount calculations are revenue growth rates starting at 10.7% in 2023 and tapering down to 3% thereafter, weighted average royalty rate of 1%, weighted average discount rate of 17% and a customer attrition rate of 18%. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate in the income approach model by 3% would result in a nominal decrease of the recoverable amounts. Likewise, the Company recorded an impairment of supplier relationships, customer relationships and licenses within its FGH asset group within the commercial and wholesale segment totaling \$3.7 million. The key inputs included in the recoverable amount calculations are revenue growth rates starting at -2.6% in 2023, 5% in 2024 and tapering down to 4% thereafter, weighted average discount rate of 20% and customer attrition rate of 10%. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate in the income approach model by 3% would result in a \$0.1 million decrease of the recoverable amounts. Finally, the Company recorded an impairment of customer relationships, trademarks and patents within its JustCBD asset group within the house of brands segment totaling \$2.3 million. The key inputs included in the recoverable amount calculations are revenue growth rates starting at 16.5% in 2023 and tapering down to 3% thereafter, royalty rate of 1.5%, weighted average discount rate of 32.5% and customer attrition rate of 15%. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate in the income approach model by 3% would result in a \$0.2 million decrease of the recoverable amounts. These charges were recorded in the other asset impairments caption on the consolidated statements of loss and comprehensive loss. The impairment test valuation is considered a Level 3 method within the ASC 820 fair value hierarchy.

The Company performed a similar analysis for its asset groups as of December 31, 2023, and determined that indicators of impairment were present. These include external indicators such as a decline in the value of the Company's publicly traded common shares as well as internal indicators such as reduced forecasted revenue and cash flow generation. The Company performed a quantitative analysis as of December 31, 2023 to determine if impairment existed by comparing the carrying amount of each asset group to the future undiscounted cash flows the asset group is expected to generate over their remaining lives. This analysis indicated that certain asset values may not be recoverable. The Company then calculated the fair value of these assets using an income approach. As a result, the Company recorded an impairment of operating lease right of use assets, supplier relationships and licenses within its FGH asset group within the commercial and wholesale segment totaling \$1.4 million. The key inputs included in the recoverable amount calculations are revenue growth rates starting at 2.5% in 2024 and tapering down to 2.5% thereafter and a weighted average discount rate of 21%. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate in the income approach model by 3% would result in a nominal decrease of the recoverable amounts. Likewise, the Company recorded an impairment of operating lease right of use assets, customer relationships and trademarks within its JustCBD asset group within the house of brands segment totaling \$1.0 million. The key inputs included in the recoverable amount calculations are revenue growth rates starting at -37.5% in 2023 and then increasing to 2.5% thereafter, royalty rate of 1.5%, weighted average discount rate of 25% and customer attrition rate of 15%. As a sensitivity assessment to the recoverable amount calculations, increasing the discount rate in the income approach model by 3% would result in a nominal decrease of the recoverable amounts. These charges were recorded in the other asset impairments caption on the consolidated statements of loss and comprehensive loss.

The impairment test valuation is considered a Level 3 method within the ASC 820 fair value hierarchy.

## Flora Growth Corp.

### Notes to the consolidated financial statements

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### 13. DEBT

#### Euro credit facility

The Company, through its Phatebo subsidiary, has credit facilities totaling 2.4 million Euro (\$2.5 million USD), at three different banks in Germany. These arrangements are open-ended without predetermined maturity dates. Principal and interest payments are due at the end of each term. Interest rates can change with each new amount drawn. As of December 31, 2024, the total outstanding amount on these credit facilities was 2.0 million Euro (\$2.1 million USD) with interest rates ranging from 5.15% to 5.29% and due within the next twelve months. These credit facilities were secured by various guarantees, including payment guarantees upon default.

### 14. LEASES

The Company's leases primarily consist of administrative real estate leases in Germany, the United States and Australia. Management has determined all the Company's leases are operating leases through December 31, 2024. Information regarding the Company's leases is as follows:

Thousands of United States dollars	Year ended December 31, 2024		Year ended December 31, 2023	
<b>Components of lease expense</b>				
Operating lease expense	\$	718	\$	1,211
Short-term lease expense		231		324
Sublease income		(362)		(71)
<b>Total lease expense</b>	<b>\$</b>	<b>587</b>	<b>\$</b>	<b>1,464</b>
<b>Other Information</b>				
Operating cash outflows from operating leases	\$	1,314	\$	1,403
ROU assets obtained in exchange for new operating lease liabilities		2,208		245
Weighted-average remaining lease term in years for operating leases		3.8		2.7
Weighted-average discount rate for operating leases		10.8%		7.9%

Maturities of operating lease liabilities as of December 31, 2024 are as follows:

Thousands of United States dollars	Operating Leases	
2025	\$	1,048
2026		965
2027		756
2028		470
2029		165
Thereafter		5
Total future lease payments		3,409
Less: imputed interest		(589)
Total lease liabilities		2,820
Less: current lease liabilities		(791)
Total non-current lease liabilities	<b>\$</b>	<b>2,029</b>

## Flora Growth Corp.

### Notes to the consolidated financial statements

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Some of the Company's leases contain renewal options to continue the leases for another term equivalent to the original term, which are generally up to five years. The lease liabilities above include renewal terms that management has executed or is reasonably certain of renewing, which only included leases that would have expired in 2024 or 2025.

The Company's operating lease of warehousing and office space for Vessel Brand Inc. expires August 31, 2027. The lease includes an option to extend the lease term for the entire space for a period of five years at the end of the current lease term. At December 31, 2024, the renewal option is not included in the related operating right of use asset recorded. At the end of 2022, the Company decided to move Vessel's operations and to consolidate them with JustCBD's operations in Florida. The Company began subleasing this space to a third party during the fourth quarter of 2023. The sublease is effective through August 31, 2027 and does not contain renewal options.

The Company's operating lease of retail space in Miami, FL expires November 30, 2026. The lease includes an option to extend the lease term for the entire space for a period of five years at the end of the current lease term. At December 31, 2024, the renewal option is not included in the related operating right of use asset recorded. The Company began subleasing this retail space to a third party during the third quarter of 2023. The sublease agreement is effective through November 30, 2026 and contains one option to renew for five more years.

The Company's operating lease of warehousing and office space for Just Brands LLC expired April 30, 2024. In January 2024, the Company began leasing 14,280 sq. ft. of warehousing space in Pompano Beach, FL, for \$20,000 a month, pursuant to a lease agreement that expires in February 2029. In April 2024, the Company began leasing 4,184 sq. ft. of office space in Fort Lauderdale, FL, for \$8,000 a month, pursuant to a lease agreement that expires in March 2028.

As part of the acquisition of TruHC in April 2024, the Company acquired a lease for warehouse and office space in Hamburg, Germany, for \$9,000 a month, pursuant to a lease agreement that expires in April 2025. The lease contains options to extend the lease in 5-year increments. The Company is reasonably certain of renewing this lease for another 5 years.

As part of the acquisition of AV in June 2024, the Company acquired a lease for warehouse and office space in Brisbane, Australia, for \$5,000 a month, pursuant to a lease agreement that expires in April 2027. The lease contains options to extend the lease in 5-year increments. The Company is not reasonably certain of renewing this lease.

## 15. SHARE CAPITAL

### Authorized and issued

The Company is authorized to issue an unlimited number of common shares, no par value. On June 9, 2023, the Company consolidated its issued and outstanding common shares based on one new common share of the Company for every twenty existing common shares of the Company. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation. See discussion below.

The Company had the following significant common share transactions:

### Year ended December 31, 2024

#### DECEMBER 2024 EQUITY OFFERINGS

On December 16, 2024, the Company closed a registered direct offering of 2,850,000 of the Company's common shares at a public offering price of \$1.25 per Common Share for gross proceeds of \$3.6 million. The Company paid \$0.8 million in issuance costs relating to the December 2024 registered direct offering.

## Flora Growth Corp.

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On December 10, 2024 and December 11, 2024, the Company sold an aggregate of 425,000 of the Company's common shares at a price of \$1.67 per Common Share for gross proceeds of \$0.7 million pursuant to separate subscription agreements entered into between the Company and certain institutional investors. The common shares to be issued were offered pursuant to the Company's Offering Statement on Form 1-A, initially filed by the Company with the SEC under the Securities Act of 1933, as amended, on July 16, 2024, as subsequently amended with the SEC on each of August 7, 2024, October 15, 2024, and November 22, 2024, and most recently qualified by the SEC on November 29, 2024. The Company paid \$0.1 million in issuance costs relating to the December 2024 Form 1-A offering.

#### APRIL AND NOVEMBER 2024 PAYMENTS TO TRUHC OWNERS

As discussed in Note 10, the Company issued 2,135,199 of its common shares valued at \$3.3 million to the prior owners of TruHC as part of the first closing of the Company's acquisition of TruHC on April 22, 2024. The first closing made up 77% of the total agreed upon share price of 2,770,562 common shares of the Company. The remaining 635,363 common shares of the Company valued at \$1.0 million were issued to the prior owners of TruHC as part of the second closing on November 27, 2024, after receiving shareholder approval for such issuance in accordance with the rules of the Nasdaq Stock Capital Market at its annual general meeting of shareholders, held August 14, 2024.

#### JUNE 2024 PAYMENT TO AV OWNERS

As discussed in Note 10, the Company issued 550,000 of its common shares valued at \$0.6 million to the prior owners of AV as part of the Company's acquisition of 100% of the issued and outstanding common shares of AV on June 4, 2024.

#### APRIL 2024 EQUITY OFFERING

On April 8, 2024, the Company closed an offering of 1,700,000 of the Company's common shares at a public offering price of \$1.90 per Common Share for gross proceeds of \$3.2 million. The Company paid \$0.4 million in issuance costs relating to the April 2024 equity offering.

The offering of the securities described above was made pursuant to the Company's effective shelf registration statement on Form S-3 (Registration No. 333-274204), filed with the SEC on August 25, 2023 and amended on August 30, 2023, which was declared effective, on September 6, 2023, and the base prospectus included therein, as supplemented by the preliminary prospectus supplement filed with the SEC on April 4, 2024 and the final prospectus supplement filed with the SEC on April 5, 2024.

#### AT THE MARKET ("ATM") OFFERING

On April 26, 2024, the Company entered into an ATM Issuances Sales Agreement (the "Sales Agreement") with Aegis Capital Corp. (the "Agent") pursuant to which the Company may sell from time to time, at its option, common shares through the Agent in its capacity as sales agent. The sale of common shares, if any, will be made under the Company's registration statement filed on Form S-3 (File No. 333-274204) (the "Registration Statement"), by any method that is deemed to be an "at the market offering" as defined in Rule 415(a)(4) under the Securities Act.

Subject to the terms and conditions of the Sales Agreement, the Agent will use its commercially reasonable efforts, consistent with its normal trading and sales practices and applicable state and federal laws, rules and regulations and the rules of the Nasdaq Capital Market to sell on the Company's behalf all of the common shares requested to be sold by the Company. The Agent will offer the common shares, subject to the terms and conditions of the Sales Agreement, on a daily basis or as otherwise agreed upon by the Company and the Agent. The Company will designate the maximum amount of common shares to be sold through the Agent on a daily basis or otherwise determine such maximum amount, together with the Agent. The Company may instruct the Agent not to sell common shares if the sales cannot be effected at or above the price designated by the Company in any such instruction. The Company or the Agent may suspend the offering of common shares being made through the Agent under the Sales Agreement upon proper notice to the other parties.

The aggregate compensation payable to the Agent, on behalf of the Agent, shall be up to 3.0% of the aggregate gross proceeds from each sale of the common shares sold through the Agent pursuant to the Sales Agreement. In addition, the Company has agreed in the Sales Agreement to provide indemnification and contribution to the Agent against certain liabilities, including liabilities under the Securities Act.

## **Flora Growth Corp.**

### **Notes to the consolidated financial statements**

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The Company is not obligated to make any sales of common shares under the Sales Agreement. The offering of common shares pursuant to the Sales Agreement will terminate upon the termination of the Sales Agreement by the Company or by the Agent, only with respect to itself, under the circumstances specified in the Sales Agreement. The Company did not sell any of its common shares under the Sales Agreement. On December 12, 2024, the Company and the Agent mutually agreed to terminate the Sales Agreement effective as of December 12, 2024. On December 12, 2024, the Company filed a prospectus supplement to de-register the common shares registered with the Securities and Exchange Commission for issuance under the ATM Program.

#### **OTHER ISSUANCES**

On March 8, 2024, the Company entered into a settlement agreement with a third party pursuant to which the Company issued 50,000 common shares of the Company, valued at \$0.1 million, to a third party to settle outstanding amounts owed. See Note 19.

#### **Year ended December 31, 2023**

#### **SEPTEMBER 2023 UNIT OFFERING**

On September 21, 2023, the Company closed a registered direct offering of 1,369,000 units of the Company at a price of \$2.00 per unit for gross proceeds of \$2.7 million. Each unit is comprised of one common share of the Company and one common share purchase warrant (1,369,000 total warrants) to purchase one additional common share at an exercise price of \$2.50 per warrant share through March 21, 2029. Additionally, the Company amended the exercise price with respect to 61,250 and 624,995 warrants that were previously issued in the November 2021 and December 2022 offerings, respectively, from \$8.00 per share to \$2.50 per share and recorded a \$0.2 million gain on these warrant modifications. There was no increase to the value of the additional paid-in capital as it was offset by a corresponding increase to unit issuance costs. The Company paid \$0.3 million in issuance costs relating to the September 2023 unit offering, as well as 54,760 warrants with a fair value of \$0.1 million, with an exercise price of \$2.39 per share through September 21, 2028, issued to the placement agent. See Note 17.

#### **REVERSE STOCK SPLIT**

On June 7, 2023, the Company filed an amendment to its Articles of Incorporation (the "Reverse Stock Split Articles Amendment") with the Ontario Ministry of Public and Business Service Delivery to effect a reverse stock split of the Company's common shares, no par value per share (the "common shares"), at a ratio of 1-for-20, which became effective at 12:00:01 a.m. Eastern Time on June 9, 2023 (the "Reverse Stock Split").

Upon the effectiveness of the Reverse Stock Split, every twenty shares of the issued and outstanding common shares were automatically combined and reclassified into one issued and outstanding common share. The Reverse Stock Split did not affect any shareholder's ownership percentage of the common shares, alter the par value of the common shares or modify any voting rights or other terms of the common shares. The number of authorized shares of common shares under the Company's Articles remained unchanged. No fractional shares were issued in connection with the Reverse Stock Split. Any fractional interest as a result of the Reverse Stock Split was rounded down to the nearest whole common share.

All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

#### **OTHER ISSUANCES**

On January 31, 2023, the Company entered into a settlement agreement with a third party pursuant to which the Company issued 16,250 common shares of the Company, valued at \$0.1 million, to a third party to settle a legal dispute that arose in April 2019. See Note 19.

On April 12, 2023, Luis Merchan tendered his resignation as both Chairman of the Board of Directors of the Company and as its Chief Executive Officer. On this date, the Company entered into a separation agreement with Mr. Merchan, pursuant to which the Company issued 80,000 common shares of the Company, valued at \$0.4 million, on April 26, 2023, and 30,000 common shares of the Company, valued at \$0.1 million, on May 14, 2023 to Mr. Merchan.

# Flora Growth Corp.

## Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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### 16. SHARE BASED COMPENSATION

The Company adopted the Flora Growth Corp. 2022 Incentive Compensation Plan (the "2022 Plan") to attract, retain and motivate independent directors, executives, key employees and consultants. The 2022 Plan was approved by the Company's shareholders on July 5, 2022, and reserves an aggregate of 300,000 of the Company's common shares for issuance in connection with Awards (as defined in the 2022 Plan) granted under the 2022 Plan. The 2022 Plan was amended on June 6, 2023, with approval from the Company's shareholders, to increase the shares available under the 2022 Plan from 300,000 to 950,000. The 2022 Plan was amended, again, to increase the number of shares issuable thereunder from 950,000 to 2,500,000 shares on August 14, 2024, with approval from the Company's shareholders. Previously, the Company's shareholders had adopted a "rolling" stock option plan (the "Prior Plan") which authorized the Company to grant stock options constituting up to 10% of the Company's issued and outstanding common shares at the time of each option grant. Since the adoption of the 2022 Plan, no further grants have been made or will be made under the Prior Plan; however, any currently outstanding stock options granted prior to July 5, 2022 will remain in effect until they have been exercised or terminated or have expired in accordance with the terms of the Prior Plan. Under the 2022 Plan, the Compensation Committee of our Board of Directors (the "Committee") may grant a variety of awards including stock options, stock appreciation rights ("SAR"s), restricted stock, restricted stock units, dividend equivalents and other stock-based awards.

#### OPTIONS

Stock options granted under the Prior Plan are non-transferable and non-assignable and may be granted for a term not exceeding five years. Under the 2022 Plan, stock options may be granted with a term of up to ten years and in the case of all stock options, the exercise price may not be less than 100% of the fair market value of a Common Share on the date the award is granted. Stock option vesting terms are subject to the discretion of the Committee. Common shares are newly issued from available authorized shares upon exercise of awards.

