Flora Growth Corp.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 and the period from incorporation on March 13, 2019 to December 31, 2019

(Expressed in United States Dollars)

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, 2020 and 2019, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the year ended December 31, 2020 and the period from incorporation (March 13, 2019) to December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and the period from incorporation (March 13, 2019) to December 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the 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

April 20, 2021

Flora Growth Corp.

Consolidated Statements of Financial Position

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

As at December 31,		2020		2019
ASSETS				
Current				
Cash	$	15,523	$	140
Trade and amounts receivable (Note 5)		922		20
Loans receivable and advances (Note 6)		302		91
Prepaid expenses		347		210
Inventory (Note 7)		540		-
Total current assets		17,634		461
Non-current				
Property, plant and equipment (Note 8)		411		144
Right of use assets (Note 8)		318		291
Intangible asset (Note 10)		658		277
Goodwill (Note 10)		431		-
Total assets	$	19,452	$	1,173
LIABILITIES				
Current				
Trade payables and accrued liabilities (Note 17)	$	1,809	$	1,149
Amounts payable to vendors on business combinaitons (Note 9)		605		-
Loans payable (Note 11)		-		1,030
Current portion of long term debt (Note 13)		251		-
Current portion of lease liability (Note 12)		78		53
Total current liabilities		2,743		2,232
Non-current				
Non-current debt (Note 13)		69		-
Non-current lease liability (Note 12)		251		246
Deferred tax (Note 20)		139		-
Total liabilities		3,202		2,478
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (Note 14(b))		27,254		1,400
Options (Note 15)		2,396		86
Warrants (Note 16)		3,961		21
Accumulated other comprehensive income		39		23
Deficit		(17,287)		(2,824)
Non-controlling interest		(113)		(11)
Total Shareholders' equity (deficiency)		16,250		(1,305)
Total liabilities and shareholders' equity (deficiency)	$	19,452	$	1,173

Commitments and contingencies (Note 18)

Subsequent events (Note 24)

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

APPROVED ON BEHALF OF THE BOARD

Signed *“Damian Lopez”*_________, DIRECTOR

Signed *“Bernard Wilson”*________, DIRECTOR

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, 2020		For the period from incorporation (March 13, 2019) to December 31, 2019
Revenue (Note 23)	$	106	$	-
Cost of sales		35		-
Gross Profit	$	71	$	-
Expenses				
Consulting and management fees (Note 14(b) and 17)	$	4,752	$	2,001
Professional fees		794		183
General and administrative		1,400		175
Travel expenses		428		306
Share based compensation (Note 15)		4,901		107
Depreciation and amortization (Notes 8 and 10)		113		26
Research and development		78		21
Foreign exchange loss		20		6
Total expenses		12,486		2,825
Loss before the undernoted items		(12,415)		(2,825)
Goodwill impairment (Note 10)		1,816		-
Interest expense		30		19
Transaction costs (Note 9)		132		-
Other income		(59)		-
Net loss for the period	$	(14,334)	$	(2,844)
Other comprehensive loss				
Exchange differences on foreign operations		(16)		(23)
Total comprehensive loss for the period	$	(14,350)	$	(2,821)
Net loss attributable to:				
Flora Growth Corp.	$	(14,170)	$	(2,824)
Non-controlling interests	$	(164)	$	(20)
Comprehensive loss attributable to:				
Flora Growth Corp.	$	(14,186)	$	(2,801)
Non-controlling interests	$	(164)	$	(20)
Basic and diluted loss per share attributable to Flora Growth Corp.	$	(0.16)	$	(0.06)
Weighted average number of common shares outstanding (thousands)- basic and diluted (Note 19)		89,704		44,676

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

Flora Growth Corp.

Consolidated Statements of Shareholders' Equity (Deficiency)

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

	Common Shares (thousands)		Options	Warrants	Accumulated other comprehensive loss	Accumulated Deficit	Non-Controlling interest (Deficiency)	Shareholders' Equity (Deficiency)
	#	$	$	$	$	$		$
Balance, March 13, 2019	-	-	-	-	-	-	-	-
Incorporation share	-	-	-	-	-	-	-	-
Common shares issued (Note 14(b))	70,000	1,400	-	-	-	-	-	1,400
Options issued (Note 15)	-	-	86	-	-	-	-	86
Warrants issued (Note 16)	-	-	-	21		-	-	21
Acquisition of Cosechemos (Note 9)	-	-	-	-	-	-	9	9
Other comprehensive loss - exchange differences on foreign operations	-	-	-	-	23	-	-	23
Loss for the period	-	-	-	-	-	(2,824)	(20)	(2,844)
Balance, December 31, 2019	70,000	1,400	86	21	23	(2,824)	(11)	(1,305)
Balance, December 31, 2019	70,000	1,400	86	21	23	(2,824)	(11)	(1,305)
Regulation A Offering (Note 14(b))	40,000	25,605	-	4,395	-	-	-	30,000
Share issuance costs (Note 14(b))	-	(2,652)	-	(455)	-	-	-	(3,107)
Common shares issued for services (Note 14(b))	4,000	2,560	-	-	-	-	-	2,560
Common shares issued for acquisitions (Note 14(b))	475	304	-	-	-	(317)	62	49
Options exercised	600	37	(7)	-	-	-	-	30
Options issued (Note 15)	-	-	2,341	-	-	-	-	2,341
Options expired	-	-	(24)	-	-	24	-	-
Other comprehensive loss - exchange differences on foreign operations	-	-	-	-	16	-	-	16
Loss for the year	-	-	-	-		(14,170)	(164)	(14,334)
Balance, December 31, 2020	115,075	27,254	2,396	3,961	39	(17,287)	(113)	16,250

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, except per share amounts which are in thousands of shares)

	Year ended Decemer 31, 2020	For the period from incorportion (March 13, 2019) to December 31, 2019
CASH FROM OPERATING ACTIVITIES:		
Net loss for the period	$ (14,334)	$ (2,844)
Items not involving cash:		
Share-based compensation (Notes 14(b) & 15)	4,901	107
Goodwill impairment (Note 10)	1,816	-
Bonus paid in shares (Note 14(b))	-	1,400
Loans settled with services (Note 6)	71	
Depreciation and amortization (Notes 8 and 10)	113	26
Accrued interest on loans receivable (Note 6)	(54)	-
Accrued interest on loans payable (Note 11)	13	20
-	(7,474)	(1,291)
Net change in non cash working capital		
Trade and other receivables	(543)	(19)
Inventory	(55)	-
Prepaid expenses	(26)	(170)
Trade payables and accrued liabilities	(323)	1,026
	(947)	837
Net cash flows from operating activities	(8,421)	(454)
CASH FROM FINANCING ACTIVITIES:		
Regulation A Offering (Note 14(b))	30,000	-
Unit issue costs (Note 14(b))	(3,107)	-
Exercise of options (Note 14(b))	30	-
Repayments of lease liaility (Note 12)	(64)	(5)
Loans received (Note 11)	6	1,010
Interest paid (Note 11)	(33)	-
Loan repayments (Note 11)	(1,016)	-
Net cash flows from financing activities	25,816	1,005
CASH FROM INVESTING ACTIVITIES:		
Loans provided (Notes 6 and 9)	(2,200)	(390)
Repayment of loans provided (Note 6)	1,000	-
Acquisition of equipment (Note 8)	(234)	(140)
Business and asset Acquisitions (Note 9)	(730)	99
Net cash flow from investing activities	(2,164)	(431)
Effect of exchange rate change	152	20
CHANGE IN CASH DURING THE PERIOD	15,383	140
CASH, beginning of the period	140	-
CASH, end of the period	$ 15,523	$ 140
Supplementary information		
Interest paid	$ 33	$ -
Income taxes paid	$ -	$ -
Non-cash consideration on acquisition of minority interests	$ 304	$ -

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

1. NATURE OF OPERATIONS

Flora Growth Corp. (the "Company" or "Flora") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation, on March 13, 2019. The Company is focused on developing business for the purpose of cultivating, processing and supplying all natural, medicinal-grade cannabis oil, cannabis oil extracts and related products to large channel distributors, including pharmacies, medical clinics, and cosmetic companies. The Company's head office is located at 65 Queen Street West, Suite 900, Toronto, Ontario, M5H 2M5, Canada.

