

REFINITIV

# DELTA REPORT

## 10-Q

ATNF - 180 LIFE SCIENCES CORP.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1653

<span style="color: yellow;">█</span>	CHANGES	148
<span style="color: pink;">█</span>	DELETIONS	934
<span style="color: green;">█</span>	ADDITIONS	571

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2023** **March 31, 2024**

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

For the transition period from        to         
Commission file number: **001-38105**

**180 LIFE SCIENCES CORP**

(Exact name of registrant as specified in its charter)

<b>Delaware</b>	<b>90-1890354</b>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
<b>3000 El Camino Real Bldg. 4, Suite 200 Palo Alto, CA 94306</b>	<b>94306</b>
(Address of principal executive offices)	(Zip Code)
<b>(650) 507-0669</b> (Registrant's telephone number, including area code)	

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.0001 per share	ATNF	The NASDAQ Stock Market LLC (The NASDAQ Capital Market)
Warrants to purchase Common Stock	ATNFW	The NASDAQ Stock Market LLC (The NASDAQ Capital Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of **November 9, 2023** **May 15, 2024**, **7,475,455** **941,590** shares of common stock, par value \$0.0001 per share, were issued and outstanding.

---

---

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**FORM 10-Q**  
**FOR THE THREE ~~AND NINE~~ MONTHS ENDED ~~SEPTEMBER 30, 2023~~ MARCH 31, 2024**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>PART I</b>	
<b>FINANCIAL INFORMATION</b>	
ITEM 1. <a href="#"><u>Financial Statements</u></a>	1
<a href="#"><u>Condensed Consolidated Balance Sheets as of September 30, 2023</u></a> <span style="background-color: #90EE90;"><u>March 31, 2024</u></span> <u>(unaudited)</u> and <u>December 31, 2022</u> <u>December 31, 2023</u>	1
<a href="#"><u>Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income Loss for the Three and Nine Months Ended September 30, 2023</u></a> <span style="background-color: #90EE90;"><u>March 31, 2024 and 2022</u></span> <u>2023</u>	2
<a href="#"><u>Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) Deficit for the Three and Nine Months Ended September 30, 2023</u></a> <span style="background-color: #90EE90;"><u>March 31, 2024 and 2022</u></span> <u>2023</u>	3
<a href="#"><u>Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Three Months Ended September 30, 2023</u></a> <span style="background-color: #90EE90;"><u>March 31, 2024 and 2022</u></span> <u>2023</u>	4
<a href="#"><u>Notes to Unaudited Condensed Consolidated Financial Statements</u></a>	6
ITEM 2. <a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>	2522
ITEM 3. <a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	3631
ITEM 4. <a href="#"><u>Controls and Procedures</u></a>	3631
<b>PART II</b>	
<b>OTHER INFORMATION</b>	
ITEM 1. <a href="#"><u>Legal Proceedings.</u></a>	3833
ITEM 1A. <a href="#"><u>Risk Factors.</u></a>	3833
ITEM 2. <a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds.</u></a>	4735
ITEM 3. <a href="#"><u>Defaults Upon Senior Securities.</u></a>	4735
ITEM 4. <a href="#"><u>Mine Safety Disclosures.</u></a>	4735
ITEM 5. <a href="#"><u>Other Information.</u></a>	4735
ITEM 6. <a href="#"><u>Exhibits.</u></a>	4836
<a href="#"><u>Signatures</u></a>	4937

## PART I – FINANCIAL INFORMATION

### ITEM 1. Financial Statements

#### 180 LIFE SCIENCES CORP. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2023	December 31, 2022
	(unaudited)	
<b>Assets</b>		
Current Assets:		
Cash	\$ 2,662,520	\$ 6,970,110
Prepaid expenses and other current assets	708,377	1,958,280
Total Current Assets	<u>3,370,897</u>	<u>8,928,390</u>
Intangible assets, net	1,587,188	1,658,858
In-process research and development	-	9,063,000
<b>Total Assets</b>	<u><u>\$ 4,958,085</u></u>	<u><u>\$ 19,650,248</u></u>
<b>Liabilities and Stockholders' (Deficit) Equity</b>		
Current Liabilities:		
Accounts payable	\$ 1,713,164	\$ 1,801,210
Accounts payable – related parties	51,227	-
Accrued expenses	2,375,660	2,284,516
Accrued expenses - related parties	328,303	188,159
Loans payable - current portion	332,885	1,308,516
Derivative liabilities	5,605	75,381
Total Current Liabilities	<u>4,806,844</u>	<u>5,657,782</u>
Loans payable – noncurrent portion	22,216	31,189
Deferred tax liability	278,352	2,617,359
<b>Total Liabilities</b>	<u><u>5,107,412</u></u>	<u><u>8,306,330</u></u>
Commitments and contingencies (Note 8)		
<b>Stockholders' (Deficit) Equity:</b>		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized; (see designations and shares authorized for Series A, Class C and Class K preferred stock)		
Class C Preferred Stock; 1 share authorized, issued and outstanding at September 30, 2023 and December 31, 2022	-	-
Class K Preferred Stock; 1 share authorized, issued and outstanding at September 30, 2023 and December 31, 2022	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 6,738,456 and 3,746,906 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	674	375
Additional paid-in capital	128,815,362	121,637,611
Accumulated other comprehensive income	(2,848,811)	(2,885,523)
Accumulated deficit	<u>(126,116,552)</u>	<u>(107,408,545)</u>
<b>Total Stockholders' (Deficit) Equity</b>	<u><u>(149,327)</u></u>	<u><u>11,343,918</u></u>
<b>Total Liabilities and Stockholders' (Deficit) Equity</b>	<u><u>\$ 4,958,085</u></u>	<u><u>\$ 19,650,248</u></u>
	<b>March 31,</b>	<b>December 31,</b>

	<b>2024</b>	<b>2023</b>
	(unaudited)	
<b>Assets</b>		
Current Assets:		
Cash	\$ 675,977	\$ 1,975,799
Prepaid expenses and other current assets	1,178,971	1,664,107
Total Current Assets	<u>1,854,948</u>	<u>3,639,906</u>
Intangible assets, net	1,586,792	1,619,570
<b>Total Assets</b>	<b><u>\$ 3,441,740</u></b>	<b><u>\$ 5,259,476</u></b>
<b>Liabilities and Stockholders' Deficit</b>		
Current Liabilities:		
Accounts payable	\$ 1,784,150	\$ 1,892,611
Accounts payable – related parties	53,076	266,009
Accrued expenses	1,416,790	1,869,814
Accrued expenses - related parties	53,708	-
Loans payable - current portion	772,334	1,034,124
Derivative liabilities	249	58
Total Current Liabilities	<u>4,080,307</u>	<u>5,062,616</u>
Loans payable - noncurrent portion	16,544	19,936
Deferred tax liability	299,355	304,657
<b>Total Liabilities</b>	<b><u>4,396,206</u></b>	<b><u>5,387,209</u></b>
Commitments and contingencies (Note 8)		
<b>Stockholders' Deficit:</b>		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized; (see designations and shares authorized for Series A, Class C and Class K preferred stock)		
Class C Preferred Stock; 1 share authorized, 0 issued and outstanding at March 31, 2024 and December 31, 2023	-	-
Class K Preferred Stock; 1 share authorized, 0 and 1 issued and outstanding at March 31, 2024 and December 31, 2023, respectively	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 852,772 and 534,719 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	86	54
Additional paid-in capital	130,353,728	130,117,209
Accumulated other comprehensive income	(2,894,879)	(2,901,339)
Accumulated deficit	<u>(128,413,401)</u>	<u>(127,343,657)</u>
<b>Total Stockholders' Deficit</b>	<b><u>(954,466)</u></b>	<b><u>(127,733)</u></b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b><u>\$ 3,441,740</u></b>	<b><u>\$ 5,259,476</u></b>

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

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(unaudited)

	For the Three Months Ended		For the Nine Months Ended				For the Three Months Ended					
	September 30,		September 30,		March 31,							
	2023	2022	2023	2022	2024	2023						
<b>Operating Expenses:</b>												
Research and development	\$ 972,113	\$ 583,177	\$ 2,339,863	\$ 1,688,474	\$ 365,186	\$ 578,309						
Research and development - related parties	132,881	53,347	481,027	158,401	170,542	216,684						
General and administrative	2,433,193	3,418,628	9,204,122	10,405,933	1,556,740	4,008,852						
General and administrative - related parties	-	-	-	5,261								
Total Operating Expenses	3,538,187	4,055,152	12,025,012	12,258,069	2,092,468	4,803,845						
Loss From Operations	(3,538,187)	(4,055,152)	(12,025,012)	(12,258,069)	(2,092,468)	(4,803,845)						
<b>Other Income (Expense):</b>												
<b>Other (Expense) Income:</b>												
Other income							1,039,364		-			
Interest expense	(11,634)	(7,348)	(34,796)	(22,117)	(16,449)	(11,556)						
Interest (expense) income – related parties	-	(1,536)	-	-	1,495							
Loss on goodwill impairment	-	(18,872,850)	-	(18,872,850)								
Loss on IP R&D asset impairment	(9,063,000)	-	(9,063,000)	-								
Change in fair value of derivative liabilities	2,036	1,449,908	69,776	14,167,560	(191)	53,323						
Total Other Expense, Net	(9,072,598)	(17,431,826)	(9,028,020)	(4,725,912)								
<b>Net Loss Before Income Taxes</b>	<b>(12,610,785)</b>	<b>(21,486,978)</b>	<b>(21,053,032)</b>	<b>(16,983,981)</b>								
Total Other Income, Net					1,022,724	41,767						
<b>Loss Before Income Taxes</b>					(1,069,744)	(4,762,078)						
Income tax benefit	2,345,025	-	2,345,025	-	-	-						
<b>Net Loss</b>	<b>(10,265,760)</b>	<b>(21,486,978)</b>	<b>(18,708,007)</b>	<b>(16,983,981)</b>	<b>(1,069,744)</b>	<b>(4,762,078)</b>						
<b>Other Comprehensive (Loss) Income:</b>												
<b>Other Comprehensive Income (Loss):</b>												
Foreign currency translation adjustments	51,316	(1,871,072)	36,712	(4,507,204)	6,460	663						

<b>Total Comprehensive Loss</b>	<b>\$ (10,214,444)</b>	<b>\$ (23,358,050)</b>	<b>\$ (18,671,295)</b>	<b>\$ (21,491,185)</b>	<b>\$ (1,063,284)</b>	<b>\$ (4,761,415)</b>
<b>Basic and Diluted Net Loss per Common Share</b>						
Basic	\$ (1.29)	\$ (10.97)	\$ (3.31)	\$ (9.49)	\$ (1.68)	\$ (24.15)
Diluted	\$ (1.29)	\$ (10.97)	\$ (3.31)	\$ (9.49)	\$ (1.68)	\$ (24.15)
<b>Weighted Average Number of Common Shares Outstanding:</b>						
Basic	7,951,954	1,959,087	5,658,831	1,790,176	638,339	197,219
Diluted	7,951,954	1,959,087	5,658,831	1,790,176	638,339	197,219

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

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**(unaudited)**

**For The Three Months Ended March 31, 2024**

	Accumulated						Total Stockholders' Deficit
	Common Stock		Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit		
	Shares	Amount					
<b>Balance - January 1, 2024</b>	534,719	\$ 54	\$ 130,117,209	\$ (2,901,339)	\$ (127,343,657)	\$ (127,733)	
Shares issued from exercise of pre-funded warrants related to Amendment to August 2023 Offering	257,205	26	463	-	-	489	
Adjustment related to reverse stock split	60,848	6	(6)	-	-	-	
Stock-based compensation	-	-	236,062	-	-	-	236,062
Comprehensive (loss) income:							
Net loss	-	-	-	-	(1,069,744)	(1,069,744)	
Other comprehensive income	-	-	-	6,460	-	6,460	
<b>Balance - March 31, 2024</b>	<b>852,772</b>	<b>\$ 86</b>	<b>\$ 130,353,728</b>	<b>\$ (2,894,879)</b>	<b>\$ (128,413,401)</b>	<b>\$ (954,466)</b>	
<b>For The Three Months Ended March 31, 2023</b>							
	Accumulated						Total Stockholders' Equity
	Common Stock		Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit		
	Shares	Amount					
<b>Balance - January 1, 2023</b>	197,209	\$ 20	\$ 121,637,966	\$ (2,885,523)	\$ (107,408,545)	\$ 11,343,918	
Stock-based compensation	-	-	557,421	-	-	557,421	
Comprehensive (loss) income:							
Net loss	-	-	-	-	(4,762,078)	(4,762,078)	
Other comprehensive income	-	-	-	663	-	663	
<b>Balance - March 31, 2023</b>	<b>197,209</b>	<b>\$ 20</b>	<b>\$ 122,195,387</b>	<b>\$ (2,884,860)</b>	<b>\$ (112,170,623)</b>	<b>\$ 7,139,924</b>	

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

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(DEFICIT)**  
**(unaudited)**

**For The Three and Nine Months Ended September 30, 2023**

	Accumulated						Total Stockholders' (Deficit)
	Common Stock	Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit			
Shares	\$		\$		\$		
<b>Balance - January 1, 2023</b>	3,746,906	\$ 375	\$ 121,637,611	\$ (2,885,523)	\$ (107,408,545)	\$ 11,343,918	
Stock-based compensation	-	-	557,421	-	-	-	557,421
Comprehensive (loss) income:							
Net loss	-	-	-	-	(4,762,078)	(4,762,078)	
Other comprehensive income	-	-	-	663	-	-	663
<b>Balance - March 31, 2023</b>	3,746,906	375	122,195,032	(2,884,860)	(112,170,623)	-	7,139,924
Issuance of April 2023 pre-funded and common warrants, net <sup>(a)</sup>	-	-	2,337,706	-	-	-	2,337,706
Shares issued from exercise of April 2023 pre-funded warrants <sup>(a)</sup>	1,170,680	117	-	-	-	-	117
Share issued in connection with April 2023 Offering, net <sup>(a)</sup>	400,000	40	382,142	-	-	-	382,182
Stock based compensation	-	-	551,310	-	-	-	551,310
Comprehensive loss:							
Net loss	-	-	-	-	(3,680,169)	(3,680,169)	
Other comprehensive loss	-	-	-	(15,267)	-	-	(15,267)
<b>Balance - June 30, 2023</b>	5,317,586	532	125,466,190	(2,900,127)	(115,850,792)	-	6,715,803
Shares issued for professional services to directors	90,485	9	60,615	-	-	-	60,624
Issuance of August 2023 pre-funded and common warrants, net <sup>(b)</sup>	-	-	2,459,282	-	-	-	2,459,282
Shares issued from exercise of August 2023 pre-funded warrants <sup>(b)</sup>	663,460	66	-	-	-	-	66
Shares issued in connection with August 2023 Offering, net <sup>(b)</sup>	666,925	67	245,281	-	-	-	245,348
Stock based compensation	-	-	583,994	-	-	-	583,994
Comprehensive loss:							
Net loss	-	-	-	-	(10,265,760)	(10,265,760)	
Other comprehensive income	-	-	-	51,316	-	-	51,316
<b>Balance - September 30, 2023</b>	6,738,456	\$ 674	\$ 128,815,362	\$ (2,848,811)	\$ (126,116,552)	\$ (149,327)	

<sup>(a)</sup> Consists of \$2,999,882 of gross proceeds from the April 2023 Offering; gross proceeds of \$421,527 are related to common shares issued (with related placement agent fees of \$39,343), gross proceeds of \$1,233,564 are related to pre-funded warrants issued (with related placement agent fees of \$115,134) and gross proceeds of \$1,344,791 are related to common warrants issued (with related placement agent fees of \$125,516). At the end of the current period, all 1,170,680 April 2023 pre-funded warrants were exercised for proceeds of \$117.