Information relating to share options outstanding and exercisable as at December 31, 2024 and 2023 is as follows:

	Options Outstanding		Options Exercisable	
	Number of options (in thousands)	Weighted average exercise price	Number of options (in thousands)	Weighted average exercise price
Balance, December 31, 2022	290	\$ 34.17	212	\$ 41.19
Granted	5	7.00	14	17.43
Forfeited or expired	(246)	35.05	(182)	42.31
Balance, December 31, 2023	49	27.04	44	29.30
Granted	-	-	5	7.00
Forfeited or expired	(28)	18.74	(28)	18.74
<b>Balance, December 31, 2024</b>	<b>21</b>	<b>\$ 38.18</b>	<b>21</b>	<b>\$ 38.18</b>

Date of expiry	Options outstanding	Options exercisable	Exercise price	Grant date fair value vested	Remaining life in years
	Thousands	Thousands	\$	Thousands of Dollars	
July 15, 2025	4	4	45.00	84	0.5
September 25, 2026	2	2	138.00	205	1.7
December 16, 2026	4	4	40.80	111	2.0
January 17, 2027	2	2	34.00	63	2.0
January 26, 2027	1	1	29.60	25	2.1
March 17, 2033	5	5	7.00	31	8.2
July 5, 2033	3	3	13.40	31	8.5
	21	21	\$ 38.18	\$ 550	3.9

The fair value of stock options issued during the year ended December 31, 2024 and 2023 was determined at the time of issuance using the Black-Scholes option pricing model with the following weighted average inputs, assumptions and results:



## Flora Growth Corp.

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	2024	2023
Risk-free annual interest rate	NA	2.77%
Current stock price	NA \$	6.90
Expected annualized volatility	NA	100%
Expected life (years)	NA	10
Expected annual dividend yield	NA	0%
Exercise price	NA \$	7.00
Weighted average grant date fair value	NA \$	7.00

The total expense related to the options granted in the year ended December 31, 2024 was less than \$0.1 million (2023 - less than \$0.1 million benefit). This expense (benefit) is included in the share based compensation line on the statement of comprehensive loss. Generally, the options granted in 2023 vest one year following the date of grant provided that the recipient is still employed or engaged by the Company.

During the year ended December 31, 2024, 28,244 (2023 - 245,959) unexercised stock options expired following the termination of certain employees and independent directors and were charged to deficit.

There were no options exercised for the year ended December 31, 2024. The intrinsic value of options exercised for the year ended December 31, 2023 was \$nil. The total fair value of options vested during the year ended December 31, 2024 was less than \$0.1 million (\$0.1 million in 2023).

For the years ended December 31, 2024 and 2023, there has been no recognized income tax benefits associated with stock options, and no amounts capitalized as part of the cost of an asset.

At December 31, 202 there were no previously issued options that had not vested and the total remaining stock option cost for nonvested awards was \$nil.

### RESTRICTED STOCK AWARDS

Restricted stock is a grant of common shares which may not be sold or disposed of, and which is subject to such risks of forfeiture and other restrictions as the Committee, in its discretion, may impose. A participant granted restricted stock generally has all of the rights of a shareholder of the Company, unless otherwise determined by the Committee. Subject to certain exceptions, the vesting of restricted stock awards is subject to the holder's continued employment or engagement through the applicable vesting date. Unvested restricted stock awards will be forfeited if the holder's employment or engagement ceases during the vesting period and may, in certain circumstances, be accelerated. The Company values restricted stock awards based on the closing share price of the Company's common shares as of the date of grant. The fair value of the restricted stock award is recorded as expense over the vesting period.

Information relating to restricted stock awards outstanding as at December 31, 2024 and December 31, 2023:

	Number of restricted stock awards	Weighted average grant date fair value
	Thousands	\$
Balance, December 31, 2022	146	13.64
Granted	838	1.44
Cancelled	(174)	(8.92)
Vested	(419)	(2.66)
Balance, December 31, 2023	391	1.41
Granted	1,235	1.30
Cancelled	(4)	(6.90)
Vested	(1,609)	(1.27)
Balance, December 31, 2024	13	7.41

## Flora Growth Corp.

### Notes to the consolidated financial statements

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The total expense related to the restricted stock awards in the year ended December 31, 2024 was \$1.6 million (2023 - \$1.1 million). This expense is included in the share based compensation line on the consolidated statements of loss and comprehensive loss. For the years ended December 31, 2024 and 2023, there have been no recognized income tax benefits associated with restricted stock awards.

The Company issued 1,235,000 restricted stock awards that vested immediately on December 15, 2024 at a total fair value of \$1.6 million. The Company issued 363,617 restricted stock awards that vested immediately on November 15, 2023 at a total fair value of \$0.3 million. The remaining restricted stock awards issued in 2023 either vested in 2024 or vest over the next two years provided the award holder is still employed or engaged by the Company. As of December 31, 2024, the Company had less than \$0.1 million of unrecognized compensation expense related to restricted stock awards which will be recognized over the next two years.

A total of 3,500 restricted stock awards expired or were forfeited in the year ended December 31, 2024 (2023 - 174,304).

### STOCK APPRECIATION RIGHTS ("SARs")

SARs grant a right to receive, upon exercise thereof, the excess of the fair market value of one common share on the date of exercise over the grant price of the SAR. The grant price of a SAR shall not be less than 100% of the fair market value of a common share on the date of the grant. SARs generally vest over a period of zero to three years and have a term of ten or eleven years. The SARs granted by the Company to date are only payable in the Company's common shares and have no cash payments options.

On August 14, 2024, the Company granted 1,603,984 and 534,661 SARs to its Chief Executive Officer and Chief Financial Officer, respectively, which was approved by a majority of the Company's shareholders at the Company's annual meeting held on August 14, 2024. The fair value of the SARs at August 14, 2024 was determined using a Monte Carlo simulation incorporating Brownian motion with 100,000 trials through a binomial model. The significant inputs to the valuation include an 11-year term to maturity, the Company's closing share price at August 14, 2024 (\$0.91), estimated volatility (110%) based on the Company's common share and comparable companies' historical volatilities, and risk-free rate of 3.8% to discount the ending result to present value. The valuation also includes a derived service period, which is the median time to vest, as calculated by the model. This derived service period inherently contains some degree of estimation uncertainty.

On December 15, 2024, the Company granted 440,000 SARs to officers, directors, employees and consultants of the Company pursuant to the 2022 Plan. The fair value of the SARs at December 15, 2024 was determined using a Black Scholes pricing model with the following assumptions: the \$1.30 price of the Company's common shares; expected dividend yield of 0%; expected volatility of 110% based on the Company's common share and comparable companies' historical volatilities; risk-free interest rate of 4.35% and an expected life of 10.0 years.

# Flora Growth Corp.

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Information relating to SARs outstanding as at December 31, 2024 and December 31, 2023:

	SARs Outstanding		Weighted average remaining life (years)	Aggregate intrinsic value
	Number of SARs (in thousands)	Grant date average exercise price		
Outstanding balance, December 31, 2023	-	\$ -		
Granted	2,579	\$ 0.98		
<b>Outstanding balance, December 31, 2024</b>	<b>2,579</b>	<b>\$ 0.98</b>	<b>10.15</b>	<b>\$ 866</b>
<b>Exercisable balance, December 31, 2024</b>	<b>841</b>	<b>\$ 1.12</b>	<b>10.07</b>	<b>\$ 866</b>

The total expense related to the SARs in the year ended December 31, 2024 was \$1.1 million (2023 - \$nil). This expense is included in the share based compensation line on the consolidated statements of loss and comprehensive loss. For the years ended December 31, 2024 and 2023, there have been no recognized income tax benefits associated with SARs.

There were no SARs exercised for the years ended December 31, 2024 and 2023.

The SARs granted in 2024 will vest in tranches based on the derived service period, ranging from zero to three years, provided that the recipient is still employed or engaged by the Company.

## 17. WARRANTS

On September 21, 2023, the Company issued 1,369,000 warrants issued as part of the September 2023 unit offering (Note 15). Each warrant permits the holder to purchase one common share of the Company through March 21, 2029 for \$2.50. The issue date fair value of the warrants was estimated at \$1.1 million using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100% based on comparable companies; risk-free interest rate of 4.3% and an expected life of 5.5 years. The resulting grant date fair value of each warrant was \$0.82. Additionally, the Company amended the exercise price with respect to 66,245 and 624,995 warrants (Note 15) that were previously issued in the November 2021 and December 2022 (described below) offerings, respectively, from \$8.00 per share to \$2.50 per share and recorded at \$0.2 million gain on these warrant modifications.

Related to the September 2023 unit offering, 54,760 warrants were issued to the placement agent and recorded as issuance costs to share capital. Each warrant permits the holder to purchase one common share of the Company after the 181st day immediately following the date of issuance through September 21, 2028 for \$2.39. The issue date fair value of the warrants was estimated at \$0.1 million using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100% based on comparable companies; risk-free interest rate of 4.25% and an expected life of 5 years. The resulting grant date fair value of each warrant was \$1.48.

There were no warrants exercised for the year ended December 31, 2024. The intrinsic value of warrants exercised for the year ended December 31, 2023 was less than \$0.1 million. The total fair value of warrants vested during the year ended December 31, 2024 was \$nil (\$1.3 million in 2023).

For all warrants, common shares are newly issued from available authorized shares upon exercise of awards.

The following tables show warrants outstanding as at December 31, 2024:

	Number of warrants Thousands	Weighted average exercise price	
<b>Balance, December 31, 2022</b>	<b>961</b>	<b>\$</b>	<b>24.84</b>
Exercised	(1)		8.00
Cancelled	(691)		8.00
Issued	2,115		2.50
<b>Balance, December 31, 2023</b>	<b>2,384</b>	<b>\$</b>	<b>9.90</b>
<b>Balance, December 31, 2024</b>	<b>2,384</b>	<b>\$</b>	<b>9.90</b>

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Date of expiry	Warrants outstanding	Exercise price	Grant date fair value	Remaining life in years
	Thousands			
November 18, 2026	221	\$ 75.00	\$ 6,729	1.88
November 18, 2027	23	66.00	1,055	2.88
December 8, 2027	25	8.80	149	2.94
September 21, 2028	691	2.50	712	3.73
September 21, 2028	55	2.39	81	3.73
March 21, 2029	1,369	2.50	1,120	4.22
	2,384	\$ 9.90	\$ 9,846	3.82

## 18. RELATED PARTY DISCLOSURES

### Key management personnel compensation

In addition to their contracted fees, directors and officers also participate in the Company's stock option program. Certain executive officers are subject to termination notices of 6 to 24 months and change of control payments (Note 19). Key management personnel compensation is comprised of the following:

	Year ended December 31, 2024	Year ended December 31, 2023
Thousands of United States dollars		
Directors' and officers' compensation	\$ 847	\$ 1,862
Share-based compensation	2,659	1,577
	\$ 3,506	\$ 3,439

The Company defines key management personnel as those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, and was determined to be executive officers and directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors of the Company having regard to the performance of individuals and market trends.

As at December 31, 2024, \$0.1 million of the above directors' and officers' compensation was included in the trade payables and accrued liabilities (2023 - \$0.1 million). These amounts are unsecured, non-interest bearing and due on demand. The share-based compensation amount above for 2023 includes 110,000 common shares to the former Chief Executive Officer of the Company, valued at \$0.4 million, that were recorded as share based compensation expense as part of a separation agreement.

### Related party transactions

On June 1, 2024, the Company signed a distribution agreement to sell Melo THC Seltzer and Cloud Cola THC drinks with United Beverage Distribution, Inc ("United") - a corporation owned by several employees of the Company, including the Company's CEO, CFO and Executive Director. Under terms of this agreement, the Company will act as distributor and will use commercially reasonable efforts to develop and maintain a market for these products in the US. United will sell the products to the Company in sufficient quantity to meet customer demand at the agreed upon price and will pay the Company a monthly fee for management, sales, marketing and logistics services. As at December 31, 2024, the Company has sold \$0.1 million of products from United. The Company has invoiced United \$0.1 million for services, of which less than \$0.1 million was included in trade payables and accrued liabilities as at December 31, 2024. The Company acquired 100% of United on January 30, 2025. See Note 25.

Prior to its acquisition by the Company, Harmony Health One, a subsidiary of FGH, entered into an Intellectual Property License Agreement with Hampstead Private Capital Limited ("Hampstead") - a corporation controlled by the CEO of the Company and former CEO of FGH. Under the terms of this agreement, Harmony is to pay Hampstead a royalty in the amount of 3.5% of the gross revenues from the sale of Harmony products. No royalty amounts have been recorded by the Company for the years ended December 31, 2024 and December 31, 2023, as there were no sales for the period after the Company acquired FGH.

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Prior to 2023, the Company entered into an agreement with Dr. Manalo-Morgan, a former member of the Company's board of directors, to serve in the additional capacity as Medical Advisor to the Company. In connection with this agreement, Dr. Manalo-Morgan was responsible for developing and identifying medical applications of cannabinoids for the Company for the treatment of various ailments and supporting the Company's public relations efforts and assisting the Company with its media engagements. For these services, the Company paid Dr. Manalo-Morgan \$nil and \$0.1 million for the years ended December 31, 2024 and December 31, 2023, respectively.

## 19. COMMITMENTS AND CONTINGENCIES

Contingencies are possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. Management assesses loss contingencies related to legal proceedings, tax or other regulatory actions pending against the Company, as well as unasserted claims that may result in such actions. The Company, its legal counsel and other subject matter advisors evaluate the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a provision or assessing the impact on the carrying value of assets. The Company recognizes legal expenses on contingency and provision matters when incurred.

An indemnification arrangement exists when one party has contractually agreed to reimburse another party for losses incurred because of circumstances that existed prior to the arrangement. The Company and its legal counsel assess whether a legal agreement exists and the maximum potential loss to be reimbursed.

### Provisions

The Company's current known provisions and contingent liabilities consist of termination benefits and legal disputes.

Thousands of United States dollars	Termination benefits	Legal disputes	Sales tax	Total
Balance as at December 31, 2022	\$ 183	\$ 3,030	\$ 1,831	\$ 5,044
Payments/settlements	(183)	(98)	-	(281)
Additional provisions	-	8	707	715
Foreign currency translation	-	22	-	22
Balance as at December 31, 2023	-	2,962	2,538	5,500
Payments/settlements	-	(7)	(475)	(482)
Additional provisions	-	1,190	632	1,822
Foreign currency translation	-	96	-	96
Balance as at December 31, 2024	\$ -	\$ 4,241	\$ 2,695	\$ 6,936

The legal disputes from 2024 relate to the settlement of a contractual dispute involving the Company. It involves a former shareholder of ACA Mueller, an entity that was part of the Company's acquisition of FGH in December 2022, who filed a statement of claim against a wholly owned subsidiary of the Company in the Constance Regional Court in Germany. In March 2024, the Constance Regional Court in Germany ordered the Company to pay the plaintiff \$3.0 million plus interest thereon at a rate of 5% above the prime rate since September 6, 2020 in addition to 83% of the legal fees. The Company has since filed an appeal. While the Company believes that this claim is without merit, at this time the Company believes it is probable that a liability has been incurred and the Company is able to reasonably estimate the loss of \$4.2 million, including \$1.2 million of interest accrued in the year ended December 31, 2024. As a result, without acknowledgement (explicitly or implicitly) of any amount of liability arising from this claim, the Company recognized a provision of \$4.2 million to reflect the value of the claim. This dispute is covered under an indemnification agreement between the Company and the former Chief Executive Officer and shareholder of FGH. The Company intends to vigorously defend itself through appropriate legal proceedings. The \$4.2 million is recorded within contingencies and within indemnification receivables on the consolidated statements of financial position and \$nil (2023- \$nil) is recorded as expense on the consolidated statements of loss and comprehensive loss.

The settlement of legal disputes in 2024 related to the settlement of an action brought against the Company in the Ontario Superior Court of Justice by Gerardo Andres Garcia Mendez claiming that the Company was obligated to issue 3,000,000 common shares (pre-splits) to him for a purchase price of \$0.05 per share as a result of alleged consulting services he performed in 2019. In December 2023, the Company entered into a settlement agreement with Mr. Garcia Mendez pursuant to which the Company will pay less than \$0.1 million to Mr. Garcia Mendez to settle the dispute. The payment was made in January 2024. The amount was recorded within contingencies on the consolidated statements of financial position and expense on the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023.

## Flora Growth Corp.

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The Sales tax relates to estimated amounts owed to certain jurisdictions in the United States for sales from the Company's JustCBD operations. The opening balance was acquired during the February 24, 2022 acquisition of JustCBD, with additional provision for estimated amounts due on sales subsequent to the acquisition. The ending balance is recorded within contingencies on the consolidated statement of financial position, and additions to the provision as a reduction of revenue on the consolidated statements of loss and comprehensive loss.

For the sales tax provision and 2024 matters with accruals recorded as discussed above, it is at least reasonably possible that a change in the estimated liability could occur in the near term. Such changes in the Company's judgment could continue to change until the matters are ultimately resolved.