On July 16, 2019, the Company signed a share purchase agreement to purchase 90% of Cosechemos YA S.A.S ("Cosechemos"). Coshemos is a business domiciled in Colombia whose business purpose is to cultivate and process cannabis into standardized, medicinal-grade oil extracts and related products. Cosechemos is licensed by the Ministry of Health and Ministry of Justice in Colombia to cultivate, produce derivatives, distribute and commercialize domestically and internationally, derived non-psychoactive cannabis (less than 1% of THC) and by the Ministry of Health to manufacture psychoactive derivatives (more than 1% of THC [tetrahydrocannabinol]) of cannabis. As at December 31, 2020, Cosechemos has only grown cannabis for test purposes, and has made no commercial sales.

During the year ended December 31, 2020, the Company incorporated several new operating businesses. Flora Beauty LLC was incorporated in Colorado and a subsidiary Flora Beauty LLC Sucursal Colombia was incorporated in Colombia, operations include the manufacture and sale of make-up and beauty products. Hemp Textiles & Co. LLC was incorporated in Florida, United States and Hemp Textiles & Co S.A.S. was incorporated in Colombia, and these operations include the manufacture and sale of hemp-based clothing and textiles. See Note 2 for additional details on the incorporation of these companies and their subsidiaries. These companies were incorporated with the strategic goal of integrating them into the cannabis operations of the consolidated business.

During the year ended December 31, 2020, the Company also made three strategic acquisitions of operating companies in Colombia, with the intention of ultimately integrating these operations into the cannabis operations of the Company. These companies' operations are related to distribution of food and beverages, and manufacture and sale of medical and pharmaceutical products. These acquisitions are further described in Note 9.

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

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 19, 2021.

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 has the ability to 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, 2020, the Company had the following subsidiaries:

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

Subsidiaries	Country of incorporation	Ownership	Functional currency
Cosechemos YA S.A.S.	Colombia	90%	Colombian Peso (COP)
Flora Growth Corp. Sucursal Colombia	Colombia	100%	Colombian Peso (COP)
Hemp Textiles & Co. LLC	United States	100%	United States Dollar (USD)
Hemp Textiles & Co. S.A.S.	Colombia	100%	Colombian Peso (COP)
Flora Beauty LLC	United States	87%	United States Dollar (USD)
Flora Beauty LLC Sucursal Colombia	Colombia	100%	Colombian Peso (COP)
Kasa Wholefoods Company S.A.S.	Colombia	90%	Colombian Peso (COP)
Kasa Wholefoods Company LLC	United States	90%	United States Dollar (USD)
Grupo Farmaceutico Cronomed S.A.S.	Colombia	100%	Colombian Peso (COP)
Labcofarm Laboratorios S.A.S.	Colombia	100%	Colombian Peso (COP)
Breeze Laboratory S.A.S.	Colombia	90%	Colombian Peso (COP)

Flora Beauty LLC was incorporated on January 14, 2020, and it's 100% owned subsidiary Flora Beauty LLC Surcursal Colombia was incorporated on June 24, 2020.

Hemp Textiles & Co. LLC was incorporated on August 17, 2020, and it's 100% owned subsidiary Hemp Textiles S.A.S. was incorporated on June 25, 2020.

Kasa Wholefoods Company LLC, a 100% owned subsidiary of Kasa Wholefoods Company S.A.S. was incorporated on April 1, 2020.

Refer to Note 9 for acquisition of minority interests completed during the year ended December 31, 2020.

Basis of measurement

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical cost except for financial instruments measured at fair value. The consolidated financial statements are presented in United States dollars unless otherwise noted.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements for the year ended December 31, 2020.

Business combination

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 acquisition date amounts of identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition date amounts of identifiable assets acquired and liabilities assumed 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 either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of noncontrolling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or 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 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for those items for which the accounting is incomplete. The provisional amounts are adjusted during the measurement period, or additional assets or liabilities may be recognized to reflect additional information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Foreign currency translation

The presentation currency and functional currency of the Company is the United States dollar.

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 statement of loss and comprehensive loss.

Translation into presentation currency

The assets and liabilities of foreign operations are translated into United States dollars at year-end exchange rates. Revenue and expenses, and cash flows of foreign operations are translated into United States dollars using average exchange rates. 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 profit or loss upon the disposal of the foreign operation.

Share based compensation

Share based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share based payments 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 employee stock option plan. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. 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. On 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. On expiry of a stock option, any amount related to the initial value of the stock option is recorded to accumulated deficit.

Provisions

General

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of 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 some or all of 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 virtually certain.

The expense relating to any provision is presented in the consolidated statement of 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 statement of loss.

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.

Financial assets

Initial recognition and measurement

The Company aggregates its financial assets in accordance with IFRS 9, Financial Instruments, 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 fair value through other comprehensive income "FVOCI", and "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 taking into account 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 other receivables, and loans receivable are classified in this category.

Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term 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 other income or expense in the statement of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statement of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statement of loss when the right to receive payments is established.

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 only financial assets subject to impairment are cash, trade and other receivables, and loans receivable, which are measured at amortized cost.

Critical to the determination of ECL's is the definition of default and the definition of a significant increase in credit risk. The definition of default is used in measuring the amount of ECL's and in the determination of whether the loss allowance is based on a 12-month or lifetime ECL's. The Company considers the following as constituting an event of default: the borrower is past due more than 90 days on any material credit obligation, or the borrower is unlikely to pay its credit obligations to the Company in full. The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on 12-month ECL's. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date based on the remaining maturity of the instrument with risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial asset was first recognized.

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 payables and accrued liabilities, loans payable 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 taking into account 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 statement of loss. In these consolidated financial statements, trade payables and 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 statement of loss.

Inventories

Inventories are comprised of raw materials and finished goods. Finished products include beauty products, textiles products, pharmaceuticals and nutraceuticals, and beverages and food products. Inventories are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventory cost is determined on an average cost 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.

To date the Company has only grown cannabis for test purposes and all plants grown have been subsequently destroyed. As such, there are no amounts included in inventory related to cannabis products or biological assets at December 31, 2020 or 2019.

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. To the extent that circumstances have changed subsequently such that the net realizable value has increased, previous write-downs are reversed and recognized in net income (loss) in the year during which the reversal occurs.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. 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	10 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 makes adjustments if appropriate. During their construction, property, plant and equipment are not subject to depreciation. When the asset is available for use, depreciation commences.

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 statement of 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 their estimated useful lives, which do not exceed the contractual period, if any. The Company's finite-lived intangible assets are amortized as follows:

Customer relationships	5-10 years
Trademarks and brands	10 years
Licenses	5-10 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.