(b) Consists of \$2,999,605 of gross proceeds from the August 2023 Offering; gross proceeds of \$272,106 are related to common shares issued (with related placement agent fees of \$26,758), gross proceeds of \$1,449,470 are related to pre-funded warrants issued (with related placement agent fees of \$142,538) and gross proceeds of \$1,278,029 are related to common warrants issued (with related placement agent fees of \$125,679). At the end of the period, 663,460 August 2023 pre-funded warrants were exercised for proceeds of \$66.

For The Three and Nine Months Ended September 30, 2022							
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Income	Accumulated Deficit		
	1,701,799	\$ 170	\$ 107,187,371	\$ 817,440	\$ (68,682,286)	\$ 39,322,695	
<b>Balance - January 1, 2022</b>							
Shares issued for professional services to directors	2,566	1	149,717	-	-	-	149,718
Stock based compensation	-	-	596,467	-	-	-	596,467
Comprehensive income (loss):							
Net income	-	-	-	-	1,563,713	1,563,713	
Other comprehensive loss	-	-	-	(728,081)	-	-	(728,081)
<b>Balance - March 31, 2022</b>	<b>1,704,365</b>	<b>171</b>	<b>107,933,555</b>	<b>89,359</b>	<b>(67,118,573)</b>	<b>40,904,512</b>	
Shares issued for professional services to directors	2,229	-	60,627	-	-	-	60,627
Stock based compensation	600	-	795,052	-	-	-	795,052
Comprehensive income (loss):							
Net income	-	-	-	-	2,939,284	2,939,284	
Other comprehensive loss	-	-	-	(1,908,051)	-	-	(1,908,051)
<b>Balance - June 30, 2022</b>	<b>1,707,194</b>	<b>171</b>	<b>108,789,234</b>	<b>(1,818,692)</b>	<b>(64,179,289)</b>	<b>42,791,424</b>	
Shares issued for professional services to directors	2,756	-	60,622	-	-	-	60,622
Issuance of pre-funded warrants (c)	-	-	2,562,265	-	-	-	2,562,265
Shares issued from exercise of pre-funded warrants (c)	77,354	8	147	-	-	-	155
Shares issued in connection with July 2022 Offering (c)	175,000	17	3,407,473	-	-	-	3,407,490
Stock based compensation	-	-	611,461	-	-	-	611,461
Comprehensive income (loss):							
Net loss	-	-	-	-	(21,486,978)	(21,486,978)	
Other comprehensive loss	-	-	-	(1,871,072)	-	-	(1,871,072)
<b>Balance September 30, 2022</b>	<b>1,962,304</b>	<b>\$ 196</b>	<b>\$ 115,431,202</b>	<b>\$ (3,689,764)</b>	<b>\$ (85,666,267)</b>	<b>\$ 26,075,367</b>	

(c) Consists of \$6,499,737 of gross proceeds from the July 2022 Offering; gross proceeds of \$3,710,000 are related to the common shares and common warrants issued and includes \$302,510 in related placement agent fees and other offering costs, and \$2,789,737 in gross proceeds are in connection with the pre-funded warrants and includes \$227,472 in related placement agent fees and other offering costs. At the end of the period, 1,547,076 July 2022 pre-funded warrants were exercised for proceeds of \$155.

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

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in US Dollars)**  
**(unaudited)**

	<b>For the Nine Months Ended September 30,</b>		<b>For the Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2024</b>	<b>2023</b>
<b>Cash Flows From Operating Activities</b>				
Net Loss	\$ (18,708,007)	\$ (16,983,981)		
Net (Loss) Income			\$ (1,069,744)	\$ (4,762,078)
Adjustments to reconcile net loss to net cash used in operating activities:				
Stock-based compensation:				
Shares issued for services	60,624	270,967	-	-
Amortization of stock options and restricted stock units	1,692,725	2,002,980	236,062	557,421
Amortization of intangibles	83,015	71,396	23,576	21,772
Loss on IP R&D asset impairment	9,063,000	-		
Loss on goodwill impairment	-	18,872,850		
Change in fair value of derivative liabilities	(69,776)	(14,167,560)	191	(53,323)
Deferred tax benefit	(2,345,025)	-		
Changes in operating assets and liabilities:				
Prepaid expenses and other current assets	1,273,033	36,340	480,533	424,913
Accounts payable	(99,169)	428,632	(97,254)	(621,861)
Accounts payable – related parties	51,227	-	(212,543)	-
Accrued expenses	94,778	127,449	(447,946)	526,367
Accrued expenses – related parties	141,366	140,097	53,708	36,898
Total adjustments	9,945,798	7,783,151	36,327	892,187
Net Cash Used In Operating Activities	(8,762,209)	(9,200,830)	(1,033,417)	(3,869,891)
<b>Cash Flows From Financing Activities</b>				
Proceeds from sale of July 2022 Offering stock and warrants	-	6,499,737		
Proceeds from sale of April 2023 Offering stock and warrants	2,999,882	-		
Proceeds from sale of August 2023 Offering stock and warrants	2,999,606	-		
Proceeds from exercise of July 2022 Offering pre-funded warrants	-	155		
Proceeds from exercise of April 2023 Offering pre-funded warrants	117	-		
Proceeds from exercise of August 2023 Offering pre-funded warrants	66	-		
Payment of offering costs in connection with July 2022 Offering stock and warrants	-	(529,982)		
Payment of offering costs in connection with April 2023 Offering stock and warrants	(279,994)	-		
Payment of offering costs in connection with August 2023 Offering stock and warrants	(294,976)	-		
Proceeds from exercise of pre-funded warrants from the Amendment to August 2023 Offering			489	-

Repayment of loans payable	(985,175)	(1,491,986)	(264,883)	(469,810)
Net Cash Provided By Financing Activities	4,439,526	4,477,924		
Net Cash Used In Financing Activities			(264,394)	(469,810)

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

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, continued**  
**(unaudited) (Expressed in US Dollars)**  
**(unaudited)**

	15,093	87,037	(2,011)	15,775
<b>Effect of Exchange Rate Changes on Cash</b>	<u>15,093</u>	<u>87,037</u>	<u>(2,011)</u>	<u>15,775</u>
<b>Net Decrease In Cash</b>	<b>(4,307,590)</b>	<b>(4,635,869)</b>	<b>(1,299,822)</b>	<b>(4,323,926)</b>
Cash - Beginning of Period	6,970,110	8,224,508	1,975,799	6,970,110
Cash - End of Period	<u>\$ 2,662,520</u>	<u>\$ 3,588,639</u>	<u>\$ 675,977</u>	<u>\$ 2,646,184</u>
 <b>Supplemental Disclosures of Cash Flow Information:</b>				
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for interest expense	<u>\$ 21,722</u>	<u>\$ 13,423</u>		
Cash paid during the period for interest			<u>\$ 12,078</u>	<u>\$ 7,265</u>

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

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in US Dollars)**  
**(unaudited)**

**NOTE 1 - BUSINESS ORGANIZATION AND NATURE OF OPERATIONS**

180 Life Sciences Corp., formerly known as KBL Merger Corp. IV ("180LS", or together with its subsidiaries, the "Company"), was a blank check company organized under the laws of the State of Delaware on September 7, 2016. The Company was formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization, or similar business combination with one or more businesses. On November 6, 2020, a business combination was consummated following a special meeting of stockholders, where the stockholders of the Company considered and approved, among other matters, a proposal to adopt a Business Combination Agreement. Pursuant to the Business Combination Agreement, KBL Merger Sub, Inc. merged with

180 Life Corp. (f/ ("180", f/k/a 180 Life Sciences Corp. and CannBioRx Life Sciences Corp.) ("180"), with 180 continuing as the surviving entity and becoming is a wholly-owned subsidiary of the Company (the "Business Combination" and was incorporated in the State of Delaware on January 28, 2019. The Company is located in the United States ("U.S.") and is a medical pharmaceutical company focused upon unmet medical needs in the areas of inflammatory diseases, fibrosis, and chronic pain by employing innovative research and, where appropriate, combination therapies, through 180's three wholly-owned subsidiaries, 180 Therapeutics L.P. ("180 LP"), CannBioRex Pharmaceuticals Corp. ("CBR Pharma"), and Katexco Pharmaceuticals Corp. ("Katexco"). References 180 LP, CBR Pharma and Katexco are together, the "180 Subsidiaries." Katexco was incorporated on March 7, 2018 under the provisions of the British Corporation Act of British Columbia. Additionally, 180's wholly-owned subsidiaries Katexco Callco, ULC, Katexco Purchaseco, ULC, CannBioRex Callco, ULC, and CannBioRex Purchaseco, ULC were formed in the Canadian Province of British Columbia on May 31, 2019 to "KBL" refer facilitate the acquisition of Katexco, CBR Pharma and 180 LP. On July 1, 2021, the assets and liabilities of the Canadian companies (Katexco and CBR Pharma) were transferred to the Company prior to the November 6, 2020 Business Combination, their respective subsidiaries, which are Katexco Pharmaceuticals Corp. ("Katexco U.S.") and CannBioRex Pharma Limited ("CBR Pharma U.K.").)

The Company is a clinical stage biotechnology company focused on the development of therapeutics for unmet medical needs in chronic pain, inflammation, fibrosis, and other inflammatory diseases, where anti-TNF therapy will provide a clear benefit to patients, by employing innovative research, and, where appropriate, combination therapy. diseases. We have three product development platforms:

- fibrosis and anti-tumor necrosis factor ("TNF");
- drugs which are derivatives of cannabidiol ("CBD") or cannabigerol ("CBG") analogues ("SCAs"); and
- alpha 7 nicotinic acetylcholine receptor ("α7nAChR").

Due to restrictions in the Company's resources, the Company has slowed down research and development activities significantly in the SCA platform and the anti-TNF platform, and the Company has not made progress in the α7nAChR platform and has suspended further research and development activity in this program.

The Company is currently evaluating all options to monetize its existing assets, in addition to exploring other strategic alternatives to maximize value for its stockholders. Potential strategic alternatives that may be explored or evaluated by the Company as part of this process include, but are not limited to, an acquisition, merger, reverse merger, other business combination, sale of assets, licensing or other strategic transactions involving the Company.

**NOTE 2 - GOING CONCERN AND MANAGEMENT'S PLANS**

The Company has not generated any revenues and has incurred significant losses since inception. As of September 30, 2023 March 31, 2024, the Company had an accumulated deficit of \$126,116,552 \$128,413,401 and a working capital deficit of \$1,435,947, \$2,225,359, and for the three quarter ended March 31, 2024, a net loss of \$1,069,744 and nine months ended September 30, 2023, net losses of \$10,265,760 and \$18,708,007, respectively, and for the nine months ended September 30, 2023, cash used in operating activities of \$8,762,209, \$1,033,417. The Company expects to invest a significant amount of capital to fund research and development. As a result, the Company expects that its operating expenses will increase significantly, and consequently will require significant revenues to become profitable. Even if the Company does become profitable, it may not be able to sustain or increase profitability on a quarterly or annual basis. The Company cannot predict when, if ever, it will be profitable. There can be no assurance that the intellectual property of the Company, or other technologies it may acquire, will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs, or be successfully marketed. The Company plans to undertake additional laboratory

studies with respect to the intellectual property, and there can be no assurance that the results from such studies or trials will result in a commercially viable product or will not identify unwanted side effects.

The Company's ability to continue its operations is dependent upon obtaining new financing for its ongoing operations. On April 5, 2023, the Company entered into a Securities Purchase Agreement with a certain purchaser in which the Company agreed to sell an aggregate of 400,000 shares of common stock, pre-funded warrants to purchase up to an aggregate of approximately 1.2 million shares of common stock ("April 2023 Pre-Funded Warrants"), and common stock warrants to purchase up to an aggregate of approximately 1.6 million shares of common stock (the "April 2023 Common Warrants"), for gross proceeds of approximately \$3.0 million (see Note 9 – Stockholders' Equity for additional information).

On August 9, 2023, the Company entered into a Securities Purchase Agreement with an accredited investor, in addition to certain purchasers who relied on the Company's registration statement filed with the SEC on July 25, 2023, which became effective on August 9, 2023, in which the Company agreed to sell an aggregate of approximately 667,000 shares of common stock, pre-funded warrants to purchase up to an aggregate of approximately 3.9 million shares of common stock ("August 2023 Pre-Funded Warrants"), and common stock warrants to purchase up to an aggregate of approximately 4.6 million shares of common stock (the "August 2023 Common Warrants"), for gross proceeds of approximately \$3.0 million (see Note 9 – Stockholders' Equity for additional information).

The Company plans to continue to fund its losses from operations through future equity offerings, debt financing or other third-party fundings, which may be dilutive to existing stockholders. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to the Company. If the Company is unable to obtain such additional financing, the Company may have to curtail its development, marketing and promotional activities, which would have a material adverse effect on its business, financial condition and results of operations, and it could ultimately be forced to discontinue its operations and liquidate. These matters raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that the condensed consolidated financial statements are issued.

These condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to our ability to continue as a going concern.

## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies as set forth in the Company's audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** under Note 3 - Summary of Significant Accounting Policies, except as disclosed in this note. Policies.

### Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial reporting and as required by Regulation S-X, Rule 10-01. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included. When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements. Actual results could differ from those estimates. Additionally, operating results for the three and nine months quarter ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending **December 31, 2023** **December 31, 2024**. For further information, refer to the financial statements and footnotes included in the Company's annual financial statements for the fiscal year ended **December 31, 2022** **December 31, 2023**, which are included in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on **March 31, 2023** **March 25, 2024**.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the condensed consolidated financial statements. The Company's significant estimates and assumptions used in these condensed consolidated financial statements include, but are not limited to, the fair value of financial instruments, warrants, options, derivative liabilities and equity shares, as well as the valuation of stock-based compensation R&D tax credits and the estimates and assumptions related to impairment analysis of in-process research and development assets.

accruals. Certain of the Company's estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and may cause actual results to differ from those estimates.

### Foreign Currency Translation

The Company's reporting currency is the United States dollar. The functional currency of certain subsidiaries was the British Pound ("GBP") **1.2386** **1.264** and **1.2098** **1.273** GBP to 1 US dollar, each as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively) for balance sheet accounts, while expense accounts are translated at the weighted average exchange rate for the period **1.2655** **1.271** and **1.1772** **1.214** GBP to 1 US dollar for each of the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively, and 1.2442 and 1.2597 GBP to 1 US dollar each for the nine months ended **September 30, 2023** and **2022, 2023**, respectively). Equity accounts are translated at historical exchange rates. The resulting translation adjustments are recognized in stockholders' (deficit) equity as a component of accumulated other comprehensive (loss) income.

Comprehensive (loss) income is defined as the change in equity of an entity from all sources other than investments by owners or distributions to owners and includes foreign currency translation adjustments as described above. During the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the Company recorded other comprehensive income (loss) of **\$51,316** **\$6,460** and **(\$1,871,072)** **\$663**, respectively, as a result of foreign currency translation adjustments. During the nine months ended **September 30, 2023** and **2022**, the Company recorded other comprehensive income (loss) of **\$36,712** and **(-\$4,507,204)**, respectively, as a result of foreign currency translation adjustments.