On April 30, 2024, a group representing the sellers of Just Brands LLC to Flora in February 2022 brought an action against the Company in the United States District Court for the Southern District of New York claiming that the Company failed to promptly issue additional shares in accordance with a specific formula set forth in the securities purchase agreement after the two-year anniversary of the closing, which occurred on February 24, 2024. The plaintiffs claim that they are entitled to 182,889 common shares and \$38.0 million to complete the acquisition of Just Brands LLC. The Company has assessed the claims and concluded that it is probable that a liability has been incurred and that the Company is able to reasonably estimate the loss based on the fair value of 632,484 common shares of the Company. As at December 31, 2024, this value is \$0.7 million and has been recorded in the contingent purchase considerations on the consolidated statement of financial position.

#### Legal proceedings

The Company records liabilities for legal proceedings in those instances where it can reasonably estimate the amount of the loss and where liability is probable. The Company is engaged from time-to-time in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company, taken as a whole as at December 31, 2024.

On November 1, 2023, Just Brands filed an Emergency Complaint for Declaratory Judgment and Injunctive Relief in the Southern District of Florida against the Florida Department of Agriculture and Consumer Services (the "Department") stemming from stop sale orders issued by the Department whereby the Department prohibited Just Brands from selling and moving most of its products. Relying on Florida Statute Section 581.217, which includes the definition of "attractive to children," the Department determined Just Brand's product could not be sold or moved because the products were manufactured in the shape of humans, cartoons, or animals; in a form that bears a reasonable resemblance to an existing candy product; and containing color additives. The court ruled in favor of the Department and that Order was being appealed to the Eleventh Circuit Court of Appeals. Since then, the Department has initiated an Administrative Action claiming Just Brands moved product outside the State of Florida in violation of the stop sale orders. The statute provides for a penalty of up to \$5,000 per violation. The Department sought to assess penalties on what they claimed to be a total of 215,154 violations (one for each package). The Company disputed the Department's claim and vigorously defended against this action. The total cost of inventory impacted by the stop sale orders was \$1.9 million. On May 7, 2024, Just Brands and the Department agreed to a settlement and general release, whereby Just Brands will remove the products subject to the stop sales orders from the state of Florida, pay the Department \$60,500 to reimburse the Department's attorney's fees, and accept a five-year revocation of its food permit in the state of Florida. By signing the release, Just Brands waived, settled and released all claims it had or might have against the Department. Similarly, on June 27, 2024, Just Brands and the Department agreed to a settlement and general release, whereby High Roller will remove the products subject to the Stop Sales Orders from the state of Florida, destroy products containing controlled substances, pay the Department \$5,000 to reimburse the Department's attorney's fees, and accept a two-year suspension of the manufacture, distribution and sale of gummy hemp extract products in the state of Florida. By signing the release, High Roller waived, settled and released all claims it had or might have against the Department.

On May 31, 2023, Maria Beatriz Fernandez Otero and Sara Cristina Jacome De Torres brought an action against the Company in the Ontario Superior Court of Justice claiming that the Company is obligated to issue 500,000 common shares (pre-splits) each for a purchase price of \$0.05 per share. The plaintiffs claim that they are entitled to such shares as compensation for alleged consulting services performed. The Company disputes their claim and intends to vigorously defend against this action. The Company believes that an unfavorable settlement in this matter is remote, and, as such, has not accrued a liability as of December 31, 2024.

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On May 31, 2023, Ramon Ricardo Castellanos Saenz and Miriam Ortiz brought an action against the Company in the Ontario Superior Court of Justice claiming that the Company is obligated to issue 1,500,000 common shares (pre-splits) each for a purchase price of \$0.05 per share. The plaintiffs claim that they are entitled to such shares as compensation for alleged consulting services performed. The Company disputes their claim and intends to vigorously defend against this action. The Company believes that an unfavorable settlement in this matter is remote, and, as such, has not accrued a liability as of December 31, 2024.

In connection with the Company's acquisition of FGH, the Company's current CEO and the former Chief Executive Officer of FGH, together with certain affiliated entities under his control, entered into an agreement pursuant to which they agreed to indemnify the Company for certain potential liabilities of FGH and its subsidiaries, up to a maximum of \$5.0 million. In addition to the matter regarding the former shareholder of ACA Mueller, discussed above, the following actions are pending as of the date hereof:

On February 3, 2023, an action was brought in the Ontario Superior Court of Justice by Nathan Shantz and Liberacion e Inversiones S.A. against various parties including Clifford Starke, the Company's current CEO and FGH's former Chief Executive Officer, and FGH. The statement of claim alleges that, prior to the closing of the Arrangement, 8,831,109 FGH shares purportedly owned by the plaintiffs were wrongfully transferred to third parties, in part through alleged unauthorized steps taken by Mr. Starke. Plaintiffs seek, among other things, a declaration that they are the rightful owners of the shares or, in the alternative, damages. Against FGH, they claim a declaration that, by virtue of the alleged unauthorized transfer of shares, FGH acted oppressively and seek damages in the amount of \$4.0 million. The defendants have brought motions to stay the proceedings on the grounds that the Ontario court lacks jurisdiction over the claim. In the event FGH should incur any losses in connection with this matter, such losses are to be indemnified by Mr. Starke subject to the maximum threshold of the indemnity agreement. The Company believes that an unfavorable settlement in this matter is remote, and, as such, has not accrued a liability as of December 31, 2024.

The total amount claimed against the former entities of FGH currently exceeds the maximum \$5.0 million of the indemnification agreement. However, the Company is estimating the likelihood of loss in these cases will not exceed \$4.2 million.

### Management contracts

The Company is party to management contracts with certain of its executive officers. As at December 31, 2024, these contracts would require payments totaling approximately \$1.0 million to be made in the event that such executive officers are terminated (i) "without cause" or (ii) within twelve months following a "change in control" (as such terms are defined in the management contracts). The Company is also obligated to make payments to certain individuals upon termination "without cause" of approximately \$1.0 million pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

## 20. INCOME TAXES

The components of the income tax provision include the following. As the Company is domiciled in Canada, the Federal caption below represents the provision amount for Canada.

Thousands of United States dollars	For the year ended December 31, 2024	For the year ended December 31, 2023
Current		
U.S. federal	\$ -	\$ 17
U.S. state	3	5
Foreign	-	103
Total current tax expense	\$ 3	\$ 125
Deferred		
Canada	\$ -	\$ (1,767)
Foreign	(180)	14
Total deferred tax expense	\$ (180)	\$ (1,753)
Total income tax benefit	\$ (177)	\$ (1,628)

## Flora Growth Corp.

### Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% for the year ended December 31, 2024 and 2023 to the effective rate is as follows. As the Company is domiciled in Canada, the reconciliation is to the Company's home country income tax rate rather than the applicable statutory rates in the United States. The statutory tax rate as of December 31, 2024 in other countries relevant to the Company's subsidiaries include the following: United States 21%, Germany 27.73%, Denmark 22%, Australia 25%, and United Kingdom 19%.

	For the year ended December 31, 2024	For the year ended December 31, 2023
Statutory Canadian rate	26.5%	26.5%
Earnings in jurisdictions taxed at different rates	-0.2%	-1.3%
Impairments	-0.7%	-1.9%
Stock based compensation	-4.7%	-0.8%
Loss on investments	0.0%	-3.0%
Valuation allowance	-6.2%	-23.8%
Other permanent items	-1.7%	1.3%
Prior year adjustments, change in tax rates	-11.9%	6.4%
	1.1%	3.4%

The Components of the Company's deferred income tax assets and liabilities at December 31, 2024 and 2023 are as follows:

Thousands of United States dollars	2024	2023
Deferred tax assets		
Non-capital loss carryforwards	\$ 21,635	\$ 19,725
Share issuance costs	687	847
Unrealized gains (losses) on investments	2,973	5,858
Right of use assets	327	287
Fixed assets	85	77
Intangible assets	841	718
Goodwill	7,106	7,747
Sec 174 - R&D expense	359	263
Other	571	564
Accrued sales tax	547	-
Allowance for doubtful accounts	143	64
Gross deferred tax assets	35,274	36,150
Valuation allowance	(35,274)	(36,150)
Total net deferred tax assets	-	-
Deferred tax liabilities		
Intangible assets	800	-
Other accruals	56	-
Total deferred tax liabilities	856	-
Net deferred tax liabilities	\$ (856)	\$ -



## Flora Growth Corp.

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Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying values of assets and liabilities. The Company's deferred tax asset valuation allowances are primarily the result of uncertainties regarding the future realization of recorded tax benefits on the tax loss carryforwards from operations in various jurisdictions. Current evidence does not suggest the Company will realize sufficient taxable income of the appropriate character within the carryforward period to allow the Company to realize the deferred tax benefits. If the Company were to identify and implement tax planning strategies to recover these deferred tax assets or generate sufficient income of the appropriate character in these jurisdictions in the future, it could lead to the reversal of these valuation allowances and income tax expense.

The Company asserts that the earnings of its foreign subsidiaries (outside Canada) will be indefinitely reinvested in those subsidiaries and earnings will not be repatriated. The Company may need to accrue and pay taxes if those earnings were repatriated to Canada.

Unused loss carryforwards in Canada totaling \$58.2 million expire beginning 2037. Unused loss carryforwards in Columbia totaling \$0.8 million in Colombia expire beginning 2031. Unused loss carryforwards in the United States totaling \$17.5 million have an indefinite carryforward period. Unused loss carryforwards in Denmark totaling \$5.7 million have an indefinite carryforward period. Unused loss carryforwards in Germany of \$1.2 million have an indefinite carryforward period. Unused loss carryforwards in the United Kingdom of \$1.1 have an indefinite carryforward period. Deferred tax assets have not been recognized for legal entities where it is not probable that future taxable profit will be available against which the Company can use the benefits. Tax attributes are subject to review, and potential adjustment, by tax authorities. The tax years that remain subject to examination by significant tax jurisdictions of the Company as of December 31, 2023 are as follows: Canada 2019 to 2022, United States 2020 to 2023, Colombia 2019 to 2022, Germany 2018 to 2022, Denmark 2019 to 2022, and United Kingdom 2021 to 2022.

The amount of current income tax expense for the year ended December 31, 2024 was less than \$0.1 million and deferred income tax benefit was \$0.2 million within the consolidated statements of loss and comprehensive loss. The amount of current income tax expense recorded for the year ended December 31, 2023 was \$0.1 million and deferred income tax benefit was \$1.8 million.

The Company had no unrecognized income tax benefits because of uncertain income tax positions for the years ended December 31, 2024 and 2023.

## 21. LOSS PER SHARE

The following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive as the Company has a net loss for each period presented:

Thousands of securities	December 31, 2024	December 31, 2023
Stock options	21	49
Warrants	2,384	2,384
Restricted stock awards	13	391
Stock appreciation rights	841	-
JustCBD potential additional shares to settle contingent consideration	632	632
Total anti-dilutive	3,891	3,456

## Flora Growth Corp.

### Notes to the consolidated financial statements

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## 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Environmental

The Company's growth and development activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### Fair value

The Company's financial instruments measured at amortized cost as at December 31, 2024 and December 31, 2023 consist of cash, restricted cash, trade and amounts receivable, trade payables, contingencies, accrued liabilities, contingent purchase consideration liabilities, lease liabilities, and debt and loans payable. The amounts reflected in the consolidated statements of financial position approximate fair value due to the short-term maturity of these instruments.

Financial instruments recorded at the reporting date at fair value are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 - quoted prices that are unadjusted in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset/liability either directly or indirectly; and

Level 3 - inputs for the instruments are not based on any observable market data.

The Company's long-term investments require significant unobservable inputs and as discussed at Note 9, are measured at FVPL and as a Level 3 fair value financial instrument within the fair value hierarchy as at December 31, 2024. The Company's contingent purchase considerations consist of the estimated fair value of contingent purchase consideration from the acquisitions of JustCBD in February 2022 and Original Hemp in March 2023. The amount for JustCBD is measured at FVPL as a Level 2 fair value financial instrument within the fair value hierarchy as at December 31, 2024. The fair value was determined using a simplified calculation which took the expected shares to be issued (632,484) multiplied by the Company's closing share price at December 31, 2024 (\$1.03). The amount for Original Hemp are measured at FVPL as a Level 3 fair value financial instrument within the fair value hierarchy as at December 31, 2024. The fair value was determined using discounted cash flow models utilizing two different rates, high (25.5%) and low (20.3%), to estimate the present value of the future cash outflows. As valuations of investments for which market quotations are not readily available are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Such changes may have a significant impact on the Company's financial condition or operating results.

The following tables present information about the Company's financial instruments and their classifications as at December 31, 2024 and 2023 and indicate the fair value hierarchy of the valuation inputs utilized to determine such fair value.

Fair value measurements at December 31, 2024 using:

Thousands of United States Dollars	Level 1	Level 2	Level 3	Total
Financial assets:				
Investments (Note 9)	\$ -	\$ -	\$ -	\$ -
Financial liabilities:				
Contingent purchase consideration from business combinations	\$ -	\$ 651	\$ 184	\$ 835

Fair value measurements at December 31, 2023 using:

Thousands of United States Dollars	Level 1	Level 2	Level 3	Total
Financial assets:				
Investments (Note 9)	\$ -	\$ -	\$ -	\$ -
Financial liabilities:				
Contingent purchase consideration from business combinations	\$ -	\$ 854	\$ 241	\$ 1,095

# Flora Growth Corp.

## Notes to the consolidated financial statements

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The \$0.1 million change in the Level 3 contingent purchase consideration from the Original Hemp acquisition was recorded as a loss in the changes in financial instruments fair value on the consolidated statements of operations and comprehensive loss.

### Risk management overview

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables, loans receivable and cash held with banks and other financial intermediaries.

The carrying amount of the cash, restricted cash, trade and amounts receivables, and indemnification receivable represents the maximum credit exposure as presented in the statement of financial position.

The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk for customers is assessed on a case-by-case basis and an allowance for specific expected credit losses is recorded where required, in addition to an estimate of lifetime expected credit losses for the portfolio of accounts receivable. See credit risk analysis for trade receivables at Note 6.

The Company held cash and restricted cash of \$6.1 million as at December 31, 2024 (2023 - \$4.4 million), of which, \$6.1 million (2023 - \$4.4 million) is held with large financial institutions and national central banks. The remaining cash amount of less than \$0.1 million cash (2023 - less than \$0.1 million) are held with financial intermediaries in the United States, Canada, Germany, Denmark and United Kingdom. The Company has assessed no significant increase in credit risk from initial recognition based on the availability of funds, and the regulatory and economic environment of the financial intermediary. As a result, the loss allowance recognized during the period was limited to twelve months of expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on these cash and restricted cash balances as at December 31, 2024 and 2023.

### Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates, and interest rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company does not currently use foreign exchange contracts to hedge its exposure to currency rate risk as management has determined that this risk is not significant. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

As at December 31, 2024, the Company had the following monetary assets and liabilities denominated in foreign currencies:

	CAD	GBP	EUR	AUD
Thousands of foreign currencies				
Cash	245	6	1,150	67
Amounts receivable	70	43	1,425	11
Trade payables	(1,781)	(72)	(889)	(27)
Accrued liabilities	(300)	(116)	(13)	(178)
Lease liability	-	(30)	(476)	(166)
Long term debt	-	-	(2,004)	-
Net carrying value	(1,766)	(169)	(807)	(293)

## Flora Growth Corp.

### Notes to the consolidated financial statements

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As at December 31, 2023, the Company had the following monetary assets and liabilities denominated in foreign currencies:

	CAD	GBP	EUR
Thousands of foreign currencies			
Cash	536	35	297
Amounts receivable	527	125	1,688
Trade payables	(1,156)	(22)	(838)
Accrued liabilities	(25)	(69)	(16)
Lease liability	-	(41)	(86)
Long term debt	-	-	(1,750)
Net carrying value	(118)	28	(705)

Monetary assets and liabilities denominated in Canadian dollars, British pounds, euros and Australian dollars are subject to foreign currency risk. The Company has estimated that as at December 31, 2024, the effect of a 10% increase or decrease in Canadian dollars, British pounds, euros and Australian dollars against the United States dollar on financial assets and liabilities would result in an increase or decrease of approximately \$0.2 million (December 31, 2023 - \$0.4 million) to net loss and comprehensive loss. Subsequent to December 31, 2024 and through the date of issuance of these financial statements, the exchange rates remained within the 10% range discussed above, and the Company does not expect significant changes in unsettled transactions from December 31, 2024.

The Company calculates this sensitivity analysis based on the net financial assets denominated in each currency using the December 31 exchange rate, then changing the rate by 10%. Management determined 10% is a 'reasonably possible' change in foreign currency rates by considering the approximate change in rates in the prior twelve months.

It is management's opinion that the Company is not subject to significant commodity or interest rate risk.

Management considers concentration risk with counterparties considering the level of purchases and sales of its business segments (Note 24). Several of the Company's business units purchase substantially all their inventory or materials from a single supplier.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of trade payables and accrued liabilities, debt, and lease liabilities as presented on the statement of financial position. The Company had cash and restricted cash as presented on the statement of financial position. As discussed in Note 13, the Company has 0.4 million Euros (\$0.4 million USD) available on credit facilities through one of its German subsidiaries as of December 31, 2024. The Company has no other available credit lines of facilities to draw borrowings from should additional liquidity be needed. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise.