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. The Company does not have any intangible assets with indefinite useful lives as at December 31, 2020 or 2019.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment as at the consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount in which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Share capital

Proceeds from the issuance of common shares are classified as equity. 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. The fair value of options and warrants is determined using the Black Scholes model. Warrants attached to units along with common shares are measured with the relative fair value method.

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 reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Revenue Recognition

The Company generates revenues from the sale of consumer products, including food and beverage products, pharmaceuticals, make-up and beauty products, and hemp and textile products.

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. Net revenue from sale of goods, as presented in the statement of operations and comprehensive income, represents revenue from the sale of goods less expected price discounts, returns on sales of defective products and customer rebates.

The Company's contracts with customers for the sales of products, and in some cases, including delivery of the products, consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract. The Company's payment terms range from 0 to 30 days from the transfer of control.

Revenue from services are recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for rendering promised services to a customer. The Company has concluded that revenue from the services provided should be recognized as services are rendered. The Company's payment terms range from 0 to 30 days from the invoice date.

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 of time 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 right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the 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 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 incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. 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.

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 (“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.

Presentation of comparative financial statements

The presentation of right-of-use assets was changed in the year ended December 31, 2020, to be presented separately from property, plant and equipment on the statement of financial position. The same change was made as at December 31, 2019 in these consolidated financial statements for consistent presentation, with no impact on net assets or profit and loss.

Adoption of amendments to accounting standards

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. For acquisitions that do not meet the definition of a business under IFRS 3, the Company follows International Accounting Standard ("IAS") 37 and IAS 38 guidelines for asset acquisition, where the consideration paid is allocated to assets acquired based on fair values on the acquisition date and transactions costs are capitalized and allocated to the assets acquired. The Company has adopted these amendments during the current period and these amendments have not resulted in a material impact on these consolidated financial statements.

Accounting pronouncements not yet adopted

The Company is not aware of any upcoming accounting pronouncements which are expected to have a material impact on its financial position or results of operations.

4. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best estimates of the amount, event or actions, actual results could differ from those estimates and these estimates could be material.

The areas which require management to make significant judgments, estimates and assumptions include, but are not limited to:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as financing activities, cash flows from operating activities and frequency of transactions within the reporting entity.

Expected credit losses on financial assets

Determining an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on 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.

Income taxes and recoverability of potential 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 in light of 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. 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.

Share based payment 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 payment transactions requires determining the most 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.

Contingencies and provisions

Contingencies can be either possible assets or 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. In assessing loss contingencies related to legal proceedings that are pending against us, un-asserted claims that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or un-asserted 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. Contingent assets are not recognized in the consolidated financial statements.

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.

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 may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples.

Estimated useful lives and depreciation of property, plant and equipment, right-of-use asset and intangible assets with finite lives

Depreciation and amortization of property, plant and equipment, right-of-use asset and intangible assets with finite lives are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment and are dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.

Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

The assessment of any impairment on property, plant and equipment, right-of-use asset and intangible assets other than goodwill is dependent upon estimates of recoverable amounts. As the recoverable amount is the higher of fair value less costs of disposal and value in use, management must consider factors such as economic and market conditions, estimated future cash flows, discount rates and asset specific risks.

Impairment of goodwill

The impairment test for cash generating units ("CGUs") to which goodwill is allocated is based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculation is based on assumptions including, but not limited to, the cash flow growth rate and the discount rate.

Determination of CGUs

Management is required to use judgement in determining which assets or group of assets make up appropriate CGUs for the level at which goodwill and intangible assets with indefinite lives are tested for impairment. A CGU is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

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

5. TRADE AND AMOUNTS RECEIVABLE

The trade and other receivables balance as at December 31, 2020 and 2019 consists of trade accounts receivable, amounts recoverable from the Government of Canada for Harmonized Sales Taxes ("HST") and amounts receivables.

	December 31, 2020	December 31, 2019
Trade accounts receivable	$ 254	$ -
HST receivable	459	19
Amounts receivables	209	1
Total	$ 922	$ 20

Trade accounts receivable is presented net of allowance of $116.

6. LOANS RECEIVABLE AND ADVANCES

Loans Receivable and advances- 2020

As at December 31, 2020, the Company had provided a loan of $224 to Sanaty IPS S.A.S. ("Sanaty"). The purpose of making this loan was to provide working capital to Sanaty as a potential acquisition target. The loan is unsecured, non-interest bearing and due on demand. Imputed interest of $6 was not considered significant. Sanaty is 28% owned indirectly by Medivolve Inc. Deborah Battiston is the Chief Financial Officer of the Company and is also the Chief Financial Officer of Medivolve Inc.

As at December 31, 2020, the Company had provided an advance of $78 to Laboratorios Quiprofarma S.A.S. ("Quiprofarma"). The purpose of making this advance was for a prepayment of the purchase price on the asset acquisition that was closed subsequent to December 31, 2020. See Note 24.

Loans Receivable and advances- 2019

As at December 31, 2019, the Company had granted a loan to Kasa Wholefoods Company S.A.S ("Kasa"). The purpose of making this loan was to provide working capital to Kasa as a potential acquisition target, and on December 29, 2020 the Company signed a share purchase agreement with Kasa. See Note 9. The loan accrued interest with an annual interest rate of 5%, was unsecured, and was payable on demand. As at December 31, 2019, the Company had a loan receivable of $91.087 of which $91 was principal and $0.087 was interest.

The Company had granted a loan of $1,000 to Newdene Gold Inc. ("Newdene"). The loan accrued interest with an annual interest rate of 6% and was payable six months following the closing date of February 12, 2020. The loan was secured by a securities pledge agreement in favor of the Company creating a security interest of 2,000 common shares in the capital of Flora. On November 23, 2020, the Newdene loan of $1,000 plus interest of $47 was repaid in full.

The Company had granted a loan of CAD$100 ($71) to Consultancies and Consultancies of Latam by GM LLC ("Consultancies"). The loan accrued interest with an annual interest rate of 5% and was payable sixty days following the closing date of April 17, 2020. The loan to Consultancies and Consultancies of Latam by GM LLC ("Consultancies") of CAD$100 ($71) plus interest of $2 has been repaid in full via services provided.

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

7. INVENTORY

Inventory, as at December 31, 2020 and 2019, is comprised of the following:

	2020 $	2019 $
Raw materials and supplies - Pharmaceuticals and nutraceuticals	174	
Raw materials and supplies - Textile produts	8	-
Total raw materials and supplies	182	-
Finished goods - Beauty products	18	
Finished goods - Textiles products	37	
Finished goods - Pharmaceuticals and nutraceuticals	274	
Finished goods - Beverages and food products	29	
Total finished goods	358	
Total	540	-

As at December 31, 2020 and 2019, the Company does not have any biological assets.

During the year ended December 31, 2020, $35 of inventory was expensed to cost of sales (2019 - $Nil).