Foreign currency gains and losses resulting from transactions denominated in foreign currencies, including intercompany transactions, are included in results of operations. The Company recognized **(\$2,952)** **1** and **(\$1,485)** **1,117** of foreign currency transaction losses for the three and nine months ended **September 30, 2023**, respectively, **March 31, 2024** and recognized **(\$14,031)** and **(\$14,151)** of foreign currency transaction losses for the three and nine months ended **September 30, 2022**, **2023**, respectively. Such amounts have been

classified within general and administrative expenses in the accompanying condensed consolidated statements of operations and comprehensive (loss) income. loss.

## In-Process Research and Development (“IP R&D”) **Intangible Assets**

**IP R&D** **Intangible** assets consist of licensed patents held by Katexco, a wholly-owned subsidiary of the Company, as well as technology licenses acquired in connection with the July 2019, corporate restructuring completed between the Company and each of 180 LP, Katexco and CBR Pharma, pursuant to which each of 180 LP, Katexco and CBR Pharma became wholly-owned subsidiaries of the Company (the “Reorganization”). Licensed patents are amortized over the remaining life of the patent. Technology licenses represent the fair value assigned to technologies that were of licenses acquired for the development and commercialization of certain licenses and knowledge. The technology licenses are amortized on July 16, 2019 in connection with a straight-line basis over the transaction whereby the Company acquired each of Katexco Pharmaceuticals Corp., CBR Pharma (defined below) and 180 LP (defined below), which have not reached technological feasibility and have no alternative future use. IP R&D assets are considered to be indefinite-lived until the completion or abandonment estimated useful lives of the associated underlying patents. It will be necessary to monitor and possibly adjust the useful lives of the licensed patents and technology licenses depending on the results of the Company’s research and development projects. During the period that the IP R&D assets are considered indefinite-lived, they are tested for impairment on an annual basis, or more frequently if the Company becomes aware of any events occurring or changes in circumstances that indicate that the fair value of the IP R&D assets are less than their carrying amounts. If and when development is complete, which generally occurs upon regulatory approval, and the Company is able to commercialize products associated with the IP R&D assets, these assets are then deemed definite-lived and are amortized based on their estimated useful lives at that point in time. If development is terminated or abandoned, the Company may record a full or partial impairment charge related to the IP R&D assets, calculated as the excess of the carrying value of the IP R&D assets over their estimated fair value, activities.

As of December 31, 2022, the carrying amount of the IP R&D assets on the balance sheet was \$12,405,084 (which consists of carrying amounts of \$1,462,084 and \$10,943,000 related to the Company’s CannBioRex Pharmaceuticals Corp. (“CBR Pharma”) subsidiary and its 180 Therapeutics L.P. (“180 LP”) subsidiary, respectively). Per the valuation obtained from a third party as of year-end, the fair market value of the Company’s IP R&D assets was determined to be \$9,063,000 (which consisted of fair values of \$0 and \$9,063,000 related to the Company’s CBR Pharma subsidiary and 180 LP subsidiary, respectively). As of that measurement date, the carrying values of the CBR Pharma and 180 LP subsidiaries’ assets exceeded their fair market values by \$1,462,084 and \$1,880,000, respectively. As such, management determined that the consolidated IP R&D assets were impaired by \$3,342,084 and, in order to recognize the impairment, the Company recorded a loss for this amount during the fourth quarter of 2022, which appeared as a loss on IP R&D asset impairment on the income statement. This reduced the IP R&D asset balances of its CBR Pharma subsidiary and its 180 LP subsidiary to zero and \$9,063,000, respectively, as of December 31, 2022; and the total consolidated IP R&D asset balance was \$9,063,000 after impairment.

As of December 31, 2022, the carrying amount of the IP R&D assets on the balance sheet was \$9,063,000 (which consists of a balance related to the Company’s 180 LP subsidiary); the Company typically assesses asset impairment on an annual basis unless a triggering event or other facts or circumstances indicate that an evaluation should be performed at an earlier date. As of September 30, 2023, the Company assessed the most recent delays in its commercialization timeline, general economic conditions, industry and market considerations, the Company’s financial performance and all relevant legal, regulatory, and political factors that might indicate the possibility of impairment and concluded that, when these factors were collectively evaluated, it is more likely than not that the asset is impaired. The Company recorded a loss in the amount of \$9,063,000, which appears as a loss on impairment to IP R&D assets on the income statement. As a result, as of September 30, 2023, the carrying amount of the IP R&D assets on the balance sheet became \$0 (nil).

As a result of the write-off of the IP R&D assets on the balance sheet and the loss on impairment to IP R&D assets on the income statement, the Company recorded a decrease in its deferred tax liability relating to the impairment of the IP R&D assets of \$2.3 million as income tax benefit relating to impairment of the IP R&D assets in the same amount on the income statement for the period ended September 30, 2023.

## Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding, plus the number of additional common shares that would have been outstanding if the common share equivalents had been issued (computed using the treasury stock or if converted method), if dilutive.

The following table details the net loss per share calculation, reconciles between basic and diluted weighted average shares outstanding, and presents the potentially dilutive shares that are excluded from the calculation of the weighted average diluted common shares outstanding, because their inclusion would have been anti-dilutive:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
	_____	_____	_____	_____
<b>Numerator:</b>				
Net loss	\$ (10,265,760)	\$ (21,486,978)	\$ (18,708,007)	\$ (16,983,981)
Weighted average shares outstanding (denominator for basic earnings per share)	7,951,954	1,959,087	5,658,831	1,790,176
Weighted average shares and assumed potential common shares (denominator for diluted earnings per share, treasury method)	7,951,954	1,959,087	5,658,831	1,790,176
Basic loss per share	\$ (1.29)	\$ (10.97)	\$ (3.31)	\$ (9.49)
Diluted loss per share	\$ (1.29)	\$ (10.97)	\$ (3.31)	\$ (9.49)

The following common share equivalents are excluded from the calculation of weighted average common shares outstanding, because their inclusion would have been dilutive: anti-dilutive:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
	_____	_____	_____	_____
<b>Options</b>				
Options	-	162,957	-	162,957
Warrants	3,284,483	864,300	3,284,483	864,300
Total potentially dilutive shares	3,284,483	1,027,257	3,284,483	1,027,257

## **Subsequent Events**

The Company has evaluated events that have occurred after the balance sheet date but before these condensed consolidated financial statements were issued. Based upon that evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the financial statements, except as disclosed in Note 11 - Subsequent Events.

## **Recently Issued Accounting Pronouncements**

Management does not believe that any recently issued, but not yet effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's unaudited condensed consolidated financial statements.

#### NOTE 4 ■ PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

	September 30,	December 31,	March 31,	December
	2023	2022	2024	31, 2023
Insurance	\$ 208,064	\$ 1,027,292	\$ 684,755	\$ 934,990
Research and development expense tax credit receivable	51,639	546,563	-	440,161
Professional fees	369,906	310,017	483,992	279,039
Value-added tax receivable	53,134	48,774	10,224	9,917
Income taxes	25,634	25,634	-	-
Taxes				
	\$ 708,377	\$ 1,958,280	\$ 1,178,971	\$ 1,664,107

#### NOTE 5 ■ ACCRUED EXPENSES

Accrued expenses consist of the following as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

	September	December	March 31,	December
	30,	31,	2024	31, 2023
	2023	2022		2023
Consulting fees	\$ 582,476	\$ 531,829	\$ 121,862	\$ 645,081
Professional fees	125,000	3,945	127,522	184,846
Litigation accrual <sup>(1)</sup>	49,999	125,255	49,999	49,999
Employee and director compensation	1,367,453	1,558,024	667,493	530,383
Research and development fees	175,165	22,023	361,711	378,683
Interest	66,415	36,422	76,659	70,923
Other	9,152	7,018	11,544	9,899
	\$ 2,375,660	\$ 2,284,516	\$ 1,416,790	\$ 1,869,814

<sup>(1)</sup> See Note 8 - Commitments and Contingencies, *Legal Matters*.

As During the three months ended March 31, 2024, the Company had amounts due to contractors related to certain R&D programs that were forgiven; as a result, the Company reduced its accounts payable and accrued liabilities accounts by \$588,506 and \$450,859, respectively, during the period and recorded the forgiven amounts as other income for a total of **September 30, 2023** and **December 31, 2022**, accrued expenses - related parties were \$328,303 and \$188,159, respectively. See Note 10 - Related Parties for details. \$1,039,364 on the income statement.

## NOTE 6 - DERIVATIVE LIABILITIES

The following table sets forth a summary of the changes in the fair value of derivative liabilities. These include warrants sold in a private placement in connection with the Company's initial public offering (the "Private SPAC"), warrants sold in a private offering on February 23, 2023 (the "PIPE"), and certain other warrants ("Other Warrants") which are classified as Level 3 derivative liabilities, (except the and warrants sold publicly in our initial public offering ("Public SPAC Warrants as defined below,"), which are classified as Level 1 derivative liabilities) that liabilities in the following table and are measured at fair value on a recurring basis:

	Warrants					<b>Total</b>	
	Public		Private				
	SPAC	SPAC	PIPE	Other			
Balance as of January 1, 2023	\$ 31,625	\$ 1,256	\$ 42,100	\$ 400	\$ 75,381		
Change in fair value of derivative liabilities	(21,390)	(1,005)	(30,600)	(328)	(53,323)		
Balance as of March 31, 2023	\$ 10,235	\$ 251	\$ 11,500	\$ 72	\$ 22,058		
Change in fair value of derivative liabilities	(4,600)	(251)	(9,500)	(66)	(14,417)		
Balance as of June 30, 2023	\$ 5,635	\$ -	\$ 2,000	\$ 6	\$ 7,641		
Change in fair value of derivative liabilities	(230)	-	(1,800)	(6)	(2,036)		
Balance as of September 30, 2023	<b>\$ 5,405</b>	<b>\$ -</b>	<b>\$ 200</b>	<b>\$ -</b>	<b>\$ 5,605</b>		

	Warrants <sup>(1)</sup>					<b>Total</b>	
	Public		Private				
	SPAC	SPAC	PIPE	Other			
Balance as of January 1, 2024	\$ 58	\$ -	\$ -	\$ -	\$ -	\$ 58	
Change in fair value of derivative liabilities	191	-	-	-	-	191	
Balance as of March 31, 2024	<b>\$ 249</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 249</b>	

(1) There are 15,132 Public SPAC warrants, 662 Private SPAC warrants, 6,748 PIPE warrants and 234 Other warrants outstanding as of March 31, 2024; all but the Public SPAC warrants are valued at zero as of the current period end.

The fair value of the derivative liabilities as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022** **December 31, 2023** was estimated using the Black Scholes option pricing model, with the following assumptions used: used to determine the values of Level 3 derivative liabilities:

	<b>September 30, March 31, 2023 2024</b>	
Risk-free interest rate	4.94%	4.63% - 5.50% 5.40%
Expected term in years	0.84	0.34 - 2.40 1.90
Expected volatility		100.0% - 110.0% 120.0%
Expected dividends	0%	
Market Price	\$0.61	
	<b>December 31, 2022</b>	
Risk-free interest rate		2.30% - 4.50%
Expected term in years		1.59 - 3.90
Expected volatility		76.0% - 105.0%
Expected dividends	0%	
Market Price	\$3.39	

## SPAC Warrants

### Public SPAC Warrants

Participants in KBL's initial public offering received an aggregate of 11,500,000 Public SPAC Warrants ("Public SPAC Warrants"), all of which are outstanding as of September 30, 2023. Each Public SPAC Warrant entitles the holder to purchase one-fortieth of one share of the Company's common stock at an exercise price of \$5.75 per 1/40<sup>th</sup> of one share, or \$230.00 per whole share, subject to adjustment. No fractional shares will be issued upon exercise of the Public SPAC Warrants; the Public SPAC Warrants are currently exercisable and will expire on November 6, 2025, or earlier upon redemption or liquidation. Management has determined that the Public SPAC Warrants contain a tender offer provision which could result in the Public SPAC Warrants settling for the tender offer consideration (including potentially cash) in a transaction that didn't result in a change-in-control. This feature results in the Public SPAC Warrants being precluded from equity classification. Accordingly, the Public SPAC Warrants are classified as liabilities measured at fair value, with changes in fair value each period reported in earnings. The Public SPAC Warrants were revalued on September 30, 2023 at \$5,405, which resulted in decreases of \$230 and \$26,220 in the fair value of the derivative liabilities during the three and nine months ended September 30, 2023, respectively. The Public SPAC Warrants were revalued on September 30, 2022 at \$592,250, which resulted in decreases of \$1,246,600 and \$7,456,600 in the fair value of the derivative liabilities during the three and nine months ended September 30, 2022, respectively.

	<b>December 31, 2023</b>
Risk-free interest rate	3.71% - 5.50%
Expected term in years	0.59 - 2.90
Expected volatility	100.0% - 110.0%
Expected dividends	0%

#### **Private SPAC Warrants**

Participants in KBL's initial private placement received an aggregate of 502,500 Private SPAC Warrants ("Private SPAC Warrants"), all of which are outstanding as of September 30, 2023. Each Private SPAC Warrant entitles the holder to purchase one-fortieth of one share of the Company's common stock at an exercise price of \$5.75 per 1/40<sup>th</sup> of one share, or \$230.00 per whole share, subject to adjustment. No fractional shares will be issued upon exercise of the Private SPAC Warrants; the Private SPAC Warrants are currently exercisable and will expire on November 6, 2025, or earlier upon redemption or liquidation. Management has determined that the Private SPAC Warrants contain a tender offer provision which could result in the Private SPAC Warrants settling for the tender offer consideration (including potentially cash) in a transaction that didn't result in a change-in-control. This feature (amongst others) results in the Private SPAC Warrants being precluded from equity classification. Accordingly, the Private SPAC Warrants are classified as liabilities measured at fair value, with changes in fair value each period reported in earnings. The Private SPAC Warrants were revalued on September 30, 2023 at \$0, which resulted in decreases of \$0 and \$1,256 in the fair value of the derivative liabilities during the three and nine months ended September 30, 2023, respectively. The Private SPAC Warrants were revalued on September 30, 2022 at \$20,100, which resulted in decreases of \$10,050 and \$447,225 in the fair value of the derivative liabilities during the three and nine months ended September 30, 2022, respectively.

#### **PIPE Warrants**

On February 23, 2021, the Company issued five-year warrants (the "PIPE Warrants") to purchase 128,200 shares of common stock at an exercise price of \$100.00 per share in connection with the private offering (see Note 9 – Stockholders' Equity, Common Stock). The PIPE Warrants did not meet the requirements for equity classification due to the existence of a tender offer provision that could potentially result in cash settlement of the PIPE Warrants that didn't meet the limited exception in the case of a change-in-control. Accordingly, the PIPE Warrants are liability-classified and are recorded as derivative liabilities. The PIPE Warrants were revalued on September 30, 2023 at \$200, which resulted in decreases of \$1,800 and \$41,900 in the fair value of the derivative liabilities during the three and nine months ended September 30, 2023, respectively. The PIPE Warrants were revalued on September 30, 2022 at \$433,600, which resulted in decreases of \$188,000 and \$6,082,700 in the fair value of the derivative liabilities during the three and nine months ended September 30, 2022, respectively.