Trade payables and accrued liabilities consist of invoices payable to trade suppliers for administration and professional expenditures. The Company processes invoices within a normal payment period. Trade payables have contractual maturities of less than 90 days. Some suppliers of materials and inventory require full prepayment from the Company prior to providing such goods to the Company. See schedule of future lease commitments at Note 14 and other commitments at Note 19.

The Company's long-term investments in equity of other entities are not publicly traded and there is not an active market to sell the investments for cash.

# Flora Growth Corp.

## Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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### 23. CAPITAL MANAGEMENT

The Company considers the aggregate of its common shares, options, SARs, warrants and borrowings as capital. The Company's capital management objective is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other shareholders.

The Company's capital management objectives were being met in 2024 primarily from the use of cash balances from the 2022, 2023 and 2024 issuances of common shares and warrants and generating revenue in 2024 from the Company's reportable segments as presented in Note 24.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company is not subject to any external capital requirements. As at December 31, 2024, there were no changes in the Company's approach to capital management.

### 24. SEGMENTED INFORMATION

The Company reports its financial results for the following two operating segments, which are also its reportable segments: commercial and wholesale (primarily the Phatebo and TruHC subsidiaries), which sell pharmaceutical products, and house of brands (primarily JustCBD and Vessel subsidiaries), which sells a mix of products across multiple categories including food and beverage, cannabis accessories and technology, personal care and wellness. TruHC, acquired in April 2024, is included in commercial and wholesale, while, AV, acquired in June 2024, is included in house of brands. These segments reflect how the Company's operations are managed, how the Company Chief Executive Officer, who is the chief operating decision maker, allocates resources and evaluates performance, and how the Company's internal management financial reporting is structured. The chief operating decision maker uses net income to evaluate income generated from segment assets in deciding whether to reinvest profits into the segment or into other parts of the Company, such as for acquisitions. Net income is used to monitor actual results versus budget and prior year, which is used to assess the performance of the segment.

For the year ended December 31, 2023, the Company had three operating segments, which were also its reportable segments: commercial and wholesale, house of brands and pharmaceuticals (formerly the Grupo Farmaceutico Cronomed and Breeze Laboratory subsidiaries in Colombia). Due to the sale of the Colombian subsidiaries during 2023 and the resulting reclassification into discontinued operations, the Company no longer reports a pharmaceuticals segment.

As discussed in Note 2 and Note 5, on July 5, 2023, the Company entered into a Share Purchase Agreement with Lisan to sell all its shares in its Colombian related subsidiaries and its Colombian assets. This sale was completed in full on November 1, 2023. As such, the Company has presented the associated assets and liabilities of these Colombian subsidiaries as held for sale and the results of these subsidiaries are included in discontinued operations.

The Company's operates its manufacturing and distribution business within its United States, Germany and Australia subsidiaries. Management has defined the reportable segments of the Company based on this internal business unit reporting, which is by major product line, and aggregates similar businesses into the house of brands segment below. The Corporate segment reflects balances and expenses that do not directly influence business unit operations and includes the Company's long-term investments. The eliminations represent sales within the house of brands segment.

In 2024 and 2023, the Company did not have sales to a single customer exceeding 10% of its consolidated revenue.

The following table shows information regarding the Company's segments for the year ended December 31, 2024.

	Commercial & Wholesale	House of Brands	Corporate & Eliminations	Total
Revenue	\$ 35,865	\$ 27,704	\$ (4,064)	\$ 59,505
Cost of sales	33,755	17,317	(4,064)	47,008
Gross profit	2,110	10,387	-	12,497
Consulting and management fees	2,717	5,567	1,377	9,661
Promotion and communication	-	3,957	1,341	5,298
Share based compensation	270	-	2,509	2,779
Depreciation and amortization	524	244	-	768
Impairment expense	32	2,205	-	2,237
Changes in financial instruments fair value	-	(57)	(202)	(259)
Interest expense, net	110	68	35	213
Other segment items (1)	952	4,226	2,706	7,884
Net loss before income taxes	(2,495)	(5,823)	(7,766)	(16,084)
Income taxes	(134)	(43)	-	(177)
Net loss from continuing operations	\$ (2,361)	\$ (5,780)	\$ (7,766)	\$ (15,907)

## Flora Growth Corp.

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The following table shows information regarding the Company's segments for the year ended December 31, 2023.

	Commercial & Wholesale	House of Brands	Corporate & Eliminations	Total
Revenue	\$ 38,262	\$ 44,602	\$ (6,793)	\$ 76,071
Cost of sales	36,044	29,082	(6,793)	58,333
Gross profit	2,218	15,520	-	17,738
Consulting and management fees	2,507	7,288	2,081	11,876
Promotion and communication	-	4,688	22	4,710
Share based compensation	-	-	1,591	1,591
Depreciation and amortization	857	1,478	-	2,335
Impairment expense	9,214	30,293	-	39,507
Interest expense, net	93	11	(12)	92
Changes in financial instruments fair value	-	(964)	(1,027)	(1,991)
Other segment items (1)	(196)	4,122	3,989	7,915
Net loss before income taxes	(10,257)	(31,396)	(6,644)	(48,297)
Income taxes	(1,650)	3	19	(1,628)
Net loss from continuing operations	\$ (8,607)	\$ (31,399)	\$ (6,663)	\$ (46,669)

(1) Other segment items include professional fees, general and administrative, travel expenses, research and development, operating lease expense, bad debt expense, other expenses (net), and foreign exchange loss (income).

Other significant items:

	Commercial & Wholesale	House of Brands	Corporate	Consolidated
<b>2024</b>				
Purchases of property, plant and equipment and other assets	\$ 40	\$ 94	\$ -	\$ 134
Total assets	14,642	7,422	4,163	26,227
<b>2023</b>				
Purchases of property, plant and equipment and other assets	\$ 54	\$ 17	\$ 92	\$ 163
Total assets	9,096	11,608	2,922	23,626

## Flora Growth Corp.

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For the years ended December 31, 2024 and 2023

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Disaggregation of net sales and net loss before income taxes by geographic area:

	December 31, 2024	December 31, 2023
<b>Net Sales</b>		
United States	\$ 22,241	\$ 36,536
Germany	35,865	38,262
United Kingdom	728	1,273
Australia	671	-
	<u>\$ 59,505</u>	<u>\$ 76,071</u>

	December 31, 2024	December 31, 2023
<b>Net Loss Before Income Taxes</b>		
United States	\$ (4,580)	\$ (31,013)
Germany	(2,495)	(10,258)
Canada	(7,767)	(6,662)
Australia	(689)	-
United Kingdom	(553)	(364)
	<u>\$ (16,084)</u>	<u>\$ (48,297)</u>

Disaggregation of property, plant and equipment and other long-lived assets by geographic area:

	December 31, 2024	December 31, 2023
<b>Property, Plant and Equipment</b>		
United States	\$ 91	\$ 354
Germany	182	493
Australia	39	-
	<u>\$ 312</u>	<u>\$ 847</u>

	December 31, 2024	December 31, 2023
<b>Other Long-lived Assets</b>		
United States	\$ 780	\$ 1,140
Germany	5,133	-
Australia	99	-
United Kingdom	-	89
Canada	140	186
	<u>\$ 6,152</u>	<u>\$ 1,415</u>

	December 31, 2024	December 31, 2023
<b>Total Assets</b>		
United States	\$ 6,706	\$ 11,094
Germany	14,642	9,096
Australia	470	-
United Kingdom	246	514
Canada	4,163	2,922
	<u>\$ 26,227</u>	<u>\$ 23,626</u>

## 25. SUBSEQUENT EVENTS

### ACQUISITION OF UNITED

On January 30, 2025, the Company and United, a South Dakota corporation, entered into a Share Purchase Agreement (the "Share Purchase Agreement") pursuant to which the Company purchased 100% of the issued and outstanding common shares of United (the "United Common Shares"), a distributor of cannabis-infused drinks (the "Transaction").

## Flora Growth Corp.

### Notes to the consolidated financial statements

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Under the terms of the Share Purchase Agreement, Flora agreed to purchase the United Common Shares from the group of sellers listed in the Share Purchase Agreement (the "Sellers"), which included Clifford Starke and Sammy Dorf, each of whom are directors of Flora (the "Flora Directors"), and Flora's chief financial officer, Dany Vaiman (together with the Flora Directors, the "Flora Insiders") for (i) 923,744 shares of common stock of Flora (the "Flora Shares"), representing 4.99% of the outstanding shares of common stock of Flora as of January 30, 2025, issued to the Sellers who are not Flora Insiders and (ii) promissory notes with five year maturities that accrue interest at a rate of 6% per annum in an aggregate principal amount of \$2.8 million issued to the Sellers (the "Notes"). The Share Purchase Agreement contains standard representations, warranties, covenants, and indemnity provisions, and its terms were unanimously approved by the disinterested directors of the Company.

Due to the timing of the closing of this transaction, purchase accounting is incomplete. The Company is evaluating the potential effects of this acquisition on the financial statements. The acquisition will be accounted for in accordance with Accounting Standards Codification ("ASC") Topic 805, "Business Combinations".

#### INSOLVENCY OF CERTAIN CANADIAN AND GERMAN SUBSIDIARIES

On March 14, 2025, each of Franchise Global Health Inc., Franchise Cannabis Corp., CBDMed Therapeutics Inc., Harmony Health One Inc., 1200325 B.C. Ltd., and Fayber Technologies Inc. (collectively, the "Canadian insolvent entities") made a voluntary assignment in bankruptcy pursuant to section 49 Bankruptcy and Insolvency Act (Canada) in the appropriate Canadian jurisdictions. On March 17, 2025, ACA Mueller ADAG Pharma Vertriebs GmbH, Sativa Verwaltungs GmbH, and Sativa Verwaltungs GmbH and Co. KG (together "the German insolvent entities") each made filings for insolvency proceedings under German insolvency laws in Kontanz, Germany. Each of the Canadian insolvent entities and the German insolvent entities was a direct or indirect subsidiary of the Company and was part of the Company's acquisition of FGH in December 2022. The Company supported the insolvencies as part of ongoing strategic changes to cut costs and streamline operations. As of December 31, 2024, the combined total assets of the Canadian insolvent entities and German insolvent entities was \$4.4 million and the combined net loss for the period ending December 31, 2024 was \$1.3 million.

#### OTHER

On February 25, 2025, the Company was notified by Nasdaq that it was not in compliance with the minimum bid price requirement of \$1.00 per share for 30 consecutive business days as set forth in Rule 5550(a)(2) of the Nasdaq Listing Rules (the "Minimum Bid Price Requirement"). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), Nasdaq provided a 180-calendar day period following the date of the notice to regain compliance. For the Company, this date is August 25, 2025. To regain compliance with the Minimum Bid Price Requirement, the Company is required to maintain a minimum closing bid price of \$1.00 or more for at least 10 consecutive trading days.

In the event the Company does not regain compliance, the Company may be eligible for additional time. To qualify, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq, with the exception of the bid price requirement, and will need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary.



## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 9A. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act and the regulations promulgated thereunder) as of December 31, 2024 (the "Evaluation Date"). Based on such evaluation, those officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective.

#### Management's Annual Report on Internal Control over Financial Reporting

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of 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 purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and asset dispositions;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our financial statements in accordance with generally accepted accounting principles;
- provide reasonable assurance that receipts and expenditures are made only in accordance with authorizations of our management and board of directors (as appropriate); and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, 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 the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2024 based on criteria established in Internal Control-Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on such assessment, our management concluded that the Company's internal control over financial reporting was effective as of December 31, 2024.

#### Changes in Internal Control over Financial Reporting

During the year ended December 31, 2024, there were no changes in the Company's internal control over financial reporting that materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

### ITEM 9B. OTHER INFORMATION

#### *Rule 10b5-1 Trading Plans*

None.

#### ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

##### Directors & Executive Officers

The names of our current directors and executive officers and their respective ages, positions, biographies are set forth below.

Name and Place of Residence	Position	Age
<b>Executive Officers:</b>		
Clifford Starke Panama	Chief Executive Officer and Director	41
Sammy Dorf Florida, USA	Executive Chairman and Director	40
Dany Vaiman Ontario, Canada	Chief Financial Officer	39
<b>Non-Employee Directors:</b>		
Edward Woo British Columbia, Canada	Director <sup>(1)</sup>	46
Harold Wolkin Ontario, Canada	Director <sup>(1)</sup>	73
Manfred Leventhal Ontario, Canada	Director <sup>(1)</sup>	73

(1) Each nominee for director has been reviewed and recommended for nomination by our Nominating and Corporate Governance Committee and has consented to serve as a director if elected.

##### Non-Director Executive Officers

**Dany Vaiman, Chief Financial Officer:** Mr. Vaiman has served as the Company's Chief Financial Officer since June 2023 and as the Company's Senior VP Finance from December 2022 to June 2023. From February 2022 through the closing of the Company's arrangement with Franchise Global Health Inc. ("Franchise") on December 23, 2022 (the "Arrangement"), he served as the Chief Financial Officer of Franchise. Prior to that, Mr. Vaiman served as Corporate Controller (from July 2018 to July 2021) and as Assistant Controller (from June 2016 to June 2018) of Torex Gold Resources Inc.- a leading intermediate gold producer listed on the TSX. For seven years, Mr. Vaiman was with Ernst & Young's Toronto Audit Group, specializing in publicly listed TSX and SEC clients. Mr. Vaiman is a Chartered Professional Accountant (CPA) and Chartered Accountant (CA) in Ontario, a Certified Public Accountant (CPA) in Illinois, and holds a Bachelor of Business Administration (Honours) from the Schulich School of Business.

##### Directors

**Clifford Starke, Chief Executive Officer and Director:** Mr. Starke was appointed as the Company's Chief Executive Officer in June 2023. Previously, he served as President from December 2022 to June 2023. Prior to his appointment, from February 2022 through the closing of the Company's acquisition of the business, Mr. Starke served as the Executive Chairman and Chief Executive Officer of Franchise Global Health Inc. Since May 2018, Mr. Starke has served as the Chairman of Hampstead Private Capital Ltd., a Bermuda based merchant bank investing in small to mid-cap, high growth companies in various sectors and primarily focused in the medical cannabis industry. Mr. Starke has over 18 years of investing and public markets experience and, over the last seven years, has acted as a financier, investor and operator of cannabis companies. Mr. Starke holds a Bachelor of Arts degree in History from Queen's University. Mr. Starke's qualifications to serve on our Board of Directors include his M&A, public market investment and capital raising experience and knowledge of the cannabis industry.

**Sammy Dorf, Executive Chairman and Director:** Mr. Dorf is Co-Founder and former Chief Growth Officer of Verano Holdings Corp. ("Verano") - a vertically integrated United States cannabis company with revenues exceeding \$925 million as per the latest annual reporting period. He was with Verano from October 2015 to March 2024. From November 2023 to the present, he has been the founder of Dreamlife Consulting. He was instrumental in Verano's growth; his achievements include raising capital, securing more than 40 licenses across 14 states, and building its operations in markets such as Illinois, Maryland, Nevada, Pennsylvania, and Ohio. A criminal defense attorney turned cannabis entrepreneur; he has had a key role in many deals in the cannabis space. Mr. Dorf was inducted into the High Times 100. The award was created by High Times, a cannabis publication to celebrate the remarkable strides and efforts of the men and women currently influencing and actively shaping the business, technology, science, health, and innovation in cannabis today.

**Edward Woo, Director:** Mr. Woo joined our Board of Directors in December 2022. From August 2021 through the closing of the Arrangement, he served as the President and Chief Operating Officer of Franchise. Mr. Woo is a seasoned business executive with extensive experience in the consumer-packaged goods industry. Over the past 20 years, Mr. Woo focused his efforts on the tobacco industry in the areas of sales, trade marketing, business strategy, political mobilization and government affairs. As a former executive at Rothmans Benson & Hedges Inc. and Philip Morris International, Mr. Woo held several leadership roles which included serving as Head of Regulatory & External Affairs at the Global Headquarters in Lausanne, Switzerland (2016 through 2021) and as Regional Communications Director Latin America and Canada (from 2013 through 2016). Mr. Woo has extensive global experience and strong ties to the European markets and worked closely with over 30 markets in Europe, Middle East, Asia and Latin America on the rollout of Philip Morris' revolutionary IQOS product, with a particular focus on execution, supply chain, regulation and stakeholder engagement. Mr. Woo holds a BA in Economics from the University of Western Ontario. Mr. Woo's qualifications to serve on our Board of Directors include his extensive experience in the consumer-packaged goods industry, his regulatory knowledge and experience and his ties to the European markets.

**Harold Wolkin, Director:** Mr. Wolkin brings over 30 years of progressive experience in the finance sector, having held significant roles in investment banking, including positions at BMO Capital Markets and Dundee Capital Markets. He has an extensive background and expertise in the areas of financial strategy and governance. Mr. Wolkin currently serves on the boards of several publicly listed companies. He is the Audit Committee Chair at Baylin Technologies Inc. (TSX: BYL), the Lead Independent Director and Audit Committee Chair at Cipher Pharmaceuticals (TSX: CPH), and Chairman of Femto Technologies Inc. (Nasdaq: BCAN). Mr. Wolkin has also made notable contributions to the financial community as a past President of the CFA Society Toronto, and he has been a member of the Chartered Financial Institute since 1980, holding the Chartered Financial Analyst (CFA) designation. Mr. Wolkin holds a Bachelor of Arts in Economics from York University and a Master of Arts in Economics and Finance from the University of Toronto. He is also a graduate and member of the Institute of Corporate Directors, further underscoring his commitment to excellence in corporate governance.