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Construction in progress $	Machinery and Office equipment $	Vehicle $	Land $	Subtotal $	Right of use assets $	Total $
As at March 13, 2019	-	-	-	-	-	-	-
Additions	99	1	40	-	140	-	140
Asset acquisition (Note 9)	-	1	-	-	1	288	289
Foreign exchange translation	4	-	1	-	5	18	23
Cost as at December 31, 2019	**103**	**2**	**41**	**-**	**146**	**306**	**452**
Additions	35	77	-	122	234	-	234
Business combinations (Note 9)	-	41	-	-	41	85	126
Foreign exchange translation	(2)	10	(2)	9	15	(12)	3
Cost as at December 31, 2020	**136**	**130**	**39**	**131**	**436**	**379**	**815**
Accumulated depreciation							
As at March 13, 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation	-	(2)	-	-	(2)	(13)	(15)
Foreign exchange translation	-	-	-	-	-	(2)	(2)
Accumulated depreciation as at December 31, 2019	**-**	**(2)**	**-**	**-**	**(2)**	**(15)**	**(17)**
Depreciation	-	(14)	(4)	-	(18)	(42)	(60)
Foreign exchange translation	-	(5)	-	-	(5)	(4)	(9)
Accumulated depreciation as at December 31, 2020	**-**	**(21)**	**(4)**	**-**	**(25)**	**(61)**	**(86)**
Net book value							
As at December 31, 2019	**103**	**-**	**41**	**-**	**144**	**291**	**435**
As at December 31, 2020	**136**	**109**	**35**	**131**	**411**	**318**	**729**

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

The Company is constructing greenhouses in Colombia, the expenditures for which are recorded as construction in progress which is not currently being depreciated. Depreciation will commence when construction is complete, and the facility is available for its intended use. All of the Company's property, plant and equipment is domiciled in Colombia.

9. ASSET ACQUISITION AND BUSINESS COMBINATIONS

Acquisition of Cosechemos YA S.A.S (the "Acquisition")

On July 16, 2019, the Company signed a share purchase agreement with the certain third party individuals, the "Vendors", to purchase 90% of Cosechemos. As consideration for the Cosechemos shares, Flora agreed to (i) pay $80 to the Vendors, and (ii) grant the Vendors a 10% non-dilutive, free carried interest in Cosechemos, the ("Free Carry"). Pursuant to the agreement, Flora is required to pay the Vendors, as a one-time payment, $750 within 60 days of Cosechemos earning a net income of $10,000. On October 15, 2019, $80 was paid to the Vendors for the purchase of 90% of Cosechemos. Cosechemos was acquired to gain access to certain cannabis licenses held by Cosechemos in Colombia. Cosechemos is focused on cultivating, processing and supplying all natural, medicinal-grade cannabis oil extracts and related products to large channel distributors, including pharmacies, medical clinics and cosmetic companies. Cosechemos' operations are in Giron, Santander, Colombia where it has leased a 361 hectare property.

The Free Carry will terminate upon Flora investing an aggregate of $25,000 in Cosechemos.

This acquisition did not meet the definition of a business combination under IFRS 3 and was therefore recorded as an asset acquisition. The asset acquisition was recorded at 100% of the fair value of the net assets acquired with 10% attributable to the non-controlling interest.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

	$
Current assets	221
Property and equipment	1
Right of use asset	288
Intangible asset	272
Trade and other payables	(104)
Loans payable to Flora Growth Corp.	(299)
Lease liability	(290)
Non-controlling interest	(9)
Total consideration paid	80

Acquisition of Grupo Farmaceutico Cronomed S.A.S*. ("Cronomed")*

On December 18, 2020, the Company acquired 100% of Cronomed, pursuant to a share purchase agreement (the "Cronomed Purchase Agreement") with certain third party individuals, the "Cronomed Vendors". As consideration the Company was to pay COP$3,468,631 (approximately $992) in cash. As at December 31, 2020, $163 remained payable to the Cronomed Vendors and was included in Trade payables and accrued liabilities on the consolidated statement of financial position. In addition, Flora previously paid fees related to the acquisition of $131.

Cronomed is focused on the commercialization and distribution of pharmaceutical and over-the-counter products, including dietary supplements, phytotherapeutic and nutraceutical products, supplements and related products to large channel distributors, including pharmacies, medical clinics, and cosmetic companies. Cronomed's 100% owned subsidiary, Labcofarm Laboratorios S.A.S. ("Labcofarm") was incorporated on November 20, 2012 under the laws of Colombia. Labcofarm's operations include importing raw materials and other products needed for the production of its products.

This acquisition was accounted for as a business combination under IFRS 3, with the Company as the acquirer, and Cronomed as the acquiree. The business combination was recorded at 100% of the fair value of the net assets acquired. The purpose of the acquisition was to create future synergies in the Company's cannabis business.

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

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

	$
Current assets	563
Property and equipment	9
Right of use asset	85
Intangible asset	311
Goodwill	728
Trade and other payables	(300)
Long term debt	(186)
Amounts payable to Flora Growth Corp. consolidated group	(30)
Lease liability	(92)
Deferred income tax	(96)
Total consideration paid	992

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

For the year ended December 31, 2020, prior to being acquired, Cronomed generated COP3,839,212 ($1,118) in revenues, incurred COP20,335 ($6) in net income. If the acquisition had been completed on January 1, 2020, the Company estimates it would have had revenues of $1,224 and incurred a comprehensive loss of $14,344.

Acquisition of Kasa Wholefoods Company S.A.S. (“Kasa”)

On December 29, 2020, the Company acquired 90% of Kasa Wholefoods Company SAS Colombia (“Kasa”), pursuant to a share purchase agreement (the “Kasa Purchase Agreement”) with the “Kasa Vendors”. As consideration the Company was to pay $148.3 in cash and discharged certain liabilities of the Kasa Vendors in the amount of $87.3, for aggregate consideration of $236. As at December 31, 2020, $236 remained payable to the Kasa Vendors and was included in Trade payables and accrued liabilities on the consolidated statement of financial position.

Kasa is a company headquartered in Colombia with a focus on designing, producing and supplying natural, no additive-added, no sugar-added juices, chocolate and chocolate related products to large channel distributors, including wholesale distributors, pharmacies, supermarkets and online distributors. Kasa’s business operations are primarily in Colombia. Kasa’s 100% owned subsidiary, Kasa Wholefoods Company LLC, was incorporated on April 1, 2020 under the laws of Florida, United States. Kasa was acquired to gain access to research and development efforts on a water-soluble cannabinoid solution to infuse cannabinoids into its products.

This acquisition was accounted for as a business combination under IFRS 3, with the Company as the acquirer, and Kasa as the acquiree. The business combination was recorded at 100% of the fair value of the net assets acquired with 10% attributable to the non-controlling interest.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

	$
Current assets	331
Property and equipment	9
Intangible asset	48
Goodwill	834
Trade and other payables	(246)
Long term debt	(107)
Amounts payable to Flora Growth Corp. consolidated group	(591)
Deferred income tax	(15)
Non-controlling interest	(27)
Total consideration paid	236

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

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

For the year ended December 31, 2020, prior to being acquired, Kasa generated COP562,696 ($161) in revenues, incurred COP1,344,916 ($384) in net loss. If the acquisition had been completed on January 1, 2020, the Company estimates it would have had revenues of $267 and incurred a comprehensive loss of $14,734.