#### **Other Warrants**

##### **AGP Warrants**

On March 12, 2021, the Company issued warrants to Alliance Global Partners ("AGP" and the "AGP Warrants") to purchase up to an aggregate of 3,183 shares of the Company's common stock at a purchase price of \$105.60 per share, subject to adjustment, in full satisfaction of the existing AGP Warrant Liability. The exercise of the AGP Warrants is limited at any given time to prevent AGP from exceeding beneficial ownership of 4.99% of the then total number of issued and outstanding shares of the Company's common stock upon such exercise. The warrants are exercisable at any time between May 2, 2021 and May 2, 2025. The AGP Warrants do not meet the requirements for equity classification due to the existence of a tender offer provision that could potentially result in cash settlement of the AGP Warrants that do not meet the limited exception in the case of a change-in-control. Accordingly, the AGP Warrants will continue to be liability-classified. The AGP Warrants were revalued on September 30, 2023 at \$0, which resulted in decreases of \$6 and \$400 in the fair value of the derivative liabilities during the three and nine months ended September 30, 2023, respectively. The AGP Warrants were revalued on September 30, 2022 at \$6,633, which resulted in decreases of \$3,762 and \$137,698 in the fair value of the derivative liabilities during the three and nine months ended September 30, 2022, respectively.

### Alpha Warrants

In connection with that certain Mutual Release and Settlement Agreement dated July 31, 2021 (agreed to on July 29, 2021) between the Company and Alpha Capital Anstal (“Alpha” and the “Alpha Settlement Agreement”), the Company issued three-year warrants for the purchase of 1,250 shares of the Company’s common stock at an exercise price of \$141.40 per share (the “Alpha Warrant Liability” and the “Alpha Warrants”). The exercise of shares of the Alpha Warrants is limited at any given time to prevent Alpha from exceeding a beneficial ownership of 4.99% of the then total number of issued and outstanding shares of the Company’s common stock upon such exercise. The warrants are exercisable until August 2, 2024. The Alpha Warrants do not meet the requirements for equity classification due to the existence of a tender offer provision that could potentially result in cash settlement of the Alpha Warrants that do not meet the limited exception in the case of a change-in-control. Accordingly, the Alpha Warrants are liability-classified and are recorded as a warrant liability. The Alpha Warrants were revalued on September 30, 2023 at \$0, which did not result in any change in the fair value of the derivative liabilities during the three and nine months ended September 30, 2023. The Alpha Warrants were revalued on September 30, 2022 at \$224, which resulted in decreases of \$1,496 and \$43,337 in the fair value of the derivative liabilities during the three and nine months ended September 30, 2022, respectively.

### Warrant Activity

As the number of liability-classified warrants are less than 10% of the total outstanding warrants as of September 30, 2023, the summary of warrant activity is included in Note 9 – Stockholders’ Equity.

### NOTE 7 - LOANS PAYABLE

#### Loans Payable

The following table summarizes the activity of loans payable during the nine months quarter ended September 30, 2023 March 31, 2024:

	Principal balance at December 31, 2022	Principal repaid in cash	Effect of foreign exchange rates	Principal balance at September 30, 2023
Bounce Back Loan	\$ 43,129	\$ (9,155)	\$ 508	\$ 34,482
First Insurance - 2022	1,060,890	(976,020)	-	84,870
Other loans payable	235,686	-	63	235,749
Total loans payable	\$ 1,339,705	\$ (985,175)	\$ 571	\$ 355,101
Less: loans payable – current portion	1,308,516			332,885
Loans payable – noncurrent portion	\$ 31,189			\$ 22,216

#### Interest Expense on Loans Payable

	Principal balance at December 31, 2023	Principal repaid in cash	Effect of foreign exchange rates	Principal balance at March 31, 2024
Bounce Back Loan Scheme	\$ 32,818	\$ (3,167)	\$ (239)	\$ 29,412
First Insurance - 2023	785,150	(261,716)	-	523,434
Other loans payable	236,092	-	(60)	236,032
Total loans payable	\$ 1,054,060	\$ (264,883)	\$ (299)	\$ 788,878
Less: loans payable – current portion	1,034,124			772,334
Loans payable – noncurrent portion	\$ 19,936			\$ 16,544

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company recognized interest expense associated with loans payable of \$11,633 \$16,449 and \$7,348, respectively, and interest expense — related parties associated, with loans payable of \$0 and \$1,536, \$11,556, respectively. For the nine months ended September 30, 2023 and 2022, the Company recognized interest expense associated with loans payable of \$34,796 and \$22,117, respectively, and interest income — related parties associated with loans payable of \$0 and \$1,495, respectively.

As of September 30, 2023 March 31, 2024 and December 31, 2023, the Company had accrued interest and accrued interest — related parties, associated with loans payable of \$66,415 \$76,659 and \$0, \$70,923, respectively. As of December 31, 2022, the Company had accrued interest and accrued interest — related parties associated with loans payable of \$37,960 and \$16,770, respectively. Accrued interest is recorded within accrued expenses and appears under that caption on the balance sheet; accrued interest — related parties is recorded within accrued expenses — related parties and appears under that caption on the balance sheet. See Note 10 — Related Parties for additional details.

## NOTE 8 - COMMITMENTS AND CONTINGENCIES

### Litigation and Other Loss Contingencies

The Company records liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company has no liabilities recorded for loss contingencies as of **December 31, 2022 and September 30, 2023** **March 31, 2024**.

### Legal Matters

#### *Action Against Former Executive of KBL*

On September 1, 2021, the Company initiated legal action in the Chancery Court of Delaware against Dr. Marlene Krauss, the Company's former Chief Executive Officer and director ("Dr. Krauss") and two of her affiliated companies, KBL IV Sponsor, LLC and KBL Healthcare Management, Inc. (collectively, the "KBL Affiliates") for, among other things, engaging in unauthorized monetary transfers of the Company's assets, non-disclosure of financial liabilities within the Company's Consolidated Financial Statements, issuing shares of stock without proper authorization; and improperly allowing stockholder redemptions to take place. The Company's complaint alleges causes of action against Dr. Krauss and/or the KBL Affiliates for breach of fiduciary duties, ultra vires acts, unjust enrichment, negligence and declaratory relief, and seeks compensatory damages in excess of \$11,286,570, together with interest, attorneys' fees and costs. There can be no assurance that the Company will be successful in its legal actions.

On October 5, 2021, Dr. Krauss and the KBL Affiliates filed an Answer, Counterclaims and Third-Party Complaint (the "Krauss Counterclaims") against the Company and twelve individuals who are, or were, directors and/or officers of the Company, i.e., Marc Feldmann, Lawrence Steinman, James N. Woody, Teresa DeLuca, Frank Knuettel II, Pamela Marrone, Lawrence Gold, Donald A. McGovern, Jr., Russell T. Ray, Richard W. Barker, Shoshana Shendelman and Ozan Pamir (collectively, the "Third-Party Defendants"). On October 27, 2021, the Company and Ozan Pamir filed an Answer to the Krauss Counterclaims, and all of the other Third-Party Defendants filed a Motion to Dismiss as to the Third-Party Complaint.

On January 28, 2022, in lieu of filing an opposition to the Motion to Dismiss, Dr. Krauss and the KBL Affiliates filed a Motion for leave to file amended counterclaims and third-party complaint, and to dismiss six of the current and former directors previously named, i.e., to dismiss Teresa DeLuca, Frank Knuettel II, Pamela Marrone, Russell T. Ray, Richard W. Barker and Shoshana Shendelman. The Motion was granted by stipulation and, on February 24, 2022, Dr. Krauss filed an amended Answer, Counterclaims and Third-Party Complaint (the "Amended Counterclaims"). In essence, the Amended Counterclaims allege (a) that the Company and the remaining Third-Party Defendants breached fiduciary duties to Dr. Krauss by making alleged misstatements against Dr. Krauss in SEC filings and failing to register her shares in the Company so that they could be traded, and (b) the Company breached contracts between the Company and Dr. Krauss for registration of such shares, and also failed to pay to Dr. Krauss the amounts alleged to be owing under a promissory note in the principal amount of \$371,178, plus an additional \$300,000 under Dr. Krauss's resignation agreement. The Amended Counterclaims seek unspecified amounts of monetary damages, declaratory relief, equitable and injunctive relief, and attorney's fees and costs.

On March 16, 2022, Donald A. McGovern, Jr. and Lawrence Gold filed a Motion to Dismiss the Amended Counterclaims against them, and the Company and the remaining Third-Party Defendants filed an Answer to the Amended Counterclaims denying the same. On April 19, 2022, Dr. Krauss stipulated to dismiss all of her counterclaims and allegations against both Donald A. McGovern, Jr. and Lawrence Gold, thereby mooting their Motion to Dismiss the Amended Counterclaims against them. The Company and the Third-Party Defendants intend to continue to vigorously defend against all of the Amended Counterclaims, however, there can be no assurance that they will be successful in the legal defense of such Amended Counterclaims. In April 2022, Donald A. McGovern, Jr. and Lawrence Gold were dismissed from the lawsuit as parties. Discovery has not yet commenced in the case. The Company and the Third-Party Defendants intend to continue to vigorously defend against all of the Amended Counterclaims, however, there can be no assurance that they will be successful in the legal defense of such Amended Counterclaims.

### *Action Against the Company by Dr. Krauss*

On August 19, 2021, Dr. Krauss initiated legal action in the Chancery Court of Delaware against the Company. The original Complaint sought expedited relief and made the following two claims: (1) it alleged that the Company is obligated to advance expenses including, attorney's fees, to Dr. Krauss for the costs of defending against the SEC and certain Subpoenas served by the SEC on Dr. Krauss; and (2) it alleged that the Company is also required to reimburse Dr. Krauss for the costs of bringing this lawsuit against the Company. On or about September 3, 2021, Dr. Krauss filed an Amended and Supplemental Complaint (the "Amended Complaint") in this action, which added the further claims that Dr. Krauss is also allegedly entitled to advancement by the Company of her expenses, including attorney's fees, for the costs of defending against the Third-Party Complaint in the Tyche Capital LLC action referenced below, and the costs of defending against the Company's own Complaint against Dr. Krauss as described above. On or about September 23, 2021, the Company filed its Answer to the Amended Complaint in which the Company denied each of Dr. Krauss' claims and further raised numerous affirmative defenses with respect thereto.

On November 15, 2021, Dr. Krauss filed a Motion for Summary Adjudication as to certain of the issues in the case, which was opposed by the Company. A hearing on such Motion was held on December 7, 2021, and, on March 7, 2022, the Court issued a decision in the matter denying the Motion for Summary Adjudication in part and granting it in part. The Court then issued an Order implementing such a decision on March 29, 2022. The parties are now engaging in proceedings set forth in that implementing Order. The Court granted Dr. Krauss's request for advancement of some of the legal fees which Dr. Krauss requested in her Motion, and the Company was required to pay a portion of those fees while it objects to the remaining portion of disputed fees.

On October 10, 2022, Dr. Krauss filed an [Application](#) application to compel the Company to pay the full amount of fees requested by Dr. Krauss for May-July 2022, and to modify the Court's Order. The Company filed its Opposition thereto. On January 18, 2023, Dr. Krauss filed a Second Application to compel the Company to pay the full amount of fees requested by Dr. Krauss for August-October 2022, and to modify the Court's Order. The Company filed its Opposition thereto. On May 3, 2023, the Court issued an Order granting both of Dr. Krauss's Applications for payment of the full amount of requested attorney's fees totaling \$714,557 for the months of May through October 2022, which were paid in May 2023. Notwithstanding the Order, such ruling does not constitute any final adjudication as to whether Dr. Krauss will ultimately be entitled to permanently retain such advancements, and Dr. Krauss has posted an undertaking with the Court affirmatively promising to repay all such amounts if she is eventually found to be liable for the Company's and/or the SEC's claims against her. The Company is seeking payment for a substantial portion of such amounts from its director and officers' insurance policy, of which no assurance can be provided that the directors and officers insurance policy will cover such amounts. See "[Declaratory Relief Action Against the Company by AmTrust International](#)" below.

### *Action Against Tyche Capital LLC*

The Company commenced and filed an action against defendant Tyche Capital LLC ("Tyche") in the Supreme Court of New York, in the County of New York, on April 15, 2021. In its Complaint, the Company alleged claims against Tyche arising out of Tyche's breach of its written contractual obligations to the Company as set forth in a "Guarantee and Commitment Agreement" dated July 25, 2019, and a "Term Sheet ~~For~~ for KBL Business Combination With CannBioRex" dated April 10, 2019 (collectively, the "Subject Guarantee"). The Company alleges in its Complaint that, notwithstanding demand having been made on Tyche to perform its obligations under the Subject Guarantee, Tyche has failed and refused to do so, and is currently in debt to the Company for such failure in the amount of \$6,776,686, together with interest accruing thereon at the rate set forth in the Subject Guarantee.

On or about May 17, 2021, Tyche responded to the Company's Complaint by filing an Answer and Counterclaims against the Company alleging that it was the Company, rather than Tyche, that had breached the Subject Guarantee. Tyche also filed a Third-Party Complaint against six third-party defendants, including three members of the Company's management, Sir Marc Feldmann, Dr. James Woody, and Ozan Pamir (collectively, the "Individual Company Defendants"), claiming that they allegedly breached fiduciary duties to Tyche with regards to the Subject Guarantee. In that regard, on June 25, 2021, each of the Individual Company Defendants filed a Motion to Dismiss Tyche's Third-Party Complaint against them.

On November 23, 2021, the Court granted the Company's request to issue an Order of attachment against all of Tyche's shares of the Company's stock that had been held in escrow. In so doing, the Court found that the Company had demonstrated a likelihood of success on the merits of the case based on the facts alleged in the Company's Complaint.

On February 18, 2022, Tyche filed an Amended Answer, Counterclaims and Third-Party Complaint. On March 22, 2022, the Company and each of the Individual Company Defendants filed a Motion to Dismiss all of Tyche's claims. A hearing on such Motion to Dismiss was held on August 25, 2022, and the Court granted the Motion to Dismiss entirely as to each of the Individual Company Defendants, and also as to three of the four Counterclaims brought against the Company, only leaving Tyche's declaratory relief claim. On September 9, 2022, Tyche filed a Notice of Appeal as to the Court's decision, which has ~~never~~ not yet been briefed or adjudicated. On August 26, 2022, Tyche filed a Motion to vacate or modify the Company's existing attachment Order against Tyche's shares of the Company's stock held in escrow. The Company ~~has~~ filed its Opposition thereto, and the Court summarily denied such Motion without hearing on January 3, 2023. Tyche subsequently filed a Notice of Appeal as to that denial and filed its Opening Brief on January 30, 2023. The Company filed its opposition brief on March 2, 2023, and the matter was taken under submission by the Appellate Court. On May 4, 2023, the Appellate Court issued its decision unanimously affirming the ruling of the lower Court in the Company's favor.

On January 30, 2023, the Company filed a Notice of Motion for Summary Judgment and to Dismiss Affirmative Defenses against Tyche. Tyche filed opposition thereto, and hearings on the Company's Motion were ultimately held on September 11 and 19, 2023. In its ruling, the Court granted the Company's Motion, but referred the question as to the amount of the Company's damages against Tyche to a special referee. The Court and the parties are now in the process of appointing the special referee so that a determination can be made as to the amount of the Company's damages against Tyche. **Tyche filed a Notice of Appeal as the Court's summary judgment ruling on October 12, 2023. No briefing for the appeal has yet occurred.** The Company intends to continue to vigorously pursue its claims against Tyche, and the Company and the Individual Company Defendants intend to continue to vigorously defend against all of Tyche's claims should they be appealed; however, there can be no assurance that they will be successful in such endeavors.

#### *Action Against Ronald Bauer & Samantha Bauer*

The Company and two of its wholly-owned subsidiaries, Katexco Pharmaceuticals Corp. and CannBioRex Pharmaceuticals Corp. (collectively, the "Company Plaintiffs"), initiated legal action against Ronald Bauer and Samantha Bauer, as well as two of their companies, Theseus Capital Ltd. and Astatine Capital Ltd. (collectively, the "Bauer Defendants"), in the Supreme Court of British Columbia on February 25, 2022. The Company Plaintiffs are seeking damages against the Bauer Defendants for misappropriated funds and stock shares, unauthorized stock sales, and improper travel expenses, in the combined sum of at least \$4,395,000 CAD [\$3,257,574 3,317,408 USD] plus the additional sum of \$2,721,036 USD (which relate to the same, aforementioned damages).