**Manfred Leventhal, Director:** Mr. Leventhal is an accomplished executive with over 20 years of experience driving growth, strategy, and governance in small to mid-cap companies. He is a seasoned board member having a proven track record of success in corporate finance, strategy, and leadership. As the Canadian Director, from 2015 to 2022, for the real estate investment company, Hagshama Fund Ltd., Mr. Leventhal oversaw the company's project acquisition and development in Canada. He was the Chairman and a director, from 2017 to 2022 of the oil exploration company, Genesis Petrocorp Ltd. Where he oversaw the company's growth and expansion initiatives. Mr. Leventhal holds a CPA & CGA (Ontario, Canada) designation and a Bachelor of Commerce from the University of The Witwatersrand, Johannesburg, South Africa where he majored in applied economics.

#### **Family Relationships**

There are no family relationships between any of our officers or directors.

## **Involvement in Certain Legal Proceedings**

### Corporate Cease Trade Orders

To the knowledge of the Company, no proposed director of the Company is, as at the date of the Annual Report, or has been, within 10 years before the date of this Annual Report, a director, chief executive officer or chief financial officer of any company (including the Company) that,

- (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

### Bankruptcy and Insolvency

To the knowledge of the Company, no proposed director of the Company:

- (a) is, as at the date of this Annual Report, or has been within 10 years before the date of this Annual Report, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this Annual Report, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

### Penalties and Sanctions

To the knowledge of the Company, no proposed director of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### ***Section 16(a) Beneficial Ownership Reporting Compliance***

Section 16(a) of the Exchange Act and the rules thereunder require our directors, executive officers and persons who beneficially own more than 10% of a registered class of our equity securities, to file reports with the SEC relating to their share ownership and changes in such ownership.

To the Company's knowledge, all transactions required to be reported pursuant to Section 16(a) for the year ended December 31, 2024 were timely reported by the Company's directors, officers and persons who own more than 10% of a registered class of the Company's equity securities.

## Corporate Governance

### *Overall Role of the Board of Directors*

Our Common Shares are listed on the Nasdaq Capital Market under the symbol "FLGC." Pursuant to our Bylaws and applicable Canadian law, our business and affairs are managed under the direction of our Board of Directors. Directors are kept informed of the Company's business through discussions with management, by reviewing materials provided to them and by participating in meetings of the Board of Directors and its committees.

### *Board of Directors Leadership Structure*

The Company is led by Mr. Starke, who has served as Chief Executive Officer since June 2023. Mr. Dorf has served as the Company's Executive Chairman since December 2024.

Although the Board of Directors does not have a formal policy on whether the roles of Chief Executive Officer and Chairman of the Board of Directors should be separated, we believe that our current Board of Directors leadership structure is suitable for us. The Chief Executive Officer is the individual selected by the Board of Directors to manage our Company on a day to day basis, and his direct involvement in our business operations makes him best positioned to lead productive Board of Directors strategic planning sessions and determine the time allocated to each agenda item in discussions of our Company's short- and long-term objectives. The Company has not developed a written position description for the Chairman of the Board of Directors, the Chief Executive Officer or the chair of any Board of Directors committee. The Company has not adopted a specific maximum term limit for its Directors as it feels the shareholders of the Company should have the power to elect directors who they feel are appropriate regardless of how long such directors have served on the Board of Directors.

**Risk Oversight.** One of the key functions of our Board of Directors is informed oversight of our risk management process. Our Board of Directors administers this oversight function directly through our Board of Directors as a whole, as well as through various standing committees of our Board of Directors that address risks inherent in their respective areas of oversight. In particular, our Board of Directors is responsible for monitoring and assessing strategic risk exposure, and our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures. The Audit Committee also has the responsibility to review with management the process by which risk assessment and management is undertaken, monitor compliance with legal and regulatory requirements, and review the adequacy and effectiveness of our internal controls over financial reporting. Our Nominating and Corporate Governance Committee is responsible for periodically evaluating our company's corporate governance policies and systems.

**Policies Regarding the Representation of Women.** The Nominating and Corporate Governance Committee currently does not consider the level of representation of women on the Board of Directors or in executive officer positions in identifying and nominating candidates for election or re-election to the Board of Directors or as executive officers of the Company. However, informally, in identifying and selecting director or executive officer nominees, the Company values diversity, including, without limitation, diversity of experience, perspective, education, race, gender and national origin, as one among the many factors taken into consideration during the search process. The Company also considers, among other things, the qualifications, personal qualities, business background and relevant experience of individual candidates as well as the overall composition of the Board of Directors or executive officers with a view to identifying and selecting the most ideal and complementary candidates. The Nominating and Corporate Governance Committee and the Board of Directors intend to consider on an ongoing basis whether the Company should adopt specific policies and practices regarding the representation of women on the Board of Directors and in executive officer positions, including the setting of targets for such representation.

Currently the Company does not have women directors or executive officers.

**Director Independence.** Our Board of Directors undertook a review of the independence of each director. Based on information provided by each director concerning his or her background, employment, and affiliations, our Board of Directors has determined that the Board of Directors meets independence standards under the applicable rules and regulations of the SEC, the listing standards of Nasdaq and National Instrument 52-110 - *Audit Committees* ("NI 52-110"). The Board of Directors has affirmatively determined that the following Directors are "independent" as defined in the listing standards of Nasdaq and under National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101"): Edward Woo, Harold Wolkin and Manfred Leventhal. The Board of Directors has also determined that Clifford Starke and Sammy Dorf are not "independent" as defined in the listing standards of Nasdaq and under NI 52-110. In making these determinations, our Board of Directors considered the current and prior relationships that each director has with our Company and all other facts and circumstances our Board of Directors deemed relevant in determining their independence, including the beneficial ownership of our Common Shares by each director, and the transactions involving them described in the section titled "Certain Relationships and Related Party Transactions." While our Board of Directors has appointed Mr. Dorf as lead Director and Executive Chairman of the Board of Directors, the breadth and depth of experience of the independent Directors as a whole provides the Board of Directors with important leadership qualities. All Directors, including independent Directors, are invited to openly provide their thoughts and opinions. The Board of Directors does not take any specific steps to provide leadership for its independent Directors.

**Code of Ethics.** Our Board of Directors has adopted a Code of Conduct and Ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our Code of Conduct and Ethics is available on our website. We intend to disclose future amendments to certain provisions of our Code of Conduct and Ethics, or waivers of certain provisions as they relate to our directors and executive officers, at the same location on our website or in our public filings. The information on our website is not intended to form a part of or be incorporated by reference into this Annual Report. The Board of Directors monitors compliance with the Code of Conduct and Ethics by requiring all action prohibited by the Code of Conduct and Ethics to be reported to the Audit Committee, if involving a director or officer, and to the Chief Compliance Officer, if involving anyone else.

**Orientation and Continuing Education.** The Nominating and Corporate Governance Committee is responsible for the onboarding of new directors and the continuing education of existing directors. Pursuant to its charter, the Nominating and Corporate Governance Committee develops and annually reviews orientation and education programs for new directors and provides ongoing education for all directors. Upon joining the Board of Directors, each director is provided with an orientation package regarding the role of the Board of Directors, its committees and its directors, and the nature and operation of the Company's current and past business. They are also provided with a copy of the Code of Conduct and Ethics, the Audit Committee Charter and the Nominating and Corporate Governance Charter. The Board of Directors encourages directors to participate in continuing education opportunities in order to ensure that the directors maintain or enhance their skills and abilities as directors, and maintain a current and thorough understanding of the Company's business.

**Board of Directors Committees.**

Our Board of Directors has three standing committees: an Audit Committee; a Compensation Committee; and a Nominating and Corporate Governance Committee. Each of the committees reports to the Board of Directors as it deems appropriate and as the Board of Directors may request. The composition, duties and responsibilities of these committees are set forth below. In the future, our Board of Directors may establish other committees, as it deems appropriate, to assist it with its responsibilities.

The table below provides current committee membership information:

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Harold Wolkin	Chair	X	Chair
Edward Woo	X	Chair	X
Manfred Leventhal	X	X	X

**Committee Meetings.** Each committee member had 100% attendance at all committee meetings held in 2024.

**Audit Committee.** We have a standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Audit Committee is responsible for, among other things:

- appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm;
- discussing with our independent registered public accounting firm their independence from management;
- reviewing, with our independent registered public accounting firm, the scope and results of their audit;
- approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm any financial statements that we file with the SEC;
- overseeing our financial and accounting controls and compliance with legal and regulatory requirements;
- reviewing our policies on risk assessment and risk management;
- reviewing related person transactions; and
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.

The Audit Committee is composed of Messrs. Harold Wolkin, Edward Woo and Manfred Leventhal with Mr. Wolkin serving as chair. Mr. Wolkin, Mr. Leventhal and Mr. Woo each qualify as an "audit committee financial expert" as such term has been defined in Item 407(d)(5) of Regulation S-K. All Audit Committee members, as well new expected members, are "financially literate" as defined in NI 52-110. Our Board of Directors has affirmatively determined that Messrs. Wolkin, Leventhal and Woo each meet the definition of "independent director" for purposes of serving on the Audit Committee under the Nasdaq rules, the independence standards under Rule 10A-3 of the Exchange Act and under NI 52-110. Both our independent registered public accounting firm and management personnel periodically meet privately with our Audit Committee.

Our Board of Directors has adopted a written charter for the Audit Committee.

The Report of the Audit Committee, which is set forth in this Annual Report, further describes the Audit Committee's responsibilities and its recommendation with respect to our audited consolidated financial statements for the year ended December 31, 2024.

**Compensation Committee.** Our Compensation Committee is responsible for, among other things:

- reviewing and approving the corporate goals and objectives, evaluating the performance and reviewing and approving the compensation of our executive officers;
- reviewing and approving or making recommendations to our Board of Directors regarding our incentive compensation and equity-based plans, policies and programs;
- reviewing and approving all employment agreement and severance arrangements for our executive officers;
- making recommendations to our Board of Directors regarding the compensation of our directors; and
- retaining and overseeing any compensation consultants.

The Compensation Committee is composed of Harold Wolkin, Manfred Leventhal and Edward Woo, with Mr. Woo serving as chair. Our Board of Directors has affirmatively determined that Messrs. Wolkin, Leventhal and Woo each meet the definition of "independent director" for purposes of serving on the Compensation Committee under the Nasdaq rules, the independence standards under Rule 10A-3 of the Exchange Act and under NI 58-101. Each member of our Compensation Committee is a non-employee director (within the meaning of Rule 16b-3 under the Exchange Act).

The Compensation Committee may establish and delegate authority to one or more subcommittees consisting of one or more of its members, when the Compensation Committee deems it appropriate to do so in order to carry out its responsibilities. In carrying out its responsibilities, the Compensation Committee shall be entitled to rely upon the advice and information that it receives in its discussions and communications with management and such experts, advisors and professionals with whom the Compensation Committee may consult.

The Board of Directors is of the view that the members of the Compensation Committee collectively have the knowledge, skills, experience and background to make decisions on the suitability of the Company's compensation policies and practices. A description of such skills and experience for the committee members is set out in this Annual Report under the heading "*Directors & Executive Officers*."

Our Board of Directors has adopted a written charter for the Compensation Committee.

The Compensation Committee did not receive any recommendations from any compensation consultants during the 2024 fiscal year.

**Nominating and Corporate Governance Committee.** Our Nominating and Corporate Governance Committee is responsible for, among other things:

- identifying individuals qualified to become members of our Board of Directors, consistent with criteria approved by our Board of Directors;
- overseeing succession planning for our executive officers;
- periodically reviewing our Board of Directors' leadership structure and recommending any proposed changes to our Board of Directors;
- overseeing an annual evaluation of the effectiveness of our Board of Directors and its committees, including distributing annual written self-assessments and assessments of the Board of Directors; and
- developing and recommending to our Board of Directors a set of corporate governance guidelines.

The Nominating and Corporate Governance Committee is composed of Mr. Wolkin, Mr. Leventhal and Mr. Woo, with Mr. Wolkin serving as chair. Our Board of Directors has affirmatively determined that Messrs. Woo, Wolkin and Leventhal each meet the definition of "independent director" for purposes of serving on the Nominating and Corporate Governance Committee under the Nasdaq rules, the independence standards under Rule 10A-3 of the Exchange Act and under NI 58-101.

Our Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee.

**Director Nominations.** The Nominating and Corporate Governance Committee may solicit recommendations for the Board of Directors from any or all of the following sources: non-management directors, the Chief Executive Officer, other executive officers, third-party search firms, or any other source it deems appropriate, including shareholders. The Committee will evaluate all such proposed director candidates in the same manner, with no regard to the source of the initial recommendation of such proposed director candidate. In identifying and evaluating proposed director candidates, the Nominating and Corporate Governance Committee considers, in addition to the minimum qualifications and other criteria for Board of Directors membership, all facts and circumstances that it deems appropriate or advisable, including, among other things:

1. The skills of the proposed director candidate.
2. His or her depth and breadth of business experience.
3. Whether the nominee would help achieve a mix that represents a diversity of background and experience, inclusive of gender, race, ethnicity, age, gender identity, gender expression, persons with disabilities and sexual orientation or other background characteristics.
4. His or her independence.
5. The needs of the Board of Directors.

The Nominating and Corporate Governance Committee will consider candidates recommended by the Company's shareholders who are eligible to serve as directors in accordance with the Company's Bylaws and the OBCA.

Although we have not adopted a formal policy regarding the consideration of Board of Directors candidates recommended by our shareholders, the Board of Directors believes that the procedures set forth in our Bylaws are currently sufficient and that the establishment of a formal policy is not necessary. Without limiting the requirements contained in our Bylaws, the recommendation must set forth (i) as to each person whom the shareholder proposes to nominate for election as a director (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class and number of Common Shares that are owned beneficially or of record by the person, (D) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) and (E) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (ii) as to the shareholder giving the notice (A) the name and record address of such shareholder as they appear on the Company's books, (B) the class and number of Common Shares that are owned beneficially and of record by such shareholder and the beneficial owner, if any, on whose behalf the nomination is made and (C) any material interest of the shareholder in such nomination. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.



**Communications with the Company and the Board of Directors.** All interested parties, including shareholders, may communicate with the Company or our Board of Directors by letter addressed to Flora Growth Corp. Attention: Chief Financial Officer, 3230 W. Commercial Boulevard Suite 180, Ft Lauderdale, Florida 33309, USA.

## **ITEM 11. EXECUTIVE COMPENSATION**

### **Overview**

This section discusses the material components of our executive compensation program for our named executive officers ("Named Executive Officers") during our fiscal years ended December 31, 2024 and December 31, 2023. As a "smaller reporting company," we are required to provide executive compensation information for the following individuals: (i) all individuals who served as the Company's principal executive officer ("PEO"), during the last completed fiscal year, regardless of compensation; (ii) the two most highly compensated executive officers (other than the PEO) who were serving as executive officers of the Company at the end of the last completed fiscal year and whose total compensation was greater than \$100,000; and (iii) up to two additional persons who served as executive officers (other than as the PEO) during the last completed fiscal year but were not serving in that capacity at the end of the fiscal year if their total compensation is higher than any of the other two Named Executive Officers in the preceding group.

In 2024, our Named Executive Officers and their positions were as follows:

- Clifford Starke, our Chief Executive Officer;
- Sammy Dorf, our Executive Chairman;
- Dany Vaiman, our Chief Financial Officer.

**Summary Compensation Table**

The following table sets out the compensation for the Named Executive Officers for the years ended December 31, 2024 and 2023:

Name and Principal Position	Fiscal Year	Salary (US\$) <sup>(1)</sup>	Bonus (US\$) <sup>(2)</sup>	Common Shares Awards (US\$) <sup>(3)</sup>	Stock Appreciation Rights Awards (US\$) <sup>(4)</sup>	Nonequity Incentive Plan Compensation (US\$)	Nonqualified Deferred Compensation Earnings (US\$)	All Other Compensation (US\$) <sup>(5)</sup>	Total Compensation (US\$)
Clifford Starke, <i>Chief Executive Officer</i>	2024	420,000	36,000	1,170,000	1,094,435	-	-	-	2,720,435
	2023	371,233	-	249,167	-	-	-	8,116	628,516
Sammy Dorf, <i>Executive Chairman</i>	2024	20,967	-	325,000	-	-	-	-	345,967
	2023	-	-	-	-	-	-	-	-
Dany Vaiman, <i>Chief Financial Officer</i>	2024	275,000	18,000	-	818,998	-	-	23,806	1,135,804
	2023	243,301	-	113,258	-	-	-	23,452	380,011
Luis Merchan, <i>former Chief Executive Officer</i>	2024	-	-	-	-	-	-	-	-
	2023	433,615	-	495,000	-	-	-	48,120	976,735
Hussein Rakine, <i>former Chief Executive Officer</i>	2024	-	-	-	-	-	-	-	-
	2023	84,615	-	296,400	-	-	-	-	381,015
Matthew Cohen, <i>former General Counsel</i>	2024	-	-	-	-	-	-	-	-
	2023	145,824	60,000	-	-	-	-	31,250	237,074

(1) Salary amounts represent actual amount of base salary earned by each Named Executive Officer in the applicable year.