Acquisition of Breeze Laboratory S.A.S. ("Breeze")

On December 29, 2020, the Company acquired 90% of Breeze, pursuant to a share purchase agreement (the "Breeze Purchase Agreement") with certain third party individuals, the "Breeze Vendors". As consideration, the Company was to pay $147.3 in cash and discharged certain liabilities of the Breeze Vendors in the amount of $58.9 for aggregate consideration of $206. As at December 31, 2020, $206 remained payable to the Breeze Vendors and was included in Trade payables and accrued liabilities on the consolidated statement of financial position

Pursuant to the Breeze Purchase Agreement, in the event that the Company elects to merge Breeze and Cronomed, we are required to issue that number of shares of the combined entity to the Breeze Vendors such that collectively the Breeze Vendors would own a 5% equity interest in the combined entity. In the event that the Company elect not to merge Breeze and Cronomed and instead sell such shares to an arm's length third party, at the Breeze Vendors' sole option, the Company has agreed to (a) pay to the Breeze Vendors COP$700,000 (approximately USD$200); (b) pay to the Breeze Vendors 5% of the proceeds from the sale of such shares to the third party; or (c) transfer 10% of such shares to the Breeze Vendors with 8 business days' notice of any such decision. These provisions were assessed as being contingent consideration, with $Nil value as the Company does not intend to merge Breeze and Cronomed or sell Breeze to an arm's length third party.

Breeze focuses on the design, development and manufacturing of dermo-cosmetic products to respond to the needs of consumers, health specialists, patients and therapists. Breeze also manufactures magistral formulations in Colombia, which are custom formulations prescribed by physicians according to the individual needs and symptoms of patients and prepared as prescribed by a certified pharmaceutical establishment using cannabis derivatives.

This acquisition was accounted for as a business combination under IFRS 3, with the Company as the acquirer, and Breeze as the acquiree. The business combination was recorded at 100% of the fair value of the net assets acquired with 10% attributable to the non-controlling interest. The purpose of the acquisition was to create future synergies in the Company's cannabis business.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

	$
Current assets	214
Property and equipment	23
Intangible asset	89
Goodwill	685
Trade and other payables	(430)
Long term debt	(27)
Amounts payable to Flora Growth Corp. consolidated group	(297)
Deferred income tax	(28)
Non-controlling interest	(23)
Total consideration paid	206

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

For the year ended December 31, 2020, prior to being acquired, Breeze generated COP1,853,376 ($540) in revenues, incurred COP359,261 ($105) in net income. If the acquisition had been completed on January 1, 2020, the Company estimates it would have had revenues of $646 and incurred a comprehensive loss of $14,245.

Acquisition of Minority interests

On December 29, 2020, we were assigned (i) a 10% membership interest in Flora Beauty LLC (5% owned by Andrés Restrepo and 5% owned by Luis Merchan); (ii) a 10% membership interest in Hemp Textiles & Co LLC owned by Luis Merchan; and (iii) a 20% membership interest in Hemp Textiles SAS (5% owned by Santiago Mora Bahamón, 5% owned by Luis Merchan and 10% owned by Nicolás Vásquez). As consideration for the assignment of such membership interests, we granted 190 shares of our Common Shares to Mr. Restrepo; 190 shares of our Common Shares to Mr. Vazquez; 95 shares of our Common Shares to Mr. Bahamón; and paid $0.3 to Mr. Merchan, who was appointed as the President and Chief Executive Officer by our Board on December 16, 2020.

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

10. INTANGIBLE ASSETS AND GOODWILL

A continuity of the intangible assets for the year ended December 31, 2020 is as follows:

	Licenses	Customer relationships	Trademarks and brands	Goodwill	Total
Cost					
At March 13, 2019	$ -	$ -	$ -	$ -	$ -
Acquired through asset acquistion (Note 9)	272	-	-	-	272
At December 31, 2019	$ 272	$ -	$ -	$ -	$ 272
Accumulated Amortization					
At March 13, 2019	$ -	$ -	$ -	$ -	$ -
Additions	11	-	-	-	11
At December 31, 2019	$ 11	$ -	$ -	$ -	$ 11
Foreign Currency translation	16	-	-	-	16
Net book value at December 31, 2019	$ 277	$ -	$ -	$ -	$ 277

	Licenses	Customer relationships	Trademarks and brands	Goodwill	Total
Cost					
At January 1, 2020	$ 272	$ -	$ -	$ -	$ 272
Acquired through business combinations (Note 9)	138	189	121	2,247	2,695
Impairment	-	-	-	(1,816)	(1,816)
At December 31, 2020	$ 410	$ 189	$ 121	$ 431	$ 1,151
Accumulated Amortization					
At January 1, 2020	$ 11	$ -	$ -	$ -	$ 11
Additions	53	-	-	-	53
At December 31, 2020	$ 64	$ -	$ -	$ -	$ 64
Foreign Currency translation	2	-	-	-	2
Net book value at December 31, 2020	$ 348	$ 189	$ 121	$ 431	$ 1,089

The Company's intangible asset acquired in 2019 consist of a license is for the production of non-psychoactive cannabis products on its property located in Colombia. The Company's intangible asset acquired in 2020 consist of customer relationships, tradenames/brands and licenses and certifications for formulations as a result of the acquisitions of Kasa, Breeze and Cronomed. See Note 9.

None of the Company's intangible assets are individually material. The amortization policy for each class of intangible asset is disclosed in Note 3.

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

Below is a reconciliation of changes in the goodwill balance for the year ended December 31, 2020:

	Cronomed	Breeze	Kasa	Total
As at January 1, 2020	$ -	$ -	$ -	$ -
Acquired through business combinations (Note 9)	728	685	834	2,247
Impairment	(348)	(685)	(783)	(1,816)
As at December 31, 2020	$ 380	$ -	$ 51	$ 431

As at December 31, 2020, the goodwill balances were allocated to a cash generating unit ("CGU") for each of the acquisitions of Cronomed, Breeze and Kasa. The Company assesses whether there are events or changes in circumstances that would more likely than not reduce the fair value of each of its CGUs to below carrying value and, therefore, require goodwill to be tested for impairment at the end of each reporting period.

As at December 31, 2020, the Company performed its annual impairment test on each of the CGUs with associated goodwill using the fair value less cost to dispose method as the basis to determine recoverable amount of the CGUs. The key assumptions used in the calculation of the recoverable amounts of the CGUs relate to six-year forecast cash flows, terminal year cash flows, weighted average cost of capital, and compound annual growth rate in forecast gross revenue. These key assumptions are considered Level 3 inputs in the fair value hierarchy, and were based on historical data from internal sources as well as industry and market trends. The discount rates used were between 15.8% - 20.0%, representing the weighted average cost of capital (after-tax) determined based on the following primary factors: (i) the risk-free rate; (ii) an equity risk premium; (iii) beta adjustment to the equity risk premium based on a review of betas of comparable peer companies; (iv) size premium; (v) country risk premium; and (vi) company specific risk premium. The compound annual growth rates in forecast gross revenue were estimated for the CGUs ranged between -1.3% - 26.4%. The total impairment expense indicated by the impairment test was $1,816 (2019 - $Nil), and is attributed to the working capital requirements of the acquired entities being higher than anticipated when the purchase prices were originally negotiated. The goodwill is included within the corporate segment for segmented reporting, because none of the operating segments to which the goodwill related exceeded quantitative thresholds for individual reporting (See Note 23).

11. LOANS PAYABLE

The Company entered into a loan agreement with Medivolve Inc. (formerly QuestCap Inc.) during the year ended December 31, 2019 for an amount up to $500 of which $498 of principal was drawn down prior repayment (December 31, 2019 - $498). The loan was a United States dollar loan which bore interest at 10% annually, was unsecured, and was payable on demand. As at December 31, 2019, the interest payable on the loan was $16. Stan Bharti and Deborah Battiston are the former Chairman and director and Chief Financial Officer, respectively, of the Company and the Chairman and Chief Financial Officer of Medivolve. These funds were sent to provide support to Cosechemos and to provide working capital for the Company. On January 31, 2020, the loan was repaid in the amount of $521; $498 to principal and $24 to interest.