The Bauer Defendants filed an answer to the Civil Claim Complaint of the Company Plaintiffs' claims on May 6, 2022, in which the Bauer Defendants denied the Company's claims and set forth their own version of the facts in the matter. Discovery has not yet commenced in the case. There can be no assurance that the Company Plaintiffs will be successful in this legal action.

#### *Declaratory Relief Action Against the Company by AmTrust International*

On June 29, 2022, AmTrust International Underwriters DAC ("AmTrust"), which was the premerger directors' and officers' insurance policy underwriter for KBL, filed a declaratory relief action against the Company in the U.S. District Court for the Northern District of California (the "Declaratory Relief Action") seeking declaration of AmTrust's obligations under the directors' and officers' insurance policy. In the Declaratory Relief Action, AmTrust is claiming that as a result of the merger the Company is no longer the insured under the subject insurance policy, notwithstanding the fact that the fees which the Company seeks to recover from AmTrust relate to matters occurring prior to the merger.

On September 20, 2022, the Company filed its Answer and Counterclaims against AmTrust for bad faith breach of AmTrust's insurance coverage obligations to the Company under the subject directors' and officers' insurance policy, and seeking damages of at least \$2 million in compensatory damages, together with applicable punitive damages. In addition, the Company brought a Third-Party Complaint against its excess insurance carrier, Freedom Specialty Insurance Company ("Freedom") seeking declaratory relief that Freedom will also be required to honor its policy coverage as soon as the amount of AmTrust's insurance coverage obligations to the Company have been exhausted. On October 25, 2022, AmTrust filed its Answer to the Company's Counterclaims and, on October 27, 2022, Freedom filed its Answer to the Third-Party Complaint.

On November 22, 2022, the Company filed a Motion for Summary Adjudication against both AmTrust and Freedom. The Motion was fully briefed and a hearing was held on March 9, 2023. The standard to prevail on a Motion for Summary Adjudication in the Court is high to prevail and requires a judge to find that there are no disputed issues of fact so that they can rule on the issues as a matter of law. In this instance the judge found three major issues could be decided as a matter of law in the Company's favor and that one issue, the Change in Control exclusion, requires further discovery.

On April 21, 2023, the Court issued an Order Granting in Part and Denying in Part the Company's Motion for Partial Summary Judgment.

Specifically, the Court granted summary adjudication in favor of the Company on the following issues: (a) that the Company is, in fact, an insured under both the AmTrust and Freedom insurance policies; (b) that certain SEC subpoena related expenses for defendants Dr. Marlene Krauss, the Company's former Chief Executive Officer and Director, and George Hornig, the former Chairman of the Board, are within the basic scope of coverage under both the AmTrust and Freedom insurance policies; and (c) that the Insured vs. Insured exclusion relied upon by AmTrust and Freedom is not applicable to bar any such coverage.

The Court also found that there were issues of disputed facts as to the Change in Control exclusion contained within the policies, which therefore precluded the Court from granting the remainder of the Company's requests for summary adjudication as a matter of law. Accordingly, the Court, at this time, denied the Company's further requests for summary adjudication and deemed that for the time being, the Change in Control issue is to be determined at the time of trial, in order to find that the policies (i) provide coverage for the fees which the Company has advanced and will advance to Dr. Marlene Krauss and George Hornig; (ii) that AmTrust has breached the policy; (iii) that AmTrust must pay such expenses of the Company; and that, once the AmTrust policy has been exhausted, (iv) Freedom will be obligated to pay such expenses of the Company pursuant to its policy.

On August 4, 2023, the Court granted the Company's request to file a second motion for partial summary judgment in this case, this one being on the issue of whether AmTrust should be required to advance to the Company the defense costs being incurred by Dr. Marlene Krauss and George Hornig during the pendency of the case. The Company filed such Motion for Partial Summary Judgment and it has now been fully briefed by the parties. The parties, and a hearing date for such motion Motion was held on January 11, 2024. After the matter was taken under submission, on February 12, 2024, the Court granted the Company's Motion for Partial Summary Judgment against both AmTrust and Freedom, and ordered as follows: (a) AmTrust is January 11, 2024 obligated under its insurance policy with the Company to advance to the Company all defense costs in excess of the deductible that the Company has advanced, or will advance, to Dr. Krauss and Mr. Hornig in connection with certain SEC Subpoenas, and (b) upon exhaustion of the AmTrust insurance policy, Freedom is obligated to do the same pursuant to its excess liability insurance policy with the Company. This Order applies throughout the interim of the case, but does not constitute a final judgment, and both the Company and the two insurers retain their rights to contest all applicable issues at trial, which is scheduled for May 12, 2025. A final judgment following trial could potentially confirm these obligations of the insurers or, alternatively, reverse and require the Company to repay all or portions of such advance payments. There is no assurance at this time as to what the final judgment may entail.

On April 16, 2024, AmTrust paid the Company \$2.27 million in reimbursement of fees which the Company has advanced to Dr. Marlene Krauss and George Hornig, of which the Company received \$1.5 million after the payment of attorney's fees. On May 9, 2024, AmTrust paid the Company \$300,140 in reimbursement of fees which the Company had advanced to Dr. Marlene Krauss and George Hornig, of which the Company expects to receive \$200,093 after the payment of attorney's fees.

The parties have commenced written discovery proceedings against each other and it is anticipated anticipate that depositions will also occur. The Company intends to continue to vigorously pursue this matter in order to establish the Company's entitlement to full and final payment by both AmTrust and Freedom of the subject advancement expenses of the Company.

While the Company continues to believe it has a strong case against both AmTrust and Freedom, and believes the Court ruling in its favor in regards to the matters discussed above is a significant positive outcome for the Company, there can be no assurance that the Company will prevail in this action.

#### **NASDAQ Bid Price Deficiency Notice**

On September 7, 2023, the Company received a letter from the Listing Qualifications Department of The Nasdaq Stock Market LLC ("Nasdaq") indicating that the Company is not in compliance with the \$1.00 Minimum Bid Price requirement set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on the Nasdaq Capital Market (the "Bid Price Requirement").

The letter indicated that the Company was provided 180 calendar days (or until March 5, 2024) in which to regain compliance. If at any time during this 180-calendar day period the bid price of the Company's common stock closes at or above \$1.00 per share for a minimum of ten consecutive business days, Nasdaq will provide the Company with a written confirmation of compliance and the matter will be closed.

Alternatively, if the Company fails to regain compliance with Rule 5550(a)(2) prior to the expiration of the initial 180 calendar day period, the Company may be eligible for an additional 180 calendar day compliance period, provided (i) it meets the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on the Nasdaq Capital Market (except for the Bid Price Requirement) and (ii) it provides written notice to Nasdaq of its intention to cure this deficiency during the second compliance period by effecting a reverse stock split, if necessary. In the event the Company does not regain compliance with Rule 5550(a)(2) prior to the expiration of the initial 180 calendar day period, and if it appears to the Staff that the Company will not be able to cure the deficiency, or if the Company is not otherwise eligible, the Staff will provide the Company with written notification that its securities are subject to delisting from The Nasdaq Capital Market. At that time, the Company may appeal the delisting determination to a Hearings Panel.

The Company intends to consider all options to regain compliance with all Nasdaq continued listing requirements.

The Company's receipt of the letter from Nasdaq did not affect the Company's business, operations or reporting requirements with the Securities and Exchange Commission.

#### **NASDAQ Shareholder Approval Violation Notice**

On October 11, 2023 February 12, 2024, the judge in the Company's pending lawsuit in the U.S. District Court Northern District of California, San Jose Division, granted a Motion for Partial Summary Judgment against AmTrust International Underwriters DAC ("AmTrust"), which was the pre-merger directors' and officers' insurance policy underwriter for the Company received a letter from Nasdaq and the Company's excess insurance carrier, Freedom Specialty Insurance Company ("Freedom"), and ordered as follows: (a) AmTrust is obligated under its insurance policy with the Company to advance to the Company all defense costs in excess of the deductible that the Company failed has advanced or will advance to comply with Nasdaq's shareholder approval requirements set forth in Listing Rule 5635(d), which requires prior shareholder approval for transactions, other than public offerings, involving Dr. Marlene Krauss, the issuance of 20% or more Company's former Chief Executive Officer and Director, and George Hornig, the former Chairman of the pre-transaction shares outstanding at less than the Minimum Price (as defined Board of Directors, in Nasdaq's rules).

The letter indicated that the Nasdaq staff has determined that the August 2023 financing completed connection with certain subpoenas issued by the Company was not a public offering for the purposes of Nasdaq's shareholder approval rules due to the type of offering Securities and a single investor purchasing 98% Exchange Commission; and (b) upon exhaustion of the offering, AmTrust insurance policy, Freedom is obligated to do the same pursuant to its excess liability insurance policy with the Company.

The letter also indicated that This Order applies until the final disposition of the case, but does not constitute a final judgment, and both the Company has 45 calendar days and the two insurers retain their rights to submit a plan to regain compliance and if the plan contest all applicable issues at trial, which is accepted, the Company can be granted an extension of up to 180 calendar days from the date of the letter, scheduled for May 12, 2025.

The Company intends to submit, within the requisite period, a plan to regain compliance under the Nasdaq Listing Rules. There can be no assurance that Nasdaq will accept the Company's plan or that the Company will be able to regain compliance with the applicable listing requirements.

The Company's receipt of these Nasdaq letters does not affect the Company's business, operations or reporting requirements with the Securities and Exchange Commission.

On April 16, 2024, AmTrust paid the Company \$2.27 million in reimbursement of fees which the Company has advanced to Dr. Marlene Krauss and George Hornig, of which the Company received \$1.5 million after the payment of attorney's fees. On May 9, 2024, AmTrust paid the Company \$300,140 in reimbursement of fees which the Company had advanced to Dr. Marlene Krauss and George Hornig, of which the Company expects to receive \$200,093 after the payment of attorney's fees.

It is unclear whether the defendants will take steps to appeal this order, the outcome of any such appeal, the timing of our receipt of any further funds we may receive pursuant to the order related to reimbursement of amounts related to the SEC Subpoenas, if any, or such amounts that we may ultimately receive.

A final judgment following trial could potentially confirm these obligations of the insurers or, alternatively, reverse and require the Company to repay all or certain portions of such advance payments. There is no assurance at this time as to what the final judgment may entail.

#### *Amendments to Compensation Agreements*

On January 10, 2024, and effective on January 1, 2024, the Company entered into (a) a Fourth Amendment to Amended and Restated Employment Agreement with Dr. James Woody, the then CEO and Director of the Company; (b) a Fourth Amendment to Employment Agreement with Dr. Jonathan Rothbard, the Chief Science Officer (CSO) of the Company; (c) a Third Amendment to Consulting Agreement with Dr. Lawrence Steinman, the then Executive Chairman of the Company; and (d) a Second Amendment to Consulting Agreement with Prof. Sir Marc Feldmann, the former Executive Co-Chairman of the Company (collectively, the "Amendments"), which each amended the compensation agreements then in place with such individuals.

Pursuant to the Amendments, each of Dr. Woody and Dr. Rothbard, effective as of January 1, 2024, agreed to a reduction of the base salaries set forth in their respective amended employment agreements, by 50%, to \$245,000 per year for Dr. Woody and to \$100,000 per year for Dr. Rothbard, with the amount of such salary reductions (\$20,416 per month for Dr. Woody and \$8,333 per month for Dr. Rothbard) accruing monthly in arrears, to be paid upon the Company raising at least \$5,000,000 in funding subsequent to the date of the Amendments (the "Funding Date"), provided that in the event the Funding Date does not occur prior to March 15, 2025, the amounts accrued will be forgiven in their entirety.

Also pursuant to the Amendments, each of Dr. Steinman and Sir Feldmann, effective as of January 1, 2024, agreed to a reduction of the base salaries set forth in their respective consulting agreements, by 100%, to \$0 per year for each of Dr. Steinman and Sir Feldmann, with the amount of such salary reductions (\$18,750 per month or \$225,000 per year, for Dr. Steinman and £14,167 per month or £170,000 per year, for Sir Feldmann) accruing monthly in arrears, to be paid on the Funding Date, provided that in the event the Funding Date does not occur prior to March 15, 2025, the amounts accrued will be forgiven in their entirety.

#### *New Board Members Appointed*

On February 28, 2024, the Company's Board of Directors appointed Blair Jordan as a member of the Board, and on March 7, 2024, the Company's Board of Directors appointed Omar Jimenez and Ryan L. Smith as members of the Board. At the same time, the Board set the number of members of the Board at five members. The Board determined that Mr. Jordan, Mr. Jimenez and Mr. Smith were each independent and not party to any material plan, contract or arrangement (whether or not written) with the Company. In connection with their appointments to the Board and on February 24, 2024, March 4, 2024 and March 5, 2024, to be effective upon their appointments to the Board, the Company entered into an agreement with Mr. Jordan, Mr. Jimenez and Mr. Smith, respectively, whereby each will be paid \$40,000 per year as an annual retainer fee for serving on the Board, and \$10,000 per year for serving as the Chairman of the Strategic and Alternatives Committee and \$15,000 per year for serving as the Lead Director (Mr. Jordan); \$10,000 per year for serving as Chairman of the Audit Committee (Mr. Jimenez); and \$10,000 per year for serving as the Chairman of the Compensation Committee and the Nominating and Corporate Governance Committee (Mr. Smith). The Company agreed to make an initial fee payment of \$7,500 to Mr. Jordan in connection with his appointment to the Board, and subsequent fee payments quarterly in arrears, and pro-rated for partial quarters. A total of one half of such aggregate cash compensation will be accrued until such time as the Company raises an aggregate of \$1 million from any source, including but not limited to debt and/or equity raises, quasi-equity raises, receipt of insurance proceeds, litigation proceeds, and corporate transactions.

#### *Resignation of Board Member*

On March 7, 2024, Sir Marc Feldmann, Ph.D. provided notice to the Board of Directors of his resignation as a member of the Board of Directors, effective on the same date. Sir Feldmann's resignation was not the result of any disagreement with the Company relating to the Company's operations, policies or practices, or otherwise. Prior to his resignation, Sir Feldmann served as Co-Executive Chairman of the Company but did not serve on any committees of the Board of Directors. Sir Feldmann will continue to serve as an employee of one of the Company's subsidiaries.

## NOTE 9 – STOCKHOLDERS' (DEFICIT) EQUITY (DEFICIT)

### Reverse Stock-Split Stock Split during 2022 2024

On December 15, 2022 February 16, 2024, at a Special Meeting of the Stockholders of the Company, the stockholders of the Company approved an amendment to the Company's Second Amended and Restated Certificate of Incorporation, as amended, to effect a reverse stock split of our issued and outstanding shares of our common stock, par value \$0.0001 per share, by a ratio of between one-for-four to one-for-twenty, one-for-forty, inclusive, with the exact ratio to be set at a whole number to be determined by our the Company's Board of Directors or a duly authorized committee thereof in its discretion, at any time after approval of the amendment and prior to December 15, 2023 (the "Stockholder Authority") February 16, 2025. On December 15, 2022 February 16, 2024, the Company's Board of Directors (the "Board"), with the Stockholder Authority, approved an amendment to the Company's Second Amended and Restated Certificate of Incorporation to affect a reverse stock split of its the Company's common stock at a ratio of 1-for-20 (the "Reverse Stock Split"). 1-for-19. Pursuant to the Certificate of Amendment filed to affect the Reverse Stock Split, the Reverse Stock Split was effective on December 19, 2022 February 28, 2024 and the shares of the Company's common stock began trading on the NASDAQ Capital Market ("NASDAQ") on a post-split basis on December 19, 2022 February 28, 2024, with new CUSIP number: 68236V203. 68236V302. No change was made to the trading symbol for the Company's shares of common stock or public warrants, "ATNF" and "ATNFW", respectively, in connection with the Reverse Stock Split.