- (2) Bonus amounts for 2024 and 2023 represent the actual amount of cash bonuses earned during 2023 and 2024, respectively, under the Company's annual bonus program. All such bonuses have been paid. Refer to "Annual Bonus/Non-Equity Incentive Plan Compensation" below.
- (3) Value based on trading price of the Common Shares on the date of the respective grants. These grants include grants of restricted Common Shares. See "Narrative to the Summary Compensation Table-Equity-Based Compensation-Equity Awards to Named Executive Officers during 2023 and 2024," for information regarding these grants. Mr. Rakine forfeited the share awards granted to him in 2023 upon his resignation.
- (4) Represents the aggregate grant date fair value of stock appreciation rights granted to each Named Executive Officer, calculated in accordance with the binomial simulation valuation model.
- (5) For Messrs. Merchan and Cohen, respectively, in the form of a monthly stipend pursuant to the terms of their respective employment agreements, which included reimbursement payments in connection with health insurance premiums paid during fiscal years 2023 and 2024. Mr. Vaiman's amount includes vacation accrued but not taken for a total of \$21,212 as well as health and dental benefits totaling \$2,594.

#### ***Narrative to the Summary Compensation Table***

##### ***Base Salaries***

We use base salaries to recognize the experience, skills, knowledge, and responsibilities required of all our employees, including our Named Executive Officers. Base salaries are reviewed annually, typically in connection with our annual performance review process, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance, and experience.

##### ***Annual Bonus/Non-Equity Incentive Plan Compensation***

For 2024 and 2023, our Named Executive Officers were eligible to earn a cash bonus under the Company's annual bonus program based upon achievement of both corporate and individual goals determined by the Board of Directors based on a target percentage of annual base salary. For 2024, Mr. Starke received a cash bonus of \$36,000 and Mr. Vaiman received a cash bonus of \$18,000. For 2023, Mr. Cohen received a cash bonus of \$60,000.

##### ***Equity-Based Compensation***

Certain of the Company's Named Executive Officers received grants of stock appreciation rights and grants of restricted Common Shares under the Company's option plan and 2022 Plan during 2023 and 2024.

##### ***Company Stock Option Plan***

The Company has a stock option plan whereby it may grant options for the purchase of Common Shares to any director, consultant, employee or officer of the Company or its subsidiaries. The aggregate number of shares that may be issuable pursuant to options granted under the Company's stock option plan will not exceed 10% of the issued and outstanding Common Shares of the Company. The options are non-transferable and non-assignable and may be granted for a term not exceeding five-years. The exercise price of the options is determined by the Board of Directors at the time of grant, but in the event that the Common Shares are traded on any stock exchange, may not be less than the closing price of such shares on such exchange on the trading date immediately precedent the date of grant, subject to all applicable regulatory requirements. The Company no longer makes any new grants under the stock option plan.

##### ***2022 Plan***

The 2022 Plan was adopted by the Company following shareholder approval at the Company's 2022 annual meeting (the "Shareholder Approval Date") and amended at the Company's 2023 and 2024 annual meetings.

The purpose of the 2022 Plan is to assist the Company and its subsidiaries and other designated affiliates, which we refer to herein as "Related Entities", in attracting, motivating, retaining and rewarding high-quality executives and other employees, officers, directors consultants and other persons who provide services to the Company or its Related Entities, by enabling such persons to acquire or increase a proprietary interest in the Company in order to strengthen the mutuality of interests between such persons and the Company's shareholders, and providing such persons with performance incentives to expend their maximum efforts in the creation of shareholder value.

### *Shares Available for Awards*

Under the 2022 Plan, the total number of Common Shares reserved and available for delivery under the 2022 Plan ("Awards") at any time during the term of the Plan shall be equal to 2,500,000 Common Shares. Awards issued in substitution for awards previously granted by a company acquired by the Company or a Related Entity, or with which the Company or any Related Entity combines, do not reduce the limit on grants of Awards under the 2022 Plan. The maximum aggregate number of Common Shares that may be delivered under the 2022 Plan as a result of the exercise of stock options shall be 850,000 Common Shares.

Subject to adjustment as provided in the 2022 Plan, in any fiscal year of the Company during any part of which the 2022 Plan is in effect, no participant who is a member of the Board of Directors but is not also an employee or consultant to the Company or Related Entity may be granted any Awards that have a "fair value" as of the date of grant, as determined in accordance with FASB ASC Topic 718 (or any other applicable accounting guidance) that exceeds \$250,000 in the aggregate.

The committee designated and empowered by the Board of Directors to administer the 2022 Plan ("Committee") is authorized to adjust the limitations described in the preceding paragraph and is authorized to adjust outstanding Awards (including adjustments to exercise prices of stock options and other affected terms of Awards) in the event that a dividend or other distribution (whether in cash, Common Share or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange or other similar corporate transaction or event affects the Common Shares so that an adjustment is appropriate. The Committee is also authorized to adjust performance conditions and other terms of Awards in response to these kinds of events or in response to changes in applicable laws, regulations or accounting principles.

### *Eligibility*

The persons eligible to receive Awards under the 2022 Plan are the officers, directors, employees, consultants and other persons who provide services to the Company or any Related Entity. The foregoing notwithstanding, only employees of the Company, or any parent corporation or subsidiary company of the Company (as those terms are defined in Sections 424(e) and (f) of the Internal Revenue Code of 1986, as amended (the "Code"), respectively), are eligible for purposes of receiving any incentive stock options ("ISOs"). An employee on leave of absence may be considered as still in the employ of the Company or a Related Entity for purposes of eligibility for participation in the 2022 Plan.

### *Administration*

The 2022 Plan is to be administered by the Committee; provided, however, that except as otherwise expressly provided in the 2022 Plan, the Board of Directors may exercise any power or authority granted to the Committee under the 2022 Plan. Subject to the terms of the 2022 Plan, the Committee is authorized to select eligible persons to receive Awards, determine the type, number and other terms and conditions of, and all other matters relating to, Awards, prescribe Award agreements (which need not be identical for each person who has been granted an Award under the 2022 Plan which remains outstanding (a "Participant")), and the rules and regulations for the administration of the 2022 Plan, construe and interpret the 2022 Plan and Award agreements, correct defects, supply omissions or reconcile inconsistencies therein, and make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the 2022 Plan.

### *Stock Options and Stock Appreciation Rights*

The Committee is authorized to grant stock options, including both ISOs, which can result in potentially favorable tax treatment to the participant, and non-qualified stock options, and stock appreciation rights entitling the participant to receive the amount by which the fair market value of a Common Share on the date of exercise exceeds the grant price of the stock appreciation right. The exercise price per share subject to an option and the grant price of a stock appreciation right are determined by the Committee but may not be less than 100% of the fair market value of a Common Share on the date the award is granted. An option granted to a person who owns or is deemed to own stock representing 10% or more of the voting power of all classes of stock of the Company or any parent company (sometimes referred to as a "10% owner") will not qualify as an ISO unless the exercise price for the option is not less than 110% of the fair market value of a Common Share on the date such ISO is granted.

For purposes of the 2022 Plan, the term "fair market value" means the fair market value of Common Shares, Awards or other property as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the fair market value of a Common Share as of any given date shall be the closing price of a Common Share on the business day that immediately precedes the date as of which the value is being determined as quoted on the Nasdaq or such other national or regional securities exchange or market system constituting the primary market on which a Common Share is traded, as reported in The Wall Street Journal or such other source as the Company deems reliable or, if there is no sale on that date, then on the last previous day on which a sale was reported. The maximum term of each option or stock appreciation right, the times at which each option or stock appreciation right will be exercisable, and provisions requiring forfeiture of unexercised options or stock appreciation rights at or following termination of employment, generally are fixed by the Committee, except that no option or stock appreciation right may have a term exceeding ten years, and no ISO granted to a 10% shareholder (as described above) may have a term exceeding five years (to the extent required by the Code at the time of grant). Methods of exercise and settlement and other terms of options and stock appreciation rights are determined by the Committee. The Committee thus may permit the exercise price of options awarded under the 2022 Plan to be paid in cash, shares, other Awards or other property (including loans to participants).

#### *Restricted Stock and Restricted Stock Units*

The Committee is authorized to grant restricted stock and restricted stock units. Restricted stock is a grant of Common Shares which may not be sold or disposed of, and which is subject to such risks of forfeiture and other restrictions as the Committee may impose. A participant granted restricted stock generally has all of the rights of a shareholder of the Company, unless otherwise determined by the Committee. An Award of restricted stock units confers upon a participant the right to receive Common Shares at the end of a specified deferral period, subject to such risks of forfeiture and other restrictions as the Committee may impose. Prior to settlement, an Award of restricted stock units carries no voting or dividend rights, or other rights associated with share ownership, although dividend equivalents may be granted, as discussed below.

#### *Dividend Equivalents*

The Committee is authorized to grant dividend equivalents conferring on participants the right to receive, currently or on a deferred basis, cash, Common Shares, other Awards or other property equal in value to dividends paid on a specific number of Common Shares or other periodic payments. Dividend equivalents may be granted alone or in connection with another Award, may be paid currently or on a deferred basis and, if deferred, may be deemed to have been reinvested in additional Common Shares, Awards or otherwise as specified by the Committee.

#### *Bonus Stock and Awards in Lieu of Cash Obligations*

The Committee is authorized to grant Common Shares as a bonus free of restrictions, or to grant Common Shares or other Awards in lieu of Company obligations to pay cash under the 2022 Plan or other plans or compensatory arrangements, subject to such terms as the Committee may specify.

#### *Other Stock-Based Awards*

The Committee or the Board of Directors is authorized to grant Awards that are denominated or payable in, valued by reference to, or otherwise based on or related to Common Shares. The Committee determines the terms and conditions of such Awards.

#### *Performance Awards*

The Committee is authorized to grant performance awards to participants on terms and conditions established by the Committee. The performance criteria to be achieved during any performance period and the length of the performance period is determined by the Committee upon the grant of the performance award. Performance awards may be valued by reference to a designated number of Common Shares or by reference to a designated amount of property including cash. Performance awards may be settled by delivery of cash, Common Shares or other property, or any combination thereof, as determined by the Committee.

#### *Other Terms of Awards*

Awards may be settled in the form of cash, Common Shares, other Awards or other property, in the discretion of the Committee. The Committee may require or permit participants to defer the settlement of all or part of an Award in accordance with such terms and conditions as the Committee may establish, including payment or crediting of interest or dividend equivalents on deferred amounts, and the crediting of earnings, gains and losses based on deemed investment of deferred amounts in specified investment vehicles. The Committee is authorized to place cash, Common Shares or other property in trusts or make other arrangements to provide for payment of the Company's obligations under the 2022 Plan. The Committee may condition any payment relating to an Award on the withholding of taxes and may provide that a portion of any Common Shares or other property to be distributed will be withheld (or previously acquired Common Shares or other property be surrendered by the participant) to satisfy withholding and other tax obligations. Awards granted under the 2022 Plan generally may not be pledged or otherwise encumbered and are not transferable except by will or by the laws of descent and distribution, or to a designated beneficiary upon the participant's death, except that the Committee may, in its discretion, permit transfers subject to any terms and conditions the Committee may impose thereon.

Awards under the 2022 Plan are generally granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise), except to the extent required by law. The Committee may, however, grant Awards in exchange for other Awards under the 2022 Plan, awards under other Company plans, or other rights to payment from the Company, and may grant Awards in addition to and in tandem with such other Awards, rights or other awards.

#### *Acceleration of Vesting; Change in Control*

The Committee may, in its discretion, accelerate the exercisability, the lapsing of restrictions or the expiration of deferral or vesting periods of any Award, and such accelerated exercisability, lapse, expiration and if so provided in the Award agreement or otherwise determined by the Committee, vesting shall occur automatically in the case of a "change in control" of the Company, as defined in the 2022 Plan (including the cash settlement of stock appreciation rights which may be exercisable in the event of a change in control). In addition, the Committee may provide in an Award agreement that the performance goals relating to any performance award will be deemed to have been met upon the occurrence of any "change in control."

#### *Amendment and Termination*

The Board of Directors may amend, alter, suspend, discontinue or terminate the 2022 Plan or the Committee's authority to grant Awards without further shareholder approval, except that shareholder approval must be obtained for any amendment or alteration if such approval is required by law or regulation or under the rules of any stock exchange or quotation system on which Common Shares are then listed or quoted. Thus, shareholder approval may not necessarily be required for every amendment to the 2022 Plan which might increase the cost of the 2022 Plan or alter the eligibility of persons to receive Awards. Shareholder approval will not be deemed to be required under laws or regulations, such as those relating to ISOs, that condition favorable treatment of participants on such approval, although the Board of Directors may, in its discretion, seek shareholder approval in any circumstance in which it deems such approval advisable. Unless earlier terminated by the Board of Directors, the 2022 Plan will terminate at the earliest of (a) such time as no Common Shares remain available for issuance under the 2022 Plan, (b) termination of the 2022 Plan by the Board of Directors, or (c) the tenth anniversary of the Shareholder Approval Date. Awards outstanding upon expiration of the 2022 Plan shall remain in effect until they have been exercised or terminated or have expired.

#### *Equity Awards to Named Executive Officers during 2023 and 2024*

*Clifford Starke*

On November 10, 2023, Mr. Starke received 327,851 Restricted Common Shares, which vested in full on the same date.

On August 14, 2024, Mr. Starke was granted 575,319 stock appreciation rights at a base price of \$0.92 per unit and 1,028,665 stock appreciation rights at a base price of \$1.21 per unit. Both grants of stock appreciation rights vest in 12 equal tranches. The first tranche will vest upon the Company's share price increasing by 50% from the Company's closing share price on the grant date with each tranche thereafter requiring an additional 50% increase in share price to vest in accordance with the following schedule:

Tranche	Percentage Increase in Flora Growth Corp. Share Price From Grant Date For Tranche to Vest
1	50%
2	100%
3	150%
4	200%
5	250%
6	300%
7	350%
8	400%
9	450%
10	500%
11	550%
12	600%

On December 15, 2024, Mr. Starke received 900,000 Restricted Common Shares, which vested in full on December 15, 2024.

*Sammy Dorf*

On December 15, 2024, Mr. Dorf received 250,000 Restricted Common Shares, which vested in full on December 15, 2024.

*Dany Vaiman*

On November 10, 2023, Mr. Vaiman received 149,024 Restricted Common Shares, which vested in full on January 1, 2024.

On August 14, 2024, Mr. Vaiman was granted 191,773 stock appreciation rights at a base price of \$0.92 per unit and 342,888 stock appreciation rights at a base price of \$1.21 per unit. Both grants of stock appreciation rights vest in 12 equal tranches. The first tranche will vest upon the Company's share price increasing by 50% from the Company's closing share price on the grant date with each tranche thereafter requiring an additional 50% increase in share price to vest in accordance with the following schedule:

Tranche	Percentage Increase in Flora Growth Corp. Share Price From Grant Date For Tranche to Vest
1	50%
2	100%
3	150%
4	200%
5	250%
6	300%
7	350%
8	400%

On December 15, 2024, Mr. Vaiman was granted 372,500 stock appreciation rights at a base price of \$1.30 per unit, which vested in full on December 15, 2024.

#### *Hussein Rakine*

On April 16, 2023, Mr. Rakine received 60,000 restricted Common Shares which were set to vest on June 7, 2023. As a result of his resignation in June 2023, Mr. Rakine forfeited all of these unvested restricted Common Shares as well as the unvested October 5, 2022 options.

#### *Luis Merchan*

During 2023 and as part of the separation agreement by and between the Company and Luis Merchan, Mr. Merchan received 80,000 Common Shares of the Company. Further, Mr. Merchan acted in a consulting capacity for which he received 30,000 Common Shares. As a result of his resignation in April 2023, Mr. Merchan forfeited all of these unvested restricted Common Shares as well the unvested October 5, 2022 options.

#### *Matthew Cohen*

On May 14, 2023, the Company fully accelerated the vesting of Mr. Cohen's aforementioned Restricted Shares to May 18, 2023. In connection with such vesting, Mr. Cohen agreed to forfeit 90,146 Restricted Shares to the Company in satisfaction of all applicable withholding taxes.

#### *Employee Benefits*

For 2023 and 2024 certain Named Executive Officers were eligible to participate in such employee benefit plans and programs to the same extent as the Company's other full-time employees, subject to the terms and eligibility requirements of those plans.

#### ***Hedging and Pledging Company Securities***

Our Insider Trading Policy prohibits our directors, officers, employees, family members of such persons and entities controlled by such persons from engaging in hedging, short sales, or trading in publicly traded put or call options with respect to our securities. Additionally, policy prohibits the same persons from purchasing our securities on margin, borrowing against any account in which our securities are held, or pledging our securities as collateral for a loan.