The Company entered into a loan agreement with Sulliden Mining Capital Inc. during the year ended December 31, 2019 for an amount up to $525 of which $502 of principal was drawn down prior to repayment (December 31, 2019 - $496). The loan was a United States dollar loan which bore interest at 12% annually, was unsecured, and was due on March 31, 2020. As at December 31, 2019, the interest payable on the loan was $4. Stan Bharti and Deborah Battiston are the former Chairman and director and Chief Financial Officer, respectively, of the Company and Interim Chief Executive Officer and former Chief Financial Officer, respectively of Sulliden Mining. These funds were sent to provide support to Cosechemos and to provide working capital for the Company. On January 31, 2020, the loan was repaid in the amount of $511; $502 to principal and $9 to interest.

The Company entered into a loan agreement with Q Gold Resources Ltd. during the year ended December 31, 2019 for an amount of $17 (December 31, 2019 - $17). The loan bore interest at 10% annually, was unsecured, and was payable on demand. As at December 31, 2019, the interest payable on the loan was $1. Deborah Battiston is the Chief Financial Officer and Fred Leigh is a former director of the Company. Deborah Battiston is the Chief Financial Officer and Fred Leigh is Chief Executive Officer and a director of Q Gold. These funds were sent to provide support to Cosechemos and to provide working capital for the Company. On March 6, 2020, the loan was repaid in the amount of $18; $17 to principal and $1 to interest.

12. LEASE LIABILITY

The Company's subsidiary entered into a land lease for 361 hectares of property in the municipality of Giron, in Santander, Colombia. The land is subject to a 6-year lease and is recorded as a right of use asset in property, plant and equipment. The discount rate used to calculate the lease liability is 5.2%.

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

The Company's subsidiary has a lease for an administrative office, which began on March 1, 2020, and will be ending on September 30, 2024 and is recorded as a right of use asset in property, plant and equipment. The incremental borrowing rate used to calculate the lease liability is 21.6%.

A continuity of lease liability for the period ended December 31, 2019 is as follows:

As at March 13, 2019	$	-
Acquisition of lease		290
Lease payments		(9)
Interest expense on lease liability		4
Foreign currency translation		14
As at December 31, 2019	$	299
Lease payments		(64)
Interest expense on lease liability		13
Foreign currency translation		(13)
Acquisition of lease		94
As at December 31, 2020	$	329
Current portion		78
Long term portion	$	251

The maturity analysis of the undiscounted contractual balances of the lease liability is as follows:

Less than one year	$	107
One to five years		288
		395
Effect of discounting		(66)
		329
Potential exposure on extension option (over 5 years) (i)	$	350

(i) There is an option to extend the lease in the event that neither the lessee nor the lessor terminates the lease, for an additional five years.

The total expense for the year related to low value or short-term leases was $Nil (2019 - $Nil).

13. LONG TERM DEBT

The following is the continuity of the credit facility for the year ended December 31, 2020:

	$
Balance, January 1, 2020	-
Acquired upon business combinations (Note 9)	320
Balance, December 31, 2020	320
Current	251
Long term	69

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

The maturity analysis of the undiscounted contractual balances of the long term debt is as follows:

Less than one year	269
One to five years	51
	320

The long-term debt carries an average interest rate of 13%, has an average maturity of 1.11 years, and is unsecured.

14. CAPITAL STOCK

a. Authorized

Unlimited number of common shares, without par value

b. Common shares issued

	Number of shares (thousands)	Stated value $
Balance, March 13, 2019	-	$ -
Incorporation share	-	-
Bonus shares	70,000	1,400
Balance, December 31, 2019	70,000	$ 1,400
Regulation A Offering	40,000	25,605
Share issuance costs	-	(2,652)
Stock options exercised	600	37
Shares issued services	4,000	2,560
Shares issued acquisitions (Note 9)	475	304
Balance, December 31, 2020	115,075	$ 27,254

The Company had the following common share transactions:

Year ended December 31, 2020

REGULATION A OFFERING

During the year ended December 31, 2020, the Company announced an offering up to 40,000 (the "Maximum Offering") units (the "Units") of the Company to be sold in a Regulation A offering circular under the Securities Act of 1933 (the "Offering"). Each Unit is comprised of one common share in the capital of the Company, with no par value per share (a "Common Share"), and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant") to purchase one additional Common Share (a "Warrant Share") at an exercise price of $1.00 per Warrant Share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the Warrant. The Units are being offered at a purchase price of $0.75 per Unit. Flora is selling the Units through a Tier 2 offering pursuant to Regulation A (Regulation A+) under the Securities Act of 1933. During the year ended December 31, 2020, the Company has issued 40,000 units of the Company at a price of $0.75 per unit. In connection with the closing, the Company has paid unit issuance costs of $3,107 in cash, which has been allocated $2,652 to capital stock and $455 to warrants.

On March 9, 2020, 600 stock options were exercised for gross proceeds of $30.

On December 22, 2020, the Company issued 4,000 common shares to the Chief Executive Officer of the Company, valued at $2,560, based on the estimated current stock price of $0.64 per common share.

On December 31, 2020, the Company issued 475 common shares to the shareholders of Flora Beauty LLC, Hemp Textiles & Co LLC and Hemp Textiles SAS, valued at $304, based on the estimated current stock price of $0.64 per common share. See Note 9.

Year ended December 31, 2019

On June 27, 2019, the Company granted bonuses of $1,400 to consultants, directors and officers of the Company. The bonuses were settled by the issuance of 70,000 common shares at a price of $0.02 per share for a value of $1,400 based on the value of services agreed upon and invoiced by the consultants, directors, officers and the Company. Of the 70,000 common shares issued, a total of 14,950 common shares with a value of $299 were granted to the directors and officers of the Company (See Note 17).

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

15. OPTIONS

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 common shares of the Company (the "Shares") at the date of grant. 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 will be determined by the board at the time of grant, but in the event that the Shares are traded on any stock exchange (the "Exchange"), may not be less than the closing price of the Shares on the Exchange on the trading date immediately preceding the date of grant, subject to all applicable regulatory requirements. Stock option vesting terms are subject to the discretion of the board of directors.

Information relating to share options outstanding and exercisable as at December 31, 2020 and 2019 is as follows:

	Number of options	Weighted average exercise price
Balance, March 13, 2019	-	$ -
Granted	7,000	0.05
Balance, December 31, 2019	7,000	$ 0.05
Granted	5,100	0.75
Exercised	(600)	0.05
Expired	(117)	0.35
Balance, December 31, 2020	11,383	$ 0.36

Date of expiry	Options outstanding	Options exercisable	Exercise price	Grant date fair value	Remaining life in years
June 28, 2024	6,333	6,333	$0.05	$ 78	3.49
April 23,2025	750	750	$0.75	344	4.31
July 6, 2025	550	550	$0.75	252	4.52
July 31, 2025	50	50	$0.75	23	4.58
September 8, 2025	200	200	$0.75	92	4.69
November 4, 2025	2,000	2,000	$0.75	918	4.85
December 16, 2025	1,500	1,500	$0.75	689	4.96
	11,383	11,383	$0.36	$ 2,396	4.05

The fair value of stock options issued during the year ended December 31, 2020 was determined at the time of issuance using the Black-Scholes option pricing model with the following weighted average inputs, assumptions and results:

Risk-free annual interest rate	0.40%
Current stock price	$ 0.64
Expected annualized volatility	100%
Expected life (years)	5
Expected annual dividend yield	0%
Exercise price	$ 0.75

The fair value of stock options issued during the period from incorporation on March 13, 20219 to December 31, 2019 was determined at the time of issuance using the Black-Scholes option pricing model with the following weighted average inputs, assumptions and results:

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

Risk-free annual interest rate	1.39%
Current stock price	$ 0.02
Expected annualized volatility	100%
Expected life (years)	5
Expected annual dividend yield	0%
Exercise price	$ 0.05

The total expense related to the fair value of options granted which was recognized in the year ended December 31, 2020 was $2,341 (2019 - $86). The options issued in 2020 and 2019 vested immediately.