Because the Certificate of Amendment did not reduce the number of authorized shares of common stock, the effect of the Reverse Stock Split was to increase the number of shares of common stock available for issuance relative to the number of shares issued and outstanding. The Reverse Stock Split did not alter the par value of the common stock or modify any voting rights or other terms of the common stock. Any fractional shares remaining after the Reverse Stock Split were rounded up to the nearest whole share.

With regards to the Company's 2020 Omnibus Incentive Plan and the 2022 Omnibus Incentive Plan, the Company's Compensation Committee and Board deemed it in the best interests of the Company and its stockholders to (i) adjust the number of shares of Company common stock available for issuance under the Incentive Plans downward by a factor of 20 (with any fractional shares rounded down to the nearest whole share); (ii) reduce In addition, the number of shares of common stock issuable upon each exercise of stock options and other equity awards (including shares reserved for issuance under the Company's equity compensation plans) were proportionately adjusted by the applicable administrator, using the 1-for-19 ratio, and rounded down to the nearest whole share. The conversion rates of the Company's preferred stock (of which none are outstanding) were adjusted in a ratio of 1-for-19. The number of shares issuable upon exercise of the Company's outstanding option warrants to purchase shares of common stock of the Company, and all other outstanding awards, by a factor of 20 (with any fractional shares rounded down were equitably adjusted pursuant to the nearest whole share); and (iii) adjust terms of such securities in connection with the 1-for-19 Reverse Stock Split. In addition, the exercise price for each outstanding stock option and warrant were increased in inverse proportion to the 1-for-19 split ratio such that upon an exercise, the aggregate exercise price payable by the optionee or warrant holder to the Company for the shares subject to the option or warrant will remain approximately the same as the aggregate exercise price prior to the Reverse Stock Split, subject to the terms of any outstanding options such securities.

Further, pursuant to purchase the terms of the Company's Class K Special Voting Shares (the "Voting Stock"), following the Effective Time, the Voting Stock was convertible into a number of shares of common stock previously granted under equal to, and votes a number of voting shares equal to, 14 shares; provided that such Class K Special Voting Shares were subsequently converted into 14 shares of common stock on March 14, 2024. As a result of such conversion, there are no longer any Class K Special Voting Shares outstanding. The Company's Class C Special Voting Shares had converted into common stock in previous reporting periods and there are no longer any Class C Special Voting Shares outstanding.

The rights and privileges of the Incentive Plans up holders of shares of common stock are substantially unaffected by a factor of 20 (rounded up to the nearest whole cent), in each case to adjust equitably for the Exchange Ratio of the Reverse Stock Split, which such adjustments were effective automatically upon effectiveness Split.

### Granting of Extension to Regain Nasdaq Compliance

On September 7, 2023, the Company received a letter from Nasdaq notifying the Company that it was not in compliance with the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market. Nasdaq Listing Rule 5550(b)(1) (the "Rule") requires companies listed on the Nasdaq Capital Market to maintain stockholders' equity of at least \$2,500,000. On January 11, 2024, Nasdaq advised the Company that it had determined to grant the Company an extension to regain compliance with the Rule.

The terms of the Reverse Stock Split. The effects extension were as follows: on or before May 13, 2024, the Company was required to complete certain transactions described in greater detail in the compliance plan, contemplated to result in the Company increasing its stockholders' equity to more than \$2.5 million, and opt for one of the one-for-twenty reverse stock split have been retroactively reflected throughout two alternatives to evidence compliance with the financial statements Rule. Additionally, in either case the Company was required to disclose that Nasdaq will continue to monitor the Company's ongoing compliance with the stockholders' equity requirement and, notes if at the time of its next periodic report the Company does not evidence compliance, that it may be subject to delisting. Regardless of which alternative the Company chooses, if the Company failed to evidence compliance upon filing its next periodic report with the SEC following the end of such compliance period (i.e., its Quarterly Report for the Quarter ended June 30, 2024), the Company may be subject to delisting.

While the Company was able to undertake some of the transactions described in the compliance plan, it was unable to regain compliance with the Rule prior to the financial statements end of the plan period (May 13, 2024). As a result, on May 14, 2024, the Company received a delist determination letter from the Listing Qualifications department of The Nasdaq Stock Market LLC (the "Staff") advising the Company that the Staff had determined that the Company did not meet the terms of the extension. Specifically, the Company did not complete its proposed transactions and was unable to file a Current Report Form 8-K by the May 13, 2024 deadline previously required by the Staff, evidencing compliance with the Rule. As a result, unless the Company requests an appeal of the Staff's determination, trading of the Company's common stock will be suspended at the opening of business on May 23, 2024, and a Form 25-NSE will be filed with the SEC, which will remove the Company's common stock and warrants from listing and registration on The Nasdaq Stock Market.

The Company intends to submit a hearing request to the Nasdaq Hearings Panel (the "Panel"), which request is expected to stay any delisting action by the Staff at least until the hearing process concludes and any extension granted by the Panel expires.

At the Panel hearing, the Company intends to present a plan to regain compliance with the minimum stockholders' equity requirement. In the interim, the Company's common stock will continue to trade on Nasdaq under the symbol "ATNF" at least pending the ultimate conclusion of the hearing process.

There can be no assurance that the Company's plan will be accepted by the Panel or that, if it is, the Company will be able to regain compliance with the applicable Nasdaq listing requirements. If the Company's common stock and warrants are delisted, it could be more difficult to buy or sell the Company's common stock and warrants or to obtain accurate quotations, and the price of the Company's common stock and warrants could suffer a material decline. Delisting could also impair the Company's ability to raise capital and/or trigger defaults and penalties under outstanding agreements or securities of the Company.

The Company is continuing to work towards completing the necessary transactions in an effort to achieve compliance with the Rule. Separately, on May 14, 2024, the Staff provided us notice of our non-compliance with the audit committee requirements for continued listing on The Nasdaq Capital Market set forth in Listing Rule 5605(c)(2), which requires that listed companies maintain an audit committee of at least three independent directors. Nasdaq provided the Company a cure period in order to regain compliance as follows: until the earlier of the Company's next annual shareholders' meeting or May 7, 2025; or if the next annual shareholders' meeting is held before November 4, 2024, then the Company must evidence compliance no later than November 4, 2024. In the event the Company does not regain compliance by the applicable date above, Nasdaq rules require the Staff to provide written notification to the Company that its securities will be delisted. At that time, the Company may appeal the delisting determination to a Hearings Panel. The Company is currently seeking out qualified independent directors to serve on the Company's audit committee and plans to regain compliance with Listing Rule 5605(c)(2) in the near future.

#### *Nasdaq Compliance with Listing Rule 5550(a)(2) Regained*

*April 2023 Offering* On September 7, 2023, Nasdaq staff notified the Company that its common stock failed to maintain a minimum bid price of \$1.00 over the previous 30 consecutive business days as required by the Listing Rules of The Nasdaq Stock Market. Since then, the staff has determined that for the last 10 consecutive business days, from February 28 to March 12, 2024, the closing bid price of the Company's common stock has been at \$1.00 per share or greater. Accordingly, the Company has regained compliance with Listing Rule 5550(a)(2) and this matter is now closed.

#### *Amendment to August 2023 Offering*

On April 5, 2023 August 9, 2023, the Company entered into a Securities Purchase Agreement with an accredited investor (the "Purchaser"), in addition to certain purchasers who relied on the Company's registration statement filed with the SEC on July 25, 2023, which became effective on August 9, 2023, pursuant to which the Company agreed to sell an aggregate of 400,000 35,102 shares of common stock (the "August 2023 Shares"), pre-funded warrants to purchase up to an aggregate of 1,170,680 207,814 shares of common stock ("August 2023 Pre-Funded Warrants"), and common stock warrants to purchase up to an aggregate of 1,570,680 242,915 shares of common stock (the "August 2023 Common Warrants"), at a combined purchase price of \$1.91 \$12.35 per share and warrant (the "April "August 2023 Offering"). Aggregate gross proceeds from the April August 2023 Offering were \$2,999,606. Net proceeds to the Company from the offering, after deducting the placement agent fees and other offering expenses payable by the Company, were approximately \$3,000,000, \$2.7 million. The placement agent fees and the April offering expenses of approximately \$300,000 were accounted for as a reduction of additional paid in capital. The August 2023 Offering closed on April 10, 2023 August 14, 2023.

On November 28, 2023, the Company entered into an amendment to the August 2023 Offering ("Amendment to the August 2023 Offering"), whereby (i) the Purchaser agreed to pay an additional \$830,769 in connection with the repricing of the August 2023 Shares and August 2023 Pre-Funded Warrants (the "Repricing Amount"), (ii) the Company agreed to issue to the Purchaser additional pre-funded warrants to purchase up to 257,205 shares of common stock, with an exercise price of \$0.0019 per share (the "Additional Pre-Funded Warrants"), and warrants to purchase up to 477,058 shares of common stock, with an exercise price of \$3.23 per share (the "Additional Common Warrants", collectively the "Additional Warrants"), and (iii) the Company and the Purchaser agreed to enter into the warrant amendment agreement (as described below).

#### *The April 2023 Pre-Funded Warrants had an*

Other than exercise price equal to \$0.0001, were immediately exercisable and are subject to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. The exercise price of exercisability, the April 2023 Pre-Funded Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than the then-current exercise price. The April 2023 Pre-Funded Warrants are exercisable until they are exercised in full. The April 2023 Pre-Funded Warrants are subject to a provision prohibiting the exercise of such April 2023 Pre-Funded Warrants to the extent that, after giving effect to such exercise, the holder of such April 2023 Pre-Funded Warrants (together with the holder's affiliates, and any other persons acting as a group together with the holder or any of the holder's affiliates), would beneficially own in excess of 9.99% of the Company's outstanding common stock (which may be increased or decreased, with 61 days prior written notice by the holder). Although the April 2023 Pre-Funded Additional Warrants have a tender offer provision, the April same terms and conditions as the August 2023 Pre-Funded Pre-funded Warrants and the August 2023 Common Warrants and, as such, were determined to be equity-classified because they met the limited exception in the case of a change-in-control. Because the April 2023 Pre-Funded Additional Warrants are equity-classified, the placement agent fees and offering expenses will be accounted for as a reduction of additional paid in capital. The Additional Warrants were not exercisable until the Company obtained stockholder approval with respect to the issuance of the 734,262 shares of common stock issuable upon exercise of the warrants, at which point the Additional Pre-Funded Warrants remained exercisable until all the Additional Pre-Funded Warrants were exercised in full, and the Additional Common Warrants will remain exercisable until the fifth anniversary of the stockholder approval date. The stockholder approval date occurred on February 16, 2024.

In accordance with the Amendment to the August 2023 Offering, the Company entered into a warrant amendment agreement to amend the following outstanding warrants held by the Purchaser: (i) warrants to purchase up to 16,138 shares of common stock issued in July 2022; (ii) warrants to purchase up to 135,339 shares of common stock issued in December 2022; (iii) warrants to purchase up to 82,668 shares of common stock issued in April 2023; and (iv) warrants to purchase up to 242,915 shares of common stock issued in August 2023 (collectively, the “Existing Common Warrants”). Pursuant to the warrant amendment agreement, the Existing Common Warrants were not exercisable until the Company obtained stockholder approval for the issuance of up to 477,058 shares of common stock upon exercise of the Existing Common Warrants. The April 2023 Existing Common Warrants have an exercise price equal to \$1.78 \$3.23 per share, were immediately exercisable upon and the closing of the April 2023 Offering (the “Initial Exercise Date”) and are subject to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. The exercise price of the April 2023 Existing Common Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than expire on the then-current exercise price. The April 2023 Common Warrants are exercisable for 5.5 years following the Initial Exercise Date. The April 2023 Common Warrants are subject to a provision prohibiting the exercise of such April 2023 Common Warrants to the extent that, after giving effect to such exercise, the holder of such April 2023 Common Warrants (together with the holder’s affiliates, and any other persons acting as a group together with the holder or any fifth anniversary of the holder’s affiliates), would beneficially own in excess of 9.99% of the Company’s outstanding common stock (which may be increased or decreased, with 61 days prior written notice by the holder). Although the April 2023 Common Warrants have a tender offer provision, the April 2023 Common Warrants were determined to be equity-classified because they met the limited exception in the case of a change-in-control. Because the April 2023 Common Warrants are equity-classified, the placement agent fees and offering expenses will be accounted for as a reduction of additional paid in capital.

As of September 30, 2023, all 1,170,680 of the April 2023 Pre-Funded Warrants have been exercised for a value of \$117; and there are no unexercised April 2023 Pre-Funded Warrants remaining as of the end of the third quarter of 2023. No April 2023 Common Warrants have been exercised as of September 30, 2023 stockholder approval date. The stockholder approval date occurred on February 16, 2024.

#### *Amendment to July and December 2022 Common Warrants*

On April 5, 2023, the Company entered into an amendment to the common warrant agreements for the July 2022 and December 2022 Offerings, whereby warrants to purchase up to 306,604 shares (with an original exercise price of \$21.20 per share and an expiration date of January 20, 2028) and the warrants to purchase up to 2,571,429 shares (with an original exercise price of \$3.50 per share and an expiration date of June 22, 2028), respectively, were amended to have an exercise price of \$1.78 per share and an expiration date of October 10, 2028. The Company accounted for the amendment to the August 2023 Offering as a warrant modification, whereby the effect of the modification is measured as the difference in its relative fair value immediately before the modification and after the modification; and any increase to the relative fair value is recognized as an equity issuance cost.

To assess for the change in relative fair value, the Company performed a Black Scholes Option Model calculation to quantify the fair value of the common warrants under their original terms as of the modification date using the following assumptions: a share price of \$1.43, exercise prices of \$21.20 and \$3.50 for the July 2022 common warrants and December 2022 common warrants, respectively, an expected term of 4.8 and 5.2 years, respectively, volatility of 106%, a dividend rate of 0% and a discount rate of 3.36. The Company then performed a Black Scholes Option Model calculation to quantify the fair value of the common warrants with their new modified terms as of the modification date using the following assumptions: a share price of \$1.43, an exercise price of \$1.78 for both the July 2022 common warrants and December 2022 common warrants, an expected term of 5.5 years, volatility of 106%, a dividend rate of 0% and a discount rate of 3.36. The aggregate difference of approximately \$0.8 million between the two calculated amounts was recorded as an equity issuance cost within equity during the period to account for the change in relative fair value.

#### *First Amendment to the 2022 Omnibus Incentive Plan*

At the 2023 Annual Meeting of Stockholders of the Company held on July 6, 2023, the stockholders of the Company approved the First Amendment (“First Amendment”) to the 180 Life Sciences Corp. 2022 Omnibus Incentive Plan (the 2022 Omnibus Incentive Plan, as amended by the First Amendment, the “OIP”). The First Amendment was originally approved by the Board of Directors of the Company on May 5, 2023, subject to stockholder approval and the First Amendment became effective at the time of stockholder approval. The First Amendment increased the maximum number of shares available to be issued under the OIP from 120,000 shares to 470,000 shares.