#### ***Clawback Policy***

Effective as of October 2, 2023, we adopted a clawback policy that provides for the recoupment of excess incentive compensation paid to executive officers, including the Named Executive Officers, in accordance with Nasdaq listing standards and Exchange Act Rule 10D-1. The policy applies to compensation that is granted, earned, or vested based in whole or in part upon the attainment of a financial reporting measure and provides for the reimbursement or forfeiture by the executive officer of the excess portion of the compensation received by the executive officers during the three preceding fiscal years.

#### ***Compensation-Related Risk Assessment***

Our Compensation Committee assesses and monitors whether any of our compensation policies and programs is reasonably likely to have a material adverse effect on our Company. The Compensation Committee and management do not believe that the Company presently maintains compensation policies or practices that are reasonably likely to have a material adverse effect on the Company's risk management or create incentives that could lead to excessive or inappropriate risk taking by employees. In reaching this conclusion, the Compensation Committee considered all components of our compensation program and assessed any associated risks. The Compensation Committee also considered the various strategies and measures employed by the Company that mitigate such risk, including: (i) the overall balance achieved through our use of a mix of cash and equity, annual and long-term incentives and time-and performance-based compensation; (ii) our use of multi-year vesting periods for equity grants; and (iii) the oversight exercised by the Compensation Committee over the performance metrics and results under the Stock Option Plan and the 2022 Plan.



**Outstanding Equity Awards at 2024 Fiscal Year-End**

The following table summarizes the number of outstanding restricted Common Shares, stock appreciation rights and options in the Company held by our Named Executive Officers as of December 31, 2024.

Option Awards						Share Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable (2)	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Base Price (\$)	Option Expiration Date	Number of Shares or Units of Shares That Have Not Vested (#)	Market Value of Shares or Units of Shares That Have Not Vested (\$)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(1)
Clifford Starke	171,444	857,221	-	1.21	12/15/34	-	-	-	-
	95,886	479,433	-	0.92	08/14/35	-	-	-	-
Dany Vaiman	85,772	257,166	-	1.21	12/15/34	-	-	-	-
	47,943	143,830	-	0.92	08/14/35	-	-	-	-
	372,500	-	-	1.30	12/15/34	-	-	-	-
Sammy Dorf	-	-	-	-	-	-	-	-	-
Luis Merchan	-	-	-	-	-	-	-	-	-
Hussein Rakine	-	-	-	-	-	-	-	-	-
Matthew Cohen	-	-	-	-	-	-	-	-	-

- (1) See "Narrative to the Summary Compensation Table-Equity-Based Compensation-Equity Awards to Named Executive Officers during 2023 and 2024." for details regarding the vesting schedules of certain NEO options and restricted Common Share awards.

- (2) Represents stock appreciation rights that have vested as of December 31, 2024, irrespective of whether they are in the money or not.

## Director Compensation

As a Named Executive Officer of the Company, information regarding the compensation for Mr. Starke for his services as an executive officer in 2024 is set forth in the section titled "Summary Compensation Table" above. Mr. Starke and Mr. Dorf did not receive additional compensation for their service as directors.

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our directors for services rendered to us during the last fiscal year.

Name	Fees Earned or Paid in Cash (\$)	Shares Awards (\$)(3)	Option Awards (\$)(4)	Non- equity incentive plan compensation (\$)	Nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
Edward Woo	40,000	65,000	-	-	-	7,108	112,108
Harold Wolkin	10,192	-	36,441	-	-	-	46,633
Brendan Cahill	25,000	-	-	-	-	-	25,000
Kevin Taylor	13,000	-	-	-	-	-	13,000
Manfred Leventhal	2,137	-	6,074	-	-	-	8,211
Clifford Starke <sup>(1)</sup>	-	-	-	-	-	-	-
Sammy Dorf <sup>(2)</sup>	-	-	-	-	-	-	-

(1) Mr. Starke is a Named Executive Officer of the Company for 2024. Mr. Starke did not receive compensation for his service as director in 2024. As a Named Executive Officer of the Company, information regarding compensation for Mr. Starke for his services as an executive officer in 2024 is set forth in the section title "Summary Compensation Table" above.

(2) Mr. Dorf is a Named Executive Officer of the Company for 2024. Mr. Dorf did not receive compensation for his service as director in 2024. As a Named Executive Officer of the Company, information regarding compensation for Mr. Dorf for his services as an executive officer in 2024 is set forth in the section title "Summary Compensation Table" above.

(3) Represents the aggregate grant date fair value of restricted stock granted to each Director, calculated in accordance with the closing share price of the Company on the grant date.

(4) Represents the aggregate grant date fair value of options and stock appreciation rights granted to each Director, calculated in accordance with the Black Scholes method.

The table below sets forth the aggregate number of share options of each non-employee director outstanding as of December 31, 2024.

**Outstanding Equity Awards at 2024 Fiscal Year-End**

The following table summarizes the number of outstanding restricted Common Shares and options in the Company held by our Directors as of December 31, 2024.

Name	Option Awards			Share Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity incentive plan awards: Number of securities underlying unexercised options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Shares That Have Not Vested (#)	Market Value of Shares or Units of Shares That Have Not Vested (\$)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
Edward Woo	-	5,000	-	7.00	3/17/2033	-	-	-
Clifford Starke	171,444	857,221	-	1.21	12/15/34	-	-	-
	95,886	479,433	-	0.92	08/14/35			

- (1) See "Narrative to the Summary Compensation Table-Equity-Based Compensation - Outstanding Equity Awards at 2024 Fiscal Year-End" for details regarding the vesting schedules of certain Directors options and restricted Common Share awards.
- (2) Represents stock appreciation rights that have vested as of December 31, 2024, irrespective of whether they are in the money or not.

**Director Compensation Narrative**

From the period from January 1, 2024 to December 31, 2024, each independent member of the Board of Directors received \$30,000 per annum or prorated for their period of service for their services as a member of the Board of Directors.

**Employment and Consulting Agreements, Arrangements or Plans**

The following describes the respective employment or consulting agreements entered into by the Company and its Named Executive Officers that are in effect as of the date hereof.

**Clifford Starke Consulting Agreement**

Effective December 15, 2023, Mr. Starke and the Company entered into a consulting agreement (the "Starke Agreement"), pursuant to which Mr. Starke will continue to serve as the Chief Executive Officer of the Company. The term of the Starke Agreement is for an indefinite period, unless sooner terminated in accordance with the agreement.

The Starke Agreement provides for a base salary of \$420,000 (as may be increased by the Company's Board of Directors), applied retroactively to the date of appoint as Chief Executive Officer of the Company and the opportunity to participate in any equity compensation plan offered to other senior executives of the Company.

The Starke Agreement provides that upon execution thereof, Mr. Starke shall be granted Stock Appreciation Rights valued at 12% of the total outstanding Common Shares of the Company on the grant date, which vest in 12 equal tranches with each tranche representing 1% of the total outstanding Common Shares of the Company. The first tranche will vest upon the Company's share price increasing by 50% from the Company's closing share price on the grant date with each tranche thereafter requiring an additional 50% increase in share price to vest in accordance with the following schedule:

Tranche	Percentage Increase in Flora Growth Corp. Share Price From Grant Date For Tranche to Vest
1	50%
2	100%
3	150%
4	200%
5	250%
6	300%
7	350%
8	400%
9	450%
10	500%
11	550%
12	600%

The Stock Appreciation Rights expire 10 years from the grant date with a post-termination exercise period of one year. In addition to the foregoing, all Stock Appreciation Rights granted under the Starke Agreement remained unexercisable, and subject to forfeiture, until the Company's shareholders approved such Stock Appreciation Rights grant at the Company's 2024 Annual Meeting, held on August 14, 2024.

In addition, upon termination of the Starke Agreement without "Cause" or resignation by Mr. Starke for "Good Reason," as those terms are defined in the Starke Agreement, Mr. Starke will, conditioned upon his execution of a separation and release agreement, be eligible to receive the following payments: an aggregate amount equal to 1.5x his base salary at the rate in effect on his last day of service, 50% of which shall be paid in a lump sum on the 3rd business day following the effective date of the separation and release agreement, and the remaining 50% of which shall be paid in 12 equal monthly installments commencing on the effective date of the termination of the Starke Agreement.

In the event Mr. Starke is terminated without "Cause" or Mr. Starke resigns for "Good Reason" three months prior to or following a "Change in Control," as those terms are defined in the Starke Agreement, Mr. Starke will be eligible to receive the payments set forth above.

The foregoing description of the Starke Agreement is only a summary and is qualified in its entirety by reference to the full text of the Starke Agreement, which is filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on December 21, 2023.

On November 10, 2023, Mr. Starke received 327,851 Restricted Common Shares, which vested in full on the same date.

On August 14, 2024, Mr. Starke was granted 575,319 stock appreciation rights at a base price of \$0.92 per unit and 1,028,665 stock appreciation rights at a base price of \$1.21 per unit. Both grants of stock appreciation rights vest in 12 equal tranches. The first tranche will vest upon the Company's share price increasing by 50% from the Company's closing share price on the grant date with each tranche thereafter requiring an additional 50% increase in share price to vest in accordance with the following schedule:

Tranche	Percentage Increase in Flora Growth Corp. Share Price From Grant Date For Tranche to Vest
1	50%
2	100%
3	150%
4	200%
5	250%
6	300%
7	350%
8	400%
9	450%
10	500%
11	550%
12	600%

On December 15, 2024, Mr. Starke received 900,000 Restricted Common Shares, which vested in full on December 15, 2024.

#### *Sammy Dorf Arrangement*

As of the date of this report, there is no material plan, contract or arrangement (whether or not written) entered into between the Company and Mr. Dorf relating to his appointment as the Company's Executive Chairman of the Board. However, it is expected that the Company and Mr. Dorf will enter into an Executive Chairman Agreement whereby Mr. Dorf will receive a base salary and a grant of stock appreciation rights in connection with his role as Executive Chairman of the Board. The terms of such Executive Chairman Agreement are still being negotiated. Mr. Dorf will not receive any compensation for his role as a director of the Board.

On December 15, 2024, Mr. Dorf received 250,000 Restricted Common Shares, which vested in full on December 15, 2024.

#### *Dany Vaiman Executive Employment Agreement*

Dany Vaiman and the Company, entered into an executive employment agreement on December 15, 2023 (the "Vaiman Agreement"), pursuant to which Mr. Vaiman will continue to serve as the Chief Financial Officer of the Company. The term of the Vaiman Agreement is for an indefinite period, unless sooner terminated in accordance with the agreement.

The Vaiman Agreement provides for a base salary of \$275,000 (as may be increased by the Board of Directors) applied retroactively to the date of Mr. Vaiman's appointment as Chief Financial Officer of the Company, the opportunity to participate in any equity compensation plan of the Company, and other health, benefit and incentive plans offered to other senior executives of the Company. Mr. Vaiman is also entitled to paid time off and holiday pay in accordance with the Company's policies.

The Vaiman Agreement provides that upon execution thereof, Mr. Vaiman shall be granted Stock Appreciation Rights valued at 4% of the total outstanding Common Shares of the Company on the grant date, which vest in 8 tranches with each tranche representing 0.5% of the total outstanding Common Shares of the Company. The exercise price of the Stock Appreciation Rights is the closing share price on the grant date. The first tranche will vest upon the Company's share price increasing by 50% from the closing share price as of the grant date with each tranche thereafter requiring an additional 50% increase in share price to vest in accordance with the following schedule:

Tranche	Percentage Increase in Flora Growth Corp. Share Price From Grant Date For Tranche to Vest
1	50%
2	100%
3	150%
4	200%
5	250%
6	300%
7	350%
8	400%

The Stock Appreciation Rights expire 10 years from the grant date with a post-termination exercise period of one year. In addition to the foregoing, all Stock Appreciation Rights granted under the Vaiman Agreement remained unexercisable, and subject to forfeiture, until the Company's shareholders approved such grant of Stock Appreciation Rights at the Company's 2024 annual meeting, held on August 14, 2024.

In addition, upon termination of the Vaiman Agreement without "Cause" or resignation by Mr. Vaiman for "Good Reason," as those terms are defined in the Vaiman Agreement, Mr. Vaiman will, conditioned upon his execution of a separation and release agreement, be eligible to receive the following payments: an aggregate amount equal to 1.5x his base salary at the rate in effect on his last day of service, 50% of which shall be paid in a lump sum on the 3rd business day following the effective date of the separation and release agreement, and the remaining 50% of which shall be paid in 12 equal monthly installments commencing on the effective date of the termination of the Vaiman Agreement.

In the event Mr. Vaiman is terminated without "Cause" or Mr. Vaiman resigns for "Good Reason" three months prior to or following a "Change in Control," as those terms are defined in the Vaiman Agreement, Mr. Vaiman will be eligible to receive the payments set forth above, payable as set forth above.

The foregoing description of the Vaiman Agreement is only a summary and is qualified in its entirety by reference to the full text of the Vaiman Agreement, which is filed as Exhibit 10.2 to the Current Report on Form 8-K filed by the Company on December 21, 2023.

On November 10, 2023, Mr. Vaiman received 149,024 Restricted Common Shares, which vested in full on January 1, 2024.

On August 14, 2024, Mr. Vaiman was granted 191,773 stock appreciation rights at a base price of \$0.92 per unit and 342,888 stock appreciation rights at a base price of \$1.21 per unit. Both grants of stock appreciation rights vest in 12 equal tranches. The first tranche will vest upon the Company's share price increasing by 50% from the Company's closing share price on the grant date with each tranche thereafter requiring an additional 50% increase in share price to vest in accordance with the following schedule:

Tranche	Percentage Increase in Flora Growth Corp. Share Price From Grant Date For Tranche to Vest
1	50%
2	100%
3	150%
4	200%
5	250%
6	300%
7	350%
8	400%

On December 15, 2024, Mr. Vaiman was granted 372,500 stock appreciation rights at a base price of \$1.30 per unit, which vested in full on December 15, 2024.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Securities authorized for issuance under equity compensation plans

The following table provides information as of December 31, 2024 with respect to our Common Shares that may be issued under the Company Stock Option Plan and 2022 Incentive Compensation Plan (the "2022 Plan").

Plan Category	Number of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price Of Outstanding Options, Warrants And Rights	Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the first column)
Equity Compensation Plans Approved by Shareholders <sup>(1)</sup>			
<i>Stock Option Plan</i>	13,541	\$ 67.24	-
<i>2022 Incentive Compensation Plan</i>	20,408 <sup>(2)</sup>	\$ 9.13 <sup>(3)</sup>	450,187
<i>Stock Appreciation Rights</i>	440,000	\$ 1.30	N/A
Equity Compensation Plans Not Approved by Shareholders <sup>(4)</sup>	N/A	\$ N/A	N/A
Total	473,949	N/A	450,187

(1) Includes the Company's Stock Option Plan and its 2022 Plan, which authorizes the granting of awards in any of the following forms: options, stock appreciation rights, restricted stock, restricted stock units, other equity-based awards and cash incentive awards.

(2) Represents 7,500 Common Shares underlying options and 12,908 issued restricted Common Shares as of December 31, 2024.

(3) The weighted exercise price represents the weighted exercise price of the 7,500 options outstanding under the 2022 Plan as of December 31, 2024.

(4) Represents Stock Appreciation Rights granted under the Clifford Starke Consulting Agreement and the Dany Vaiman Executive Employment Agreement.

## Share Ownership

The following table sets forth information known to us regarding beneficial ownership of Common Shares as of March 25, 2025 by:

- each person known by us to be the beneficial owner of more than 5% of outstanding Common Shares;
- each of our executive officers and directors;
- all of our executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including options and warrants that are currently exercisable or exercisable within 60 days of March 25, 2025. In computing the number of Common Shares beneficially owned by a person or entity and the percentage ownership of that person or entity in the table below, all Common Shares subject to options, warrants and restricted stock units held by such person or entity were deemed outstanding if such securities are currently exercisable, or exercisable or would vest based on service-based vesting conditions within 60 days of March 25, 2025. These Common Shares were not deemed outstanding, however, for the purpose of computing the percentage ownership of any other person or entity.

The beneficial ownership of our common stock is based on 18,511,898 Common Shares outstanding as of March 25, 2025.

Unless otherwise indicated, we believe that each person named in the table below has sole voting and investment power with respect to all Common Shares beneficially owned by him.

Unless otherwise noted, the business address of each of these shareholders is c/o Flora Growth Corp. 3230 W. Commercial Boulevard, Suite 180, Fort Lauderdale, Florida 33309.

<b>Beneficial Owner</b>	<b>Number of Common Shares Beneficially Owned<sup>(1)</sup></b>	<b>Percentage of Common Shares Beneficially Owned<sup>(1)</sup></b>
<b><i>Executive Officers</i></b>		
Clifford Starke <sup>(2)(7)</sup>	2,246,902	11.56%
Dany Vaiman <sup>(3)(7)</sup>	170,850	0.88%
Sammy Dorf <sup>(5)</sup>	250,000	1.29%
<b><i>Non-Employee Directors</i></b>		
Edward Woo <sup>(4)(7)</sup>	136,719	0.70%
Harold Wolkin <sup>(6)</sup>	25,000	0.13%
Manfred Leventhal	-	-
<b><i>5% or greater shareholders</i></b>		
<b><i>All directors and executive officers as a group of 5 persons</i></b>	2,829,471 (1)	14.56%

- (1) Percentages are based on 19,435,642 Common Shares issued and outstanding as of March 22, 2025. Information as to the number of Common Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, not being within the direct knowledge of the Company, has been furnished by the respective directors individually or obtained from the System for Electronic Disclosure by Insiders and may include Common Shares owned or controlled by spouses and/or children of such individuals and/or companies controlled by such individuals or their spouses and/or children.