The expected volatility is based on comparable companies.

During the year ended December 31, 2020, 117 stock options expired unexercised following the termination of certain employees and were charged to deficit.

16. WARRANTS

On March 15, 2019, the Company granted 7,000 founder warrants of the Company with an exercise price of $0.05 per common share. The fair market value of the warrants was estimated to be $21 using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 1.63%, estimated current stock price of $0.01, expected volatility of 100%, based on comparable companies, an estimated life of 3 years and an expected dividend yield of 0%. A total of 7,000 warrants with a value of $21 were granted to the directors and officers of the Company (See Note 17).

During the year ended December 31, 2020, there were 20,000 warrants issued under the Regulation A offering (Note 14(b)).The issue date fair value of the warrants was estimated at $4,395 using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 100% based comparable companies; risk-free interest rate of 0.54% and an expected life of 1.5 years.

	Number of warrants (thousands)	Weighted average exercise price
Balance, March 13, 2019	-	$ -
Granted	7,000	0.05
Balance, December 31, 2019	7,000	$ 0.05
Granted (Note 15(b))	20,000	1.00
Balance, December 31, 2020	27,000	$ 0.75

The following table shows all warrants outstanding as at December 31, 2020:

Date of expiry	Warrants outstanding	Exercise price	Grant date fair value	Remaining life in
March 15, 2022	7,000	$ 0.05	$ 21	1.20
July 23, 2021-June 29, 2022	20,000	$ 1.00	$ 4,395	0.98
	27,000	$ 0.75	$ 4,416	1.07

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

17. 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 twenty-four months to thirty-six months and change of control contingent provisions (Note 18). Key management personnel compensation is comprised of the following, see Notes 14(b), 15, 16.

	Year ended December 31, 2020	Period from incorporation on March 13, 2019 to December 31, 2019
Directors & officers' compensation	$ 1,938	$ 557
Share-based payments	4,167	68
	$ 6,105	$ 625

In accordance with IAS 24, key management personnel are 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, 2020, nil of the above directors' and officers' compensation was included in the trade payables and accrued liabilities (2019 - $557). These amounts are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2020, the Company incurred expenses for consulting, rent and promotion services in the amount of $133 (period from March 13, 2019 to December 31, 2019 - $144) from 2227929 Ontario Inc. and expenses for consulting in the amount of $118 (period from March 13, 2019 to December 31, 2019 - $120) from Forbes and Manhattan Inc.

As at December 31, 2020, $11 (2019 - $144) was owing to 2227929 Ontario Inc. and $11 (2019 - $120) was owing to Forbes and Manhattan and was included in trade payables and accrued liabilities, and are unsecured, non-interest bearing and due on demand. Fred Leigh is a former director of the Company and is also a director and officer of 2227929 Ontario Inc. Stan Bharti is a director and former Chairman of the Company and is also a director of Forbes and Manhattan Inc.

As at December 31, 2020, $198 (2019 - nil) was owing to Medivolve Inc.and was included in trade payables and accrued liabilities, and is unsecured, non-interest bearing and due on demand. Deborah Battiston is the Chief Financial Officer of the Company and is also the Chief Financial Officer of Medivolve Inc. During the year ended December 31, 2020, the Company purchased inventory of $190 from Medivolve Inc.

During the period from incorporation on March 13, 2019 to December 31, 2019, the Company issued 6 million shares valued at $120 for consulting services to an individual personally related to one of the directors of the Company.

See Note 6 for loans receivable and advances to related parties.

See Note 11 for loans payable to related parties.

18. COMMITMENTS AND CONTINGENCIES

Management contracts

The Company is party to certain management contracts. Currently, these contracts require payments of CAD$2,442 and $1,185 (approximately $3,103) to be made upon the occurrence of a change in control to the officers of the Company. The Company is also committed to payments to certain individuals upon termination of approximately CAD$1,029 (approximately $808) 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.

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

Shared services and space commitment

The Company has an agreement to share general and administrative, promotion, corporate development, consulting services, and office space with other companies at a cost of CAD$15 per month, with a minimum commitment of CAD$45. This agreement may be terminated by either party giving at least 90 days' prior written notice (or such shorter period as the parties may mutually agree upon) to the other party of termination. These services are provided by 2227929 Ontario Inc. (Note 17).

19. LOSS PER SHARE

The following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive:

December 31, 2020	
Stock options (Note 15)	11,383
Warrants (Note 16)	27,000
	38,383

20. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

	2020 $	2019 $
(Loss) before income taxes	(14,334)	(2,844)
Expected income tax recovery based on statutory rate	(3,798)	(754)
Adjustment to expected income tax recovery:		
Share based compensation	1,299	23
Impairment	481	
Change in statutory, foreign tax, foreign exchange rates and other	(795)	(90)
Change in benefit of tax assets not recognized and others	2,813	821
Deferred income tax provision (recovery)	-	-

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	2020 $	2019 $
Intangible assets	139	-
Deferred income tax liability	139	-

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

Non-capital loss carry-forwards - Canada	9,079	2,577
Share issue costs - Canada	2,486	-
Non-capital loss carry-forwards – USA	293	-
Non-capital loss carry-forwards - Colombia	2,709	343
Total	14,567	2,920

Tax losses in Canada expire from 2038 to 2040, in Colombia expire from 2031 to 2032, USA in 2040.
Deferred tax assets have not been recognized as 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.

21. 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, 2020 and 2019, consist of cash, trade and amounts receivable, loans receivable, trade payables and accrued liabilities, amounts payable to vendors on business combinations, long term 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. The carrying amount of non-current liabilities approximates fair value due to discounting.

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 had no financial instruments recorded at fair value in the consolidated statements of financial position at December 31, 2020 or 2019.

Fair value estimates are made at the relevant transaction date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

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, trade and amounts receivables and loan receivable represents the maximum credit exposure which amounted to $16,747 as at December 31, 2020 (2019 - $251).

The Company has assessed that there has been no significant increase in credit risk of the loans receivable from initial recognition based on the financial position of the borrowers, and the regulatory and economic environment of the borrowers. As a result, the loss allowance recognized during the period was limited to 12 months expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on the loans receivable and advances as at December 31, 2020 and 2019.

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 a provision is recorded where required.

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

As at December 31, 2020, the Company identified certain accounts that may result in a credit loss on its accounts receivable, for which expected credit losses are recognized.

The Company held cash of $15,523 at December 31, 2020 (2019 - $140), of which, $15,393 (2019 – nil) is held with central banks and financial institution counterparties that are highly rated. The remaining amount of $130 (2019 - $140) is held with a financial intermediary in Colombia. 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 12 months expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on this cash balance as at December 31, 2020 and 2019.

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 exchange risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of 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 at this point in time. 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, 2020, the Company had the following monetary assets and liabilities denominated in foreign currencies:

December 31, 2020	CAD	COP	EUR
Cash	$ 1,839	889,204	$ 118
Amounts receivable	594	1,478,432	-
Prepaid expenses	-	1,171,419	-
Trade payables	(581)	(4,032,077)	-
Accrued liabilities	(120)	-	-
Lease liability	-	(1,126,542)	-
Long term debt	-	(1,098,081)	-
	$ 1,732	(2,717,645)	118

As at December 31, 2019, the Company had the following monetary assets and liabilities denominated in foreign currencies:

December 31, 2019	CAD	COP
Cash	$ -	523,677
Amounts receivable	19	5,115
Trade payables	(385)	(247,758)
Accrued liabilities	(791)	-
Lease liability	-	(978,465)
	$ (1,157)	(697,431)

Monetary assets and liabilities denominated in Canadian dollars and Colombian pesos are subject to foreign currency risk. As at December 31, 2020, had the United States dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, there would have been a change of approximately $68 (2019 - $45) in the Company's net loss. As at December 31, 2020, had the United States dollar weakened/strengthened by 5% against the Colombian peso with all other variables held constant, there would have been a change of approximately $40 (2019 - $8) in the Company's other comprehensive income. As at December 31, 2020, had the United States dollar weakened/strengthened by 5% against the Euro with all other variables held constant, there would have been a change of approximately $7 (2019 – nil) in the Company's other comprehensive income.

It is management's opinion that the Company is not subject to significant commodity or interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of trade payables and accrued liabilities of $1,809, amounts payable to vendors on business combination of $605, long term debt of $320 and lease liability of $329 as at December 31, 2020. The Company had cash of $15,523 as at December 31, 2020. 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.

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

22. CAPITAL MANAGEMENT

The Company considers the aggregate of its common shares, options, warrants and deficit as capital. The Company's objective, when managing capital, 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 in order to provide returns for shareholders and benefits for other stakeholders.

At December 31, 2020, the Company has minimal cash-generating operations; therefore, the main source of cash flow is generated from financing activities. The Company's officers and senior management are in the process of searching for additional business opportunities. Potential business activities are appropriately evaluated by senior management and a formal review and approval process has been established at the Board of Directors' level. The Company may enter into new financing arrangements to meet its objectives for managing capital, until such time as a viable business activity is operational and the Company can thereby internally generate sufficient capital to cover its operational requirements.

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. During the year ended December 31, 2020 there were no changes in the Company's approach to capital management.

23. SEGMENTED INFORMATION

The Company is engaged in the growth, cultivation, and development of medicinal cannabis and medicinal cannabis derivative products through its Colombian subsidiary. The Company is also engaged in the beauty products, hemp industries, beverage and food and pharmaceuticals and nutraceuticals through its other Colombian and American subsidiaries. Management has defined the operating segments of the Company based on operational areas, identifying operations in cannabis growth and derivative production, beauty products, hemp industries, beverage and food and pharmaceuticals and nutraceuticals separate reporting segments. The Corporate segment reflects balances and expenses related to all Company operations outside of Colombia and the United States which collectively represent the corporate operations of the Company and operating segments below quantitative thresholds for individual reporting (beverage and food, and pharmaceuticals and nutraceuticals). The following tables show information regarding the Company's segments for the years ended December 31, 2020 and 2019.

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

For the year ended December 31, 2020	Cannabis growth and derivative production $	Beauty products $	Hemp industries $	Corporate $	Total $
Revenue	-	78	28	-	106
Cost of Sales	-	31	4	-	35
Gross profit	-	47	24	-	71
Expenses					
Consulting and management fees (Note 14(b) and 17)	262	437	69	3,984	4,752
Professional fees	77	3	2	712	794
General and administrative	102	414	78	806	1,400
Travel expenses	14	60	-	354	428
Share based compensation (Note 15)	-	-	-	4,901	4,901
Depreciation and amortization (Notes 8 and 10)	120	1	-	-	121
Research and development	78	-	-	-	78
Foreign exchange loss	(57)	-	-	69	12
Total expenses	596	915	149	10,826	12,486
Loss before the undernoted items	(596)	(868)	(125)	(10,826)	(12,415)
Goodwill impairment (Note 10)	-	-	-	1,816	1,816
Interest expense	16	4		10	30
Transaction costs (Note 9)	-	-	-	132	132
Other income	-	(3)	-	(56)	(59)
Net loss for the year	$ (612)	$ (869)	$ (125)	$ (12,728)	$ (14,334)

For the period ended December 31, 2019, the Company operated a single segment.

	Colombia $	United States $	Canada $	Total $
Non-current assets at December 31, 2020	1,818	-	-	1,818
Liabilities at December 31, 2020	1,922	12	1,268	3,202
Non-current assets at December 31, 2019	712	-	-	712
Liabilities at December 31, 2019	418	-	2,060	2,478
Year ended December 31, 2020				
Net revenue	75	31	-	106
Gross profit	40	31	-	71

24. SUBSEQUENT EVENTS

REGULATION A OFFERING

Subsequent to December 31, 2020, the Company issued 78 units of the Company at a price of $0.75 per unit for gross proceeds of $58. Each Unit is comprised of one common share in the capital of the Company, with no par value per share, and one-half of one Common Share purchase warrant to purchase one additional Common Share at an exercise price of $1.00 per Warrant Share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the Warrant. Flora is selling the Units through a Tier 2 offering pursuant to Regulation A (Regulation A+) under the Securities Act of 1933. As at April 16, 2021, the balance of funds held in the escrow account is $180.

LABORATORIOS QUIPROPHARMA SAS

On January 12, 2021, the Company acquired certain assets from Laboratorios Quipropharma SAS ("Quipropharma"), The purchase price is COP1,200,000 ($350) which has been fully paid The Company also entered into an agreement with Quipropharma to purchase certain real estate assets for at total of COP $3,940,000 ($1,143). Subsequent to year end the Company advanced COP1,300,000 ($377) related to the real estate acquisition.

WARRANT EXERCISE

Subsequent to December 31, 2020, 1,000 warrants were exercised at $0.05 for total proceeds of $50.

REGISTRATION STATEMENT

The Company has filed a Form F-1 registration statement under the Securities Act of 1933. The registration statement contains two prospectuses as outlined below:

A prospectus to be used for an initial public offering of 3,333 common shares of the Company as well as up to an additional 500 common shares if the underwriters exercise their over-allotment option; and a prospectus to be used for the resale of selling shareholders of 1,315 common shares of the Company and up to 658 common shares of the underlying warrants of the Company.

In connection with the registration statement, the Company made a resolution approving the consolidation of its common shares on the basis of between two and seven for 1, to be determined at a later date.

Unaudited pro-forma information relating to the anticipated share consolidation

In connection with the registration statement, the Company has contemplated executing the share consolidation at a ratio of 3:1, and the midpoint of the price range for the initial public offering has been set forth in the prospectus at $4.50 per share on a post-consolidated basis.

If the share consolidation were completed at 3:1, the Company's weighted average shares outstanding (in thousands) and loss per share (basic and diluted) would be 29,901 common shares, and $0.48 per share respectively (2019 – 14,892 common shares, and $0.19 per share respectively).