#### *August 2023 Offering*

On August 9, 2023, the Company entered into a Securities Purchase Agreement with an accredited investor, in addition to certain purchasers who relied on the Company’s registration statement filed with the SEC on July 25, 2023, which became effective on August 9, 2023, pursuant to which the Company agreed to sell an aggregate of 666,925 shares of common stock, pre-funded warrants to purchase up to an aggregate of 3,948,460 shares of common stock, and common stock warrants to purchase up to an aggregate of 4,615,385 shares of common stock at a combined purchase price of \$0.65 per share and warrant (the “August 2023 Offering”). Aggregate gross proceeds from the August 2023 Offering were approximately \$3.0 million, and the August 2023 Offering closed on August 14, 2023.

The August 2023 Pre-Funded Warrants have an exercise price equal to \$0.0001, are immediately exercisable and are subject to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. The exercise price of the August 2023 Pre-Funded Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than the then-current exercise price. The August 2023 Pre-Funded Warrants are exercisable until they are exercised in full. The August 2023 Pre-Funded Warrants are subject to a provision prohibiting the exercise of such August 2023 Pre-Funded Warrants to the extent that, after giving effect to such exercise, the holder of such August 2023 Pre-Funded Warrants (together with the holder's affiliates, and any other persons acting as a group together with the holder or any of the holder's affiliates), would beneficially own in excess of 9.99% of the Company's outstanding common stock (which may be increased or decreased, with 61 days prior written notice by the holder). Although the August 2023 Pre-Funded Warrants have a tender offer provision, the August 2023 Pre-Funded Warrants were determined to be equity-classified because they met the limited exception in the case of a change-in-control. Because the August 2023 Pre-Funded Warrants are equity-classified, the placement agent fees and offering expenses will be accounted for as a reduction of additional paid in capital.

The August 2023 Common Warrants have an exercise price equal to \$0.65 per share, are immediately exercisable upon the closing of the August 2023 Offering and are subject to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. The exercise price of the August 2023 Common Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than the then-current exercise price. The August 2023 Common Warrants are exercisable for 5 years following the initial exercise date of August 14, 2023. The August 2023 Common Warrants are subject to a provision prohibiting the exercise of such August 2023 Common Warrants to the extent that, after giving effect to such exercise, the holder of such August 2023 Common Warrants (together with the holder's affiliates, and any other persons acting as a group together with the holder or any of the holder's affiliates), would beneficially own in excess of 4.99% of the Company's outstanding common stock (which may be increased or decreased, with 61 days prior written notice by the holder). Although the August 2023 Common Warrants have a tender offer provision, the August 2023 Common Warrants were determined to be equity-classified because they met the limited exception in the case of a change-in-control. Because the August 2023 Common Warrants are equity-classified, the placement agent fees and offering expenses will be accounted for as a reduction of additional paid in capital.

As of September 30, 2023, 663,460 of the August 2023 Pre-Funded Warrants have been exercised for a value of \$66, and there are 3,285,000 unexercised August 2023 Pre-Funded Warrants remaining as of the end of the third quarter of 2023. No August 2023 Common Warrants have been exercised as of September 30, 2023.

On October 23, 2023, 737,000 of the August 2023 Pre-Funded Warrants were exercised for a value of \$74; and there are 2,548,000 outstanding unexercised August 2023 Pre-Funded Warrants as of the date of this filing.

#### *Second Amendment to Common Warrant Agreements for the July 2022, December 2022 and April 2023 Offerings*

On August 9, 2023, the Company entered into an amendment to the common warrant agreements for the July 2022, December 2022 and April 2023 Offerings, whereby common warrants to purchase up to 306,604, 2,571,429 and 1,570,680 shares, respectively (all with previous exercise prices of \$1.78 per share), were amended to have an exercise price of \$0.83 per share. The Company accounted for the amendment as a warrant modification, whereby the effect of the modification is measured as the difference in its relative fair value immediately before the modification and after the modification; and any increase to the relative fair value is recognized as an equity issuance cost.

To assess for the change in relative fair value, the Company performed a Black Scholes Option Model calculation to quantify the fair value of the common warrants under their original terms as of the modification date using the following assumptions for the July 2022, December 2022, April 2023 and April August 2023 common warrants: a share price of \$0.84, \$6.46, an exercise price of \$1.78, \$15.77 for the July 2022, December 2022 and April 2023 common warrants and an exercise price of \$12.35 for the August 2023 common warrants, an expected term of 5.18 5.22 years, volatility of 100%, a dividend rate of 0% and a discount rate of 4.12 4.29%. The Company then performed a Black Scholes Option Model calculation to quantify the fair value of the common warrants with their new modified terms as of the modification date using the following assumptions for the July 2022, December 2022, April 2023 and April August 2023 common warrants: a share price of \$0.84, \$6.46, an exercise price of \$0.83, \$3.23, an expected term of 5.18 5.22 years, volatility of 100%, a dividend rate of 0% and a discount rate of 4.12 4.29%. The aggregate difference of approximately \$1.4 million \$3.1 million between the two calculated amounts was recorded as an equity issuance cost within equity during the period to account for the change in relative fair value.

During February and March 2024, all the additional 257,205 pre-funded warrants issued in connection with the Amendment to the August 2023 Offering were exercised for a value of \$489, and there are no additional pre-funded warrants remaining. No additional common warrants have been exercised.

#### *Common Stock Issued for Services during 2023 Second Amendment to the 2022 Omnibus Incentive Plan*

During the three months ended September 30, 2023 On February 16, 2024, the Company issued 90,485 held a special meeting of immediately vested shares its stockholders as of December 18, 2023 and approved the Company's common stock as compensation to directors with an aggregate issuance date fair value adoption of \$60,624, which was charged immediately a Second Amendment to the consolidated statement 180 Life Sciences Corp. 2022 Omnibus Incentive Plan. Such amendment increased the maximum number of operations for the period. The shares were available to be issued under and subject the Plan from 24,736 shares to the OIP 223,679 shares.

#### **Restricted Stock Shares**

During the nine months ended September 30, 2023, the Company did not issue any additional restricted shares of the Company's common stock, or Restricted Stock Shares, as compensation to consultants. Per the two-year consulting agreement which evidences the issuance of 600 restricted shares issued during 2022, the Restricted Stock Shares were issued at the beginning of the contract term and annually and vest monthly over a period of 24 months. The Company recognized stock-based compensation expense related to the amortization of the Restricted Stock Shares of \$3,645 and \$15,390 for the three and nine months ended September 30, 2023. The Company recognized stock-based compensation expense related to the amortization of the Restricted Stock Shares of \$6,075 and \$20,250 for the three and nine months ended September 30, 2022.

Below is a table summarizing the Restricted Stock Shares granted and outstanding as of and for the quarter ended September 30, 2023:

	Unvested Restricted Stock	Weighted Average Grant Date	FV Price
Unvested as of January 1, 2023	275	\$ 81.00	
Granted	-		-
Vested	(190)	81.00	
Forfeited	(55)		-
Unvested as of September 30, 2023	30	81.00	
Total unrecognized expense remaining	\$ 2,430		
Weighted-average years expected to be recognized over	0.25		-

## Stock Options

A summary of the option activity during the **nine months** quarter ended **September 30, 2023** **March 31, 2024** is presented below:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Term (Years)</b>	<b>Intrinsic Value</b>
Outstanding, January 1, 2023	162,956	\$ 84.63	8.6	-
Granted	269,776	0.67	9.9	-
Exercised	-	-	-	-
Forfeited/Expired	(15,000)	-	-	-
Outstanding, September 30, 2023	<b>417,732</b>	<b>\$ 30.61</b>	<b>9.2</b>	<b>\$ -</b>
Exercisable, September 30, 2023	<b>177,987</b>	<b>\$ 55.52</b>	<b>8.5</b>	<b>\$ -</b>

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Term (Years)</b>	<b>Intrinsic Value</b>
Outstanding, January 1, 2024	17,788	\$ 633.95	9.0	-
Forfeited	(4,834)	-	-	-
Outstanding, March 31, 2024	<b>12,954</b>	<b>\$ 689.53</b>	<b>8.4</b>	<b>\$ -</b>
Exercisable, March 31, 2024	<b>9,411</b>	<b>\$ 908.25</b>	<b>8.1</b>	<b>\$ -</b>

A summary of outstanding and exercisable stock options as of **September 30, 2023** **March 31, 2024** is presented below:

<b>Stock Options Outstanding</b>	<b>Stock Options Outstanding</b>				<b>Stock Options Exercisable</b>				<b>Stock Options Outstanding</b>	<b>Stock Options Exercisable</b>
	<b>Exercise</b>	<b>Exercise</b>	<b>Number of</b>	<b>Weighted Average</b>	<b>Exercise</b>	<b>Number of</b>	<b>Weighted Average</b>	<b>Number of</b>		
<b>Price</b>	<b>Price</b>	<b>Shares</b>	<b>Remaining</b>	<b>Number of</b>	<b>Exercise</b>	<b>Number of</b>	<b>Remaining</b>	<b>Number of</b>		
\$ 49.80	49.80	2,500	7.2	2,500	1,683.40	4,157	6.9	4,143		
\$ 88.60	88.60	79,000	7.4	70,222	1,501.00	984	7.7	949		
\$ 151.20	151.20	21,800	7.8	11,808	516.80	710	8.1	183		
\$ 79.00	79.00	18,750	8.2	17,240	12.73	7,103	9.4	4,136		
\$ 27.20	27.20	25,906	8.6	12,691						
\$ 0.67	0.67	269,776	9.9	63,526						
		<b>417,732</b>	<b>8.5</b>	<b>177,987</b>					<b>12,954</b>	<b>8.1</b>
										<b>9,411</b>

The Company recognized stock-based compensation expense of \$644,618 and \$1,753,349 \$236,063 for the three and nine months ended September 30, 2023, respectively. For the three months ended September 30, 2023 March 31, 2024, \$60,624 was related to the issuance of shares to directors for services rendered and \$583,994 related to the amortization of stock options and restricted stock shares, and for the nine months ended September 30, 2023, \$60,624 was related to the issuance options; expense of shares to directors for services provided and \$1,692,725 related to the amortization of stock options and restricted stock shares. Expense of \$563,361 and \$1,504,768 \$234,113 is included within general and administrative expenses on the condensed consolidated statements of operations for the three- and nine-month periods, respectively, three-month period and expense of \$81,257 and \$248,581 \$1,950 is included within research and development expenses on the condensed consolidated statements of operations for the three- and nine-month periods, respectively, three month period. The Company recognized stock-based compensation expense of \$672,083 and \$2,273,947 \$557,421 for the three and nine months ended September 30, 2022, respectively, March 31, 2023 related to the issuance of shares to consultants and directors for services rendered, as well as for the amortization of stock options and restricted stock shares. Expense shares; expense of \$584,237 and \$1,959,919 \$470,703 is included within general and administrative expenses on the condensed consolidated statements of operations for the three- and nine-month periods, respectively, and expense of \$87,846 and \$314,028 \$86,718 is included within research and development expenses on the condensed consolidated statements of operations for the three- and nine-month periods, respectively.

operations. As of September 30, 2023 March 31, 2024, there was \$1,993,409 \$255,048 of unrecognized stock-based compensation expense related to stock options that will be recognized over the weighted average remaining vesting period of 1.48 years, as well as \$2,430 of unrecognized expense related to Restricted Stock Shares that will be recognized over the weighted average remaining vesting period of 0.25 1.6 years.

## Warrants

A summary of the warrant activity (including both liability and equity classified instruments) during the quarter ended **September 30, 2023** **March 31, 2024** is presented below:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life in Years</b>	<b>Intrinsic Value</b>
Outstanding, January 1, 2023	3,435,728	\$ 30.92	5.1	\$ -
Issued	11,305,205	0.48	5.0	-
Exercised	(1,834,140)	0.0001	-	-
Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding, September 30, 2023	<b>12,906,793</b>	<b>\$ 8.43</b>	<b>3.4</b>	<b>\$ -</b>
Exercisable, September 30, 2023	<b>12,906,793</b>	<b>\$ 8.43</b>	<b>3.4</b>	<b>-</b>

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life in Years</b>	<b>Intrinsic Value</b>
Outstanding, January 1, 2024	1,240,768	\$ 83.98	5.1	\$ -
Exercised	(257,205)	0.0019	-	-
Outstanding, March 31, 2024	<b>983,473</b>	<b>\$ 105.94</b>	<b>4.8</b>	<b>\$ -</b>
Exercisable, March 31, 2024	<b>983,473</b>	<b>\$ 105.94</b>	<b>4.8</b>	<b>-</b>

A summary of outstanding and exercisable warrants as of **September 30, 2023** **March 31, 2024** is presented below:

<b>Warrants Outstanding</b>	<b>Warrants Outstanding</b>			<b>Warrants Exercisable</b>			<b>Warrants Outstanding</b>	<b>Warrants Exercisable</b>		
	<b>Exercise</b>	<b>Exercise</b>	<b>Number of</b>	<b>Weighted Average</b>	<b>Remaining</b>	<b>Number of</b>		<b>Exercise</b>	<b>Number of</b>	<b>Number of</b>
<b>Price</b>	<b>Price</b>	<b>Shares</b>	<b>Life in Years</b>	<b>Shares</b>	<b>Price</b>	<b>Shares</b>	<b>Life in Years</b>	<b>Shares</b>	<b>Life in Years</b>	<b>Shares</b>
\$ 100.00	100.00	128,200	2.4	128,200	1,900.00	6,748	1.9	6,748	1.9	6,748
\$ 105.60	105.60	3,183	1.6	3,183	2,006.40	168	1.1	168	1.1	168
\$ 141.40	141.40	1,250	0.8	1,250	2,686.60	66	0.3	66	0.3	66
\$ 150.00	150.00	125,000	2.9	125,000	2,850.00	6,579	2.4	6,579	2.4	6,579

\$	230.00	300,062	2.1	300,062	4,370.00	15,794	1.6	15,794
\$	0.83	4,448,713	5.0	4,448,713	3.23	<u>954,118</u>	4.9	<u>954,118</u>
\$	0.65	4,615,385	5.0	4,615,385				
\$	0.0001	3,285,000	-	3,285,000				
		<u>12,906,793</u>	4.9	<u>12,906,793</u>		<u>983,473</u>	4.8	<u>983,473</u>

#### NOTE 10 - RELATED PARTIES

##### Accounts Payable – Related Parties

Accounts payable - related parties were \$53,076 and \$266,009 as of March 31, 2024 and December 31, 2023, respectively, and consist of amounts due to certain officers and directors of the Company, as well as deferred compensation for certain executives. For the accounts payable – related party balance as of December 31, 2023, approximately \$210,000 relates to income taxes payable to the U.K. government for the salary of Prof. Sir Marc Feldmann, who serves as the Chairman, CEO and Executive Director of CannBioRex. Such amount was paid during the first quarter of 2024 upon receipt of the R&D tax credit.

##### Accrued Expenses - Related Parties

Accrued expenses - related parties was \$328,303 were \$53,708 and \$0 as of September 30, 2023 March 31, 2024 and consists of accrued consulting fees for services provided by certain directors December 31, 2023, respectively, and consultants, as well as deferred compensation for certain executives. Accrued expenses - related parties was \$188,159 as of December 31, 2022 and consists consist of interest accrued on loans and convertible notes due to certain officers and directors of the Company, as well as deferred compensation for certain executives.

### **Research and Development Expenses - Related Parties**

Research and Development Expenses – Related Parties of ~~\$132,881~~ \$170,542 and ~~\$53,347~~ \$216,684 during the three months quarters ended ~~September 30, 2023~~ March 31, 2024 and ~~2022~~, respectively, and ~~\$481,027~~ and ~~\$158,401~~ during the nine months ended ~~September 30, 2023 and 2022~~, 2023, respectively, are related to consulting and professional fees paid to current or former officers, directors or greater than 5% stockholders, 10% investors, or affiliates thereof.

## General and Administrative Expenses - Related Parties

General and Administrative Expenses – Related Parties of \$0 and \$0 during the three months ended September 30, 2023 and 2022, respectively, and \$0 and \$5,261 during the nine months ended September 30, 2023 and 2022, respectively, are related to professional fees paid to current or former officers, directors or greater than 5% stockholders, or affiliates thereof.

## Interest (Expense) Income - Related Parties

During the three and nine months ended September 30, 2023, the Company recorded no interest (expense) income – related parties.

During the three and nine months ended September 30, 2022, the Company recorded (\$1,536) and \$1,495, respectively, of interest (expense) income – related parties related to loans from greater than 5% stockholders or affiliates of the Company.

## NOTE 11 - SUBSEQUENT EVENTS

In accordance with Accounting Standards Codification (“ASC”) 855 – Subsequent Events, *Reimbursement from AmTrust*

On April 16, 2024, AmTrust paid the Company \$2.27 million in reimbursement of fees which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before condensed financial statements are issued, the Company has evaluated advanced to Dr. Marlene Krauss and George Hornig, of which the Company received \$1.5 million after the payment of attorney’s fees. On May 9, 2024, AmTrust paid the Company \$300,140 in reimbursement of fees which the Company had advanced to Dr. Marlene Krauss and George Hornig, of which the Company expects to receive \$200,093 after the payment of attorney’s fees (see Note 8).

### Shares issued to former Board Members

On April 23, 2024, the Company issued 63,818 shares of common stock to former board members, in lieu of cash, to compensate for the accrued board of director fees.

### Woody Separation Agreement

On May 7, 2024, Dr. James N. Woody resigned as Chief Executive Officer (Principal Executive Officer), and as a member of the Board of Directors, of the Company effective the same date, and entered into a Separation and Release Agreement with the Company (the “Woody Separation Agreement”).

Under the Woody Separation Agreement, the Company (a) paid Dr. Woody \$50,000 in cash, less all events applicable withholdings and transactions that occurred after September 30, 2023 required deductions (the “Severance Cash”); (b) issued Dr. Woody 25,000 fully-vested shares of the Company’s common stock; and (c) provided Dr. Woody the right to earn the Future Contingent Payment (as defined below). The amounts above (except for the amounts payable pursuant to (c), through which shall be paid by the 15th day following the date such payment is due as discussed below), is required to be paid within 15 days of the condensed date of Dr. Woody’s resignation (the “Payment Date”). We also agreed to pay Dr. Woody a bonus of \$50,000 (the “Future Contingent Payment”), [A] if we, within the 24 months following the date of Dr. Woody’s resignation, complete any corporate transaction, including but not limited to any merger, reverse merger, acquisition, disposal, joint-venture and/or investment involving the Company (a “Corporate Transaction”), which results in a Change of Control (a “Change of Control” means any Corporate Transaction pursuant to which the ownership of an aggregate of 50.1% or more of the outstanding shares of the Company is held by one or more parties after completing the Corporate Transaction); or [B] if we raise at least \$5 million from any source within 12 months from Dr. Woody’s resignation date. The Future Contingent Payment is to be forfeited from Dr. Woody in the event that we are required to restate any financial statements were available of the Company for issuance. There are periods prior to Dr. Woody’s resignation date, if Dr. Woody was Chief Executive Officer of the Company during such period(s), or any disclosure made by the Company in any report or filing with the Securities and Exchange Commission, is found by the Company to be materially incorrect or misleading, as determined by the reasonable discretion of the Board of Directors of the Company (each a “no subsequent events identified Forfeiture Trigger”). In the event a Forfeiture Trigger occurs or is deemed to have occurred, Dr. Woody is also required to promptly repay in full the Severance Cash.

Under the Woody Separation Agreement, Dr. Woody agreed to provide a customary general release to the Company, waived any severance pay that would require disclosure have been due pursuant to the terms of his employment agreement, agreed to the termination of his employment agreement, and also agreed to certain confidentiality, non-disclosure, non-solicitation, non-disparagement, and cooperation covenants in favor of the condensed consolidated financial statements. Company. The 25,000 fully-vested shares of the Company’s common stock due to Dr. Woody will be issued under the Company’s Second Amended and Restated 2022 Omnibus Incentive Plan.

### Rothbard Separation Agreement and Consulting Agreement

On May 7, 2024, Dr. Jonathan Rothbard resigned as Chief Scientific Officer of the Company effective the same date and entered into a Separation and Release Agreement with the Company (the “Rothbard Separation Agreement”).

Under the Rothbard Separation Agreement, the Company agreed to pay Dr. Rothbard \$200 in cash, less all applicable withholdings and required deductions. Under the Rothbard Separation Agreement, Dr. Rothbard agreed to provide a customary general release to the Company, waived any severance pay that would have been due pursuant to the terms of his employment agreement, agreed to the termination of his employment agreement, and also agreed to certain confidentiality, non-disclosure, non-solicitation, non-disparagement, and cooperation covenants in favor of the Company.

Effective on May 7, 2024, the Company entered into a Consulting Agreement with Dr. Rothbard pursuant to which he agreed to provide general consulting services to the Company for a term of six months, for \$150 per hour (the “Rothbard Consulting Agreement”). The agreement contains standard and customary confidentiality requirements.

***Steinman Fourth Amendment to Consulting Agreement***

On May 7, 2024, the Company entered into a Fourth Amendment to Consulting Agreement with Dr. Lawrence Steinman, the then Executive Chairman of the Board (the “Fourth Amendment”). Pursuant to the Fourth Amendment, Dr. Steinman waived and forgave all amounts accrued and owed to him under the Consulting Agreement through such date, and agreed that compensation payable to him under the Consulting Agreement moving forward would be \$0, provided that as long as Dr. Steinman remains a member of the Board of Company, he is to receive the same compensation payable to other non-executive members of the Board of Directors.

Mr. Steinman also agreed to step down as Executive Chairman of the Board of Directors and will instead just serve as a regular member of the Board of Directors, provided that on May 7, 2024, Dr. Steinman was appointed as a member of the Strategy and Alternatives Committee of the Company.

#### *Appointment of Interim Chief Executive Officer and Consulting Agreement*

Also effective on May 7, 2024, the Board of Directors appointed Mr. Blair Jordan, a then member of the Board of Directors of the Company, as Interim Chief Executive Officer and Principal Executive Officer of the Company, to fill the vacancy left by Dr. Woody's resignation. Upon such appointment, Mr. Jordan ceased being the Lead Independent director of the Company (which position is currently vacant), and ceased being a member of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee of the Board of Directors.

On May 7, 2024, the Company entered into an Executive Consulting Agreement with Mr. Jordan and Blair Jordan Strategy and Finance Consulting Inc. (an entity owned by Mr. Jordan) ("Jordan Consulting" and the "Jordan Consulting Agreement"). Pursuant to the Jordan Consulting Agreement, the Company agreed to engage Jordan Consulting to provide the services of Mr. Jordan to the Company as Interim Chief Executive Officer of the Company. The Jordan Consulting Agreement has a term through April 30, 2025, unless otherwise terminated pursuant to the terms of the agreement (discussed below) and provides for Mr. Jordan to act as Interim Chief Executive Officer of the Company, and to be paid \$216,000 per year in consideration for services rendered to the Company, plus a \$250,000 bonus in the event that the Company completes a Corporate Transaction which results in a Change of Control. Notwithstanding the above, the Board of Directors, with the recommendation of the Compensation Committee, may grant Mr. Jordan bonuses from time to time in its discretion, in cash or equity. The Jordan Consulting Agreement includes customary confidentiality, non-disclosure and proprietary right requirements of Jordan Consulting and Mr. Jordan, and a prohibition on Jordan Consulting and Mr. Jordan competing against us during the term of the agreement.

The Jordan Consulting Agreement terminates automatically upon the completion of a Corporate Transaction (provided we pay the transaction bonus discussed above). We have the right to terminate the Jordan Consulting Agreement at any time, provided that if we terminate the agreement after 60 days and prior to completion of a Corporate Transaction, then we agreed to pay Jordan Consulting \$75,000 in connection with such termination, within 60 days of such termination.

We are also able to terminate the Jordan Consulting Agreement at any time, without notice upon: (a) the death or physical or mental incapacity of Mr. Jordan if as a result of which Mr. Jordan is unable to perform services for a period in excess of 60 days; (b) in the event Mr. Jordan or a related party to Mr. Jordan ceases to own or control 100% of Jordan Consulting; (c) the Board terminating the Jordan Consulting Agreement for just cause where "just cause" means any of the following events: (i) any material or persistent breach by Jordan Consulting or Mr. Jordan of the terms of the agreement; (ii) the conviction of Jordan Consulting or Mr. Jordan of a felony offence, or the equivalent in a non-American jurisdiction, or of any crime involving moral turpitude, fraud or misrepresentation, or misappropriation of money or property of the Company or any affiliate of the Company; (iii) a willful failure or refusal by Jordan Consulting or Mr. Jordan to satisfy its respective obligations to the Company under the agreement including without limitation, specific lawful directives, reasonably consistent with the agreement, or requests of the Board; (iv) any negligent or willful conduct or omissions of Jordan Consulting or Mr. Jordan that directly results in substantial loss or injury to the Company; (v) fraud or embezzlement of funds or property, or misappropriation involving the Company's assets, business, customers, suppliers, or employees; (vi) any failure to comply with any of the Company's written policies and procedures, including, but not limited to, the Company's Corporate Code of Ethics and Insider Trading Policy, provided that subject to certain limited exceptions, we must first give written notice to Jordan Consulting and Mr. Jordan, as applicable, advising them of the acts or omissions that constitute failure or refusal to perform their obligations and that failure or refusal continues after Jordan Consulting and Mr. Jordan, as applicable, has had thirty (30) days to correct the acts or omissions as set out in the notice.

If the Company terminates the Jordan Consulting Agreement for just cause, we are required to pay Jordan Consulting any unpaid fees and/or unpaid and unreimbursed expenses accrued but unpaid prior to the effective termination date.

#### *Non-Executive Director Compensation*

Effective on May 7, 2024, the Board of Directors set the compensation payable to non-executive members of the Board of Directors for services on the Board of Directors, at (a) \$50,000 per year for service on the Board; (b) \$15,000 for each Chairperson of a committee of the Board of Directors (provided that only one additional \$15,000 payment shall be made even if the Director chairs multiple committees); and \$25,000 additional for each member of the Strategy and Alternatives Committee of the Board of Directors.

#### *Indemnification Agreements*

On May 7, 2024, the Company entered into Indemnity Agreements (each an "Indemnification Agreement") with each of its then directors and officers other than Mr. Ozan Pamir, the Chief Financial Officer of the Company who was already party to an Indemnity Agreement with the Company (each an "Indemnitee"), to provide for indemnification to the officers and directors under Delaware law. Among other things, consistent with the Company's Bylaws, each Indemnification Agreement generally requires that the Company (i) indemnify the Indemnitee from and against all expenses and liabilities with respect to proceedings to which Indemnitee may be subject by reason of the Indemnitee's service to the Company to the fullest extent authorized or permitted by Delaware law and (ii) advance all expenses incurred by the Indemnitee in connection with the investigation, defense, settlement or appeal of any proceeding, and in connection with any

proceeding to enforce the Indemnitee's rights under the Indemnification Agreement. The Indemnification Agreement also establishes various related procedures and processes and generally requires the Company to maintain directors' and officers' liability insurance coverage.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Report"), including "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements, within the federal securities laws, including the Private Securities Litigation Reform Act of 1995, regarding future events and the future results of the Company that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Report, including under "Risk Factors", and in other reports the Company files with the Securities and Exchange Commission ("SEC"), including the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as filed with the SEC on March 31, 2023 March 25, 2024 (under the heading "Risk Factors" and in other parts of that report), and include, but are not limited to, statements about:

- The need for additional funding, our ability to raise funding in the future, the terms of such funding, and dilution caused thereby;
- expectations for the clinical and preclinical development, manufacturing, regulatory approval, and commercialization of our product candidates;
- the uncertainties associated with the clinical development and regulatory approval of the Company's drug candidates, including potential delays in the enrollment and completion of clinical trials, issues raised by the U.S. Food and Drug Administration (FDA), the European Medicines Agency (EMA) and the U.K. Medicines and Healthcare products Regulatory Agency (MHRA);
- regulatory developments in the United States and foreign countries;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- current negative operating cash flows and our potential ability to obtain additional financing to advance our business and the terms of any further financing, which may be highly dilutive and may include onerous terms;
- the continued impact of the COVID-19 pandemic on our business operations and our research and development initiatives;
- the accuracy of our estimates regarding expenses, future revenues and capital requirements;
- the Company's reliance on third parties to conduct its clinical trials, enroll patients, and manufacture its preclinical and clinical drug supplies;
- the ability to come to mutually agreeable terms with such third parties and partners, and the terms of such agreements, the terms of the Company's current licensing agreement, agreements, and the termination rights associated therewith;
- estimates of patient populations for the Company's planned products;
- unexpected adverse side effects or inadequate therapeutic efficacy of drug candidates that could limit approval and/or commercialization, or that could result in recalls or product liability claims;
- the Company's ability to fully comply with numerous federal, state and local laws and regulatory requirements, as well as rules and regulations outside the United States, that apply to its product development activities;
- challenges and uncertainties inherent in product research and development, including the uncertainty of clinical success and of obtaining regulatory approvals; and uncertainty of commercial success;
- the ability of the Company to execute its plans to develop and market new drug products and the timing and costs of these development programs;

- **high changing rates of inflation high and interest rates, and economic downturns, including potential recessions, as well as macroeconomic, geopolitical, health and industry trends, pandemics, acts of war (including the ongoing Ukraine/Russian conflict, and Israel/Hamas conflict) and other large-scale crises;**
- estimates of the sufficiency of our existing capital resources combined with future anticipated cash flows to finance our operating requirements;
- our ability to maintain our listing **of our common stock and public warrants** on the Nasdaq Capital Market, including our current non-compliance with Nasdaq's continued listing rules; and
- other risks and uncertainties, including those described under "Risk Factors", below.

All forward-looking statements speak only as of the date of the filing of this Report. The reader should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Report are reasonable, we provide no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Report and our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

#### *General Information*

The following discussion is based upon our unaudited Condensed Consolidated Financial Statements included elsewhere in this Report, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Report, and in other reports we file with the SEC, and in our most recent Annual Report on Form 10-K. All references to years relate to the calendar year ended December 31<sup>st</sup> 31st of the particular year.

This information should be read in conjunction with the interim unaudited condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the audited financial statements and notes thereto and "Part II. Other Information – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", contained in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the Securities and Exchange Commission on March 31, 2023 March 25, 2024 (the "Annual Report").

Certain capitalized terms used below and otherwise defined below, have the meanings given to such terms in the footnotes to our unaudited condensed consolidated financial statements included above under "Part I – Financial Information" – "Item 1. Financial Statements".

Please see the section entitled "Glossary" beginning on page ii of our Annual Report for a list of abbreviations and definitions commonly used in the pharmaceutical and biotechnology industry which are used throughout this Report.

Our logo and some of our trademarks and tradenames are used in this Report. This Report also includes trademarks, tradenames and service marks that are the property of others. Solely for convenience, trademarks, tradenames and