- (2) Includes (i) 906,846 shares held directly by Mr. Starke and 1,340,056 shares held by YT Research, Inc., a company owned and controlled by Mr. Starke. Mr. Starke filed a 13D A-5 with the SEC on December 17, 2024.
- (3) Includes 170,850 shares held directly by Mr. Vaiman. Mr. Vaiman filed 13D A-1 with the SEC on December 17, 2024.
- (4) Includes (i) 134,698 shares held directly by Mr. Woo, (ii) 2,021 shares held by 1317433 B.C. Limited, a company in which Mr. Woo is the sole director and equity owner.
- (5) Includes 250,000 shares held directly by Mr. Dorf.
- (6) Includes 25,000 shares held directly by Mr. Wolkin.
- (7) Messrs. Starke, Vaiman and Woo have reported as a group pursuant to Amendment No. 1 on Form 13D filed by Mr. Starke with the SEC on April 21, 2023. The number of shares disclosed in the above table only reflect the shares held or controlled directly by each director or officer and each such personal specifically disclaims beneficial ownership of the securities and he does not directly own or control.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

#### Certain Relationships and Related Party Transactions

Except as set forth below, since January 1, 2023, there has not been nor are there currently proposed any transactions or series of similar transactions to which we were or are to be a party in which the amount involved exceeds the lesser of \$120,000 or one percent (1%) of the average of our total assets at year-end for the last two completed fiscal years and in which any director, executive officer, holder of more than 5% of the Common Shares or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

#### *Transactions with Related Parties*

On January 30, 2025, the Company and United Beverage Distribution Inc, a South Dakota corporation ("United"), entered into a Share Purchase Agreement (the "Share Purchase Agreement") pursuant to which the Company purchased 100% of the issued and outstanding common shares of United (the "United Common Shares"), a distributor of cannabis-infused drinks (the "United Transaction").

Under the terms of the Share Purchase Agreement, the Company agreed to purchase the United Common Shares from the group of sellers listed in the Share Purchase Agreement (the "Sellers"), which included Clifford Starke and Sammy Dorf, each of whom are directors of Flora (the "Flora Directors"), and Flora's chief financial officer, Dany Vaiman (together with the Flora Directors, the "Flora Insiders") for (i) 923,744 shares of common stock of Flora (the "Flora Shares"), representing 4.99% of the outstanding shares of common stock of Flora as of January 30, 2025, issued to the Sellers who are not Flora Insiders and (ii) promissory notes with five year maturities that accrue interest at a rate of 6% per annum in an aggregate principal amount of \$2,845,700 issued to the Sellers (the "Notes"). The Share Purchase Agreement contains standard representations, warranties, covenants, and indemnity provisions, and its terms were unanimously approved by the disinterested directors of Flora.

The foregoing descriptions of the material terms of the Share Purchase Agreement and the Notes do not purport to be complete and are qualified in its entirety by reference to the Exhibit 10.1 and Exhibit 10.2 to the Company's Form 8-K filed with the SEC on February 5, 2025.

The outstanding balance of the Notes as of March 21, 2025 was \$2,845,700. No payments of principal or interest were made on the Notes during the years ended December 31, 2024 and December 31, 2023.

#### *Indemnification Agreements and Directors' and Officers' Liability Insurance*

We have entered into indemnification agreements with each of our executive officers and directors. We also maintain an insurance policy that covers liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers.

## Related Party Transaction Policy

Our Audit Committee is responsible for the review, approval, or ratification of any potential conflict of interest transaction involving any of our directors or executive officers, any person known by us to be the beneficial owner of more than 5% of our outstanding capital stock, or any family member of or related party to such persons, including any transaction required to be reported under Item 404(a) of Regulation S-K promulgated by the SEC.

In reviewing any such proposed transaction, our Audit Committee is tasked with considering all relevant facts and circumstances, including the commercial reasonableness of the terms, the benefit or perceived benefit, or lack thereof, to us, opportunity costs of alternate transactions, the materiality and character of the related person's direct or indirect interest and the actual or apparent conflict of interest of the related person.

Under our policy, employees are required to report any material transaction or relationship that could result in a conflict of interest to our compliance officer.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

### Fees and Services of Independent Registered Public Accounting Firm

The table below summarizes the fees and expenses billed to us by Davidson for the years ended December 31, 2024 and 2023.

Year	Audit Fees		Audit-Related Fees		Tax Fees		All Other Fees		Total
2024	\$	773,081	\$	151,281	\$	51,129	\$	--	\$ 975,491
2023	\$	530,000	\$	192,318	\$	--	\$	--	\$ 722,318

**Audit Fees.** Audit fees consist of services rendered by an independent registered public accounting firm for the audit of our consolidated financial statements (including tax services performed to fulfill the auditor's responsibility under generally accepted auditing standards) and our internal control over financial reporting, and reviews of the interim financial statements.

**Audit-Related Fees.** Audit-related fees relate to assurance and associated services that traditionally are performed by the independence auditor including SEC filings, comfort letter, consents and comment letters in connection with regulatory filings.

**Tax Fees.** Tax fees consist of services rendered by an external auditor for tax compliance, tax consulting and tax planning.

**All Other Fees.** All other fees are for any other permissible work that is not an Audit, Audit-Related or Tax Fee.

### Policy for Approval of Audit and Permitted Non-Audit Services

Our Audit Committee reviews and pre-approves the scope and the cost of audit services related to us and permissible non-audit services performed by the independent auditors, other than those for de minimis services which are approved by the Audit Committee prior to the completion of the audit. All of the services related to our Company provided by Davidson listed above have been pre-approved by the Audit Committee.

## PART IV.

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

- (a) (1) Financial Statements: See Part II, Item 8 of this Annual Report.  
(2) Exhibits: See Index to Exhibits below.

## INDEX TO EXHIBITS

Exhibit Number	Description
<a href="#"><u>3.1</u></a>	<a href="#"><u>Articles of Incorporation of Flora Growth Corp. (incorporated by reference to Exhibit 2.1 of Flora's Form 1-A, filed with the SEC on October 10, 2019).</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Articles of Amendment of Flora Growth Corp. effective April 30, 2021 (incorporated by reference to Exhibit 3.3 of Flora's Form F-1, filed with the SEC on November 16, 2021).</u></a>
<a href="#"><u>3.3</u></a>	<a href="#"><u>Articles of Amendment of Flora Growth Corp. effective June 9, 2023 (incorporated by reference to Exhibit 3.1 of Flora's Form 8-K, filed with the SEC on June 7, 2023).</u></a>
<a href="#"><u>3.4</u></a>	<a href="#"><u>Bylaw No. 1-A of Flora Growth Corp. (incorporated by reference to Exhibit 99.3 of Flora's Form 6-K filed with the SEC on July 6, 2022).</u></a>
<a href="#"><u>4.1</u></a>	<a href="#"><u>Description of Common Shares (incorporated by reference to Exhibit 2.1 of Flora's Form 20-F filed with the SEC on May 9, 2022).</u></a>
<a href="#"><u>4.2</u></a>	<a href="#"><u>Form of Unit Warrant (incorporated by reference to Exhibit 4.5 of Flora's Form F-1, filed with the SEC on November 16, 2021).</u></a>
<a href="#"><u>4.3</u></a>	<a href="#"><u>Form of Investor Warrant (incorporated by reference to Exhibit 4.1 of Flora's Form 6-K, filed with the SEC on December 13, 2022).</u></a>
<a href="#"><u>4.4</u></a>	<a href="#"><u>Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 of Flora's Form 6-K, filed with the SEC on December 13, 2022).</u></a>
<a href="#"><u>4.5</u></a>	<a href="#"><u>Form of Investor Warrant (incorporated by reference to Exhibit 4.1 of Flora's Form 8-K filed with the SEC on September 21, 2023).</u></a>
<a href="#"><u>4.6</u></a>	<a href="#"><u>Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 of Flora's Form 8-K filed with the SEC on September 21, 2023).</u></a>
<a href="#"><u>4.7</u></a>	<a href="#"><u>Form of Warrant Amendment (incorporated by reference to Exhibit 10.3 of Flora's Form 8-K filed with the SEC on September 21, 2023).</u></a>
<a href="#"><u>10.1†</u></a>	<a href="#"><u>Flora Growth Corp. Stock Option Plan (incorporated by reference to Exhibit 6.16 of the Company's Form 1-A, filed with the SEC on October 10, 2019).</u></a>
<a href="#"><u>10.2†</u></a>	<a href="#"><u>Form of Stock Option Agreement (incorporated by reference to Exhibit 6.17 of the Company's Form 1-A, filed with the SEC on October 10, 2019).</u></a>
<a href="#"><u>10.3</u></a>	<a href="#"><u>Letter Agreement by and between Flora Growth Corp. and TruHC Holding GmbH, dated April 1, 2024 (incorporated by reference to Exhibit 10.1 of Flora's Form 8-K filed with the SEC on April 5, 2024).</u></a>
<a href="#"><u>10.4</u></a>	<a href="#"><u>Underwriting Agreement, dated April 4, 2024, by and between the Company and Aegis Capital Corp. (incorporated by reference to Exhibit 1.1 of Flora's Form 8-K filed with the SEC on April 8, 2024).</u></a>

<a href="#"><u>10.5</u></a>	<a href="#"><u>Stock Purchase Agreement, dated April 16, 2024, by and between Flora Growth Corp. and TruHC Holding GmbH (incorporated by reference to Exhibit 10.1 of Flora's Form 8-K filed with the SEC on April 19, 2024).</u></a>
<a href="#"><u>10.6</u></a>	<a href="#"><u>Sales Agreement by and among Flora Growth Corp. and Aegis Capital Corp., dated April 26, 2024 (incorporated by reference to Exhibit 1.1 of Flora's Form 8-K filed with the SEC on April 29, 2024).</u></a>
<a href="#"><u>10.7</u></a>	<a href="#"><u>Share and Purchase Agreement, dated June 4, 2024, by and between Flora Growth Corp. and Lifeist Wellness Inc. (incorporated by reference to Exhibit 1.1 of Flora's Form 8-K filed with the SEC on June 5, 2024).</u></a>
<a href="#"><u>10.8†</u></a>	<a href="#"><u>Form of Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.1 of Flora's Form 8-K filed with the SEC on September 5, 2024).</u></a>
<a href="#"><u>10.9</u></a>	<a href="#"><u>Supply Agreement, by and between Northern Green Canada Inc. and Flora Growth Corp., made as of October 31, 2024 (incorporated by reference to Exhibit 10.1 of Flora's Form 8-K filed with the SEC on November 1, 2024).</u></a>
<a href="#"><u>10.10</u></a>	<a href="#"><u>Deed of termination, settlement and release in respect of the supply agreement, by and among Flora Growth Corp., Northern Green Canada Inc., ACA Müller ADAG Pharma Vertriebs GmbH and Curaleaf Portugal LDA, dated as of October 28, 2024 (incorporated by reference to Exhibit 10.2 of Flora's Form 8-K filed with the SEC on November 1, 2024).</u></a>
<a href="#"><u>10.11</u></a>	<a href="#"><u>Placement Agent Agreement, between Flora Growth Corp. and Aegis Capital Corp., dated December 10, 2024 (incorporated by reference to Exhibit 1.1 of Flora's Form 8-K filed with the SEC on December 12, 2024).</u></a>
<a href="#"><u>10.12</u></a>	<a href="#"><u>Form of Subscription Agreement (incorporated by reference to Exhibit 4.1 of the Form 1-A offering statement filed on August 7, 2024).</u></a>
<a href="#"><u>10.13</u></a>	<a href="#"><u>Securities Purchase Agreement, dated December 13, 2024, by and between the Company and the purchasers identified therein (incorporated by reference to Exhibit 10.1 of Flora's Form 8-K filed with the SEC on December 16, 2024).</u></a>
<a href="#"><u>10.14</u></a>	<a href="#"><u>Placement Agent Agreement, dated as of December 13, 2024, by and between the Company and Aegis (incorporated by reference to Exhibit 10.2 of Flora's Form 8-K filed with the SEC on December 16, 2024).</u></a>
<a href="#"><u>10.15†</u></a>	<a href="#"><u>Form of Restricted Stock Award Agreement dated December 15, 2024 (incorporated by reference to Exhibit 10.1 of Flora's Form 8-K filed with the SEC on December 17, 2024).</u></a>
<a href="#"><u>10.16†</u></a>	<a href="#"><u>Form of Stock Appreciation Rights Agreement dated December 15, 2024 (incorporated by reference to Exhibit 10.2 of Flora's Form 8-K filed with the SEC on December 17, 2024).</u></a>
<a href="#"><u>10.17</u></a>	<a href="#"><u>Share Purchase Agreement dated January 30, 2025 (incorporated by reference to Exhibit 10.1 of Flora's Form 8-K filed with the SEC on February 5, 2025).</u></a>
<a href="#"><u>10.18</u></a>	<a href="#"><u>Form of Promissory Note of Flora Growth Corp., dated January 30, 2025 (incorporated by reference to Exhibit 10.2 of Flora's Form 8-K filed with the SEC on February 5, 2025).</u></a>

<a href="#"><u>10.19†</u></a>	<a href="#"><u>Flora Growth Corp. 2022 Incentive Compensation Plan (incorporated by reference to Exhibit 99.2 of the Company's Form 6-K filed with the SEC on July 6, 2022).</u></a>
<a href="#"><u>10.20†</u></a>	<a href="#"><u>Consulting Agreement, dated December 15, 2023, by and between Flora Growth Corp. and Clifford Starke (incorporated by reference to Exhibit 10.1 of Flora's Form 8-K filed with the SEC on December 15, 2023).</u></a>
<a href="#"><u>10.21†</u></a>	<a href="#"><u>Executive Employment Agreement, dated December 15, 2023, by and between Flora Growth Corp. and Dany Vaiman (incorporated by reference to Exhibit 10.2 of Flora's Form 8-K filed with the SEC on December 15, 2023).</u></a>
<a href="#"><u>19.1*</u></a>	<a href="#"><u>Flora Growth Corp. Insider Trading Policy</u></a>
<a href="#"><u>21.1*</u></a>	<a href="#"><u>List of Subsidiaries</u></a>
<a href="#"><u>23.1*</u></a>	<a href="#"><u>Consent of Davidson &amp; Company, LLP, independent registered public accounting firm.</u></a>
<a href="#"><u>31.1*</u></a>	<a href="#"><u>Certification by Clifford Starke, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2024.</u></a>
<a href="#"><u>31.2*</u></a>	<a href="#"><u>Certification by Dany Vaiman, Chief Financial Officer, pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2024.</u></a>
<a href="#"><u>32.1**</u></a>	<a href="#"><u>Certification by Clifford Starke, Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2024.</u></a>
<a href="#"><u>32.2**</u></a>	<a href="#"><u>Certification by Dany Vaiman, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2024.</u></a>
<a href="#"><u>97*</u></a>	<a href="#"><u>Flora Growth Corp Incentive Compensation Recovery Policy</u></a>
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
<a href="#"><u>101.SCH</u></a>	<a href="#"><u>Inline XBRL Taxonomy Extension Schema Document</u></a>
<a href="#"><u>101.CAL</u></a>	<a href="#"><u>Inline XBRL Taxonomy Extension Calculation Linkbase Document</u></a>
<a href="#"><u>101.DEF</u></a>	<a href="#"><u>Inline XBRL Taxonomy Extension Definition Linkbase Document</u></a>
<a href="#"><u>101.LAB</u></a>	<a href="#"><u>Inline XBRL Taxonomy Extension Label Linkbase Document</u></a>
<a href="#"><u>101.PRE</u></a>	<a href="#"><u>Inline XBRL Taxonomy Extension Presentation Linkbase Document</u></a>
104	Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set.

† Management contract or compensatory plan or arrangement.

\* Filed herewith.

\*\* Furnished herewith.

†† Schedules and similar attachments to this exhibit have been omitted because they do not contain information material to an investment or voting decision and such information is not otherwise disclosed in such exhibit.

#### 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.

Date: March 24, 2025

FLORA GROWTH CORP.

By: /s/ Clifford Starke  
Clifford Starke  
Chief Executive Officer

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.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Clifford Starke</u> Clifford Starke	Chief Executive Officer (Principal Executive Officer)	March 24, 2025
<u>/s/ Dany Vaiman</u> Dany Vaiman	Chief Financial Officer (Principal Financial and Accounting Officer)	March 24, 2025
<u>/s/ Sammy Dorf</u> Sammy Dorf	Executive Chairman of Board	March 24, 2025
<u>/s/ Edward Woo</u> Edward Woo	Director	March 24, 2025
<u>/s/ Manfred Leventhal</u> Manfred Leventhal	Director	March 24, 2025
<u>/s/ Harold Wolkin</u> Harold Wolkin	Director	March 24, 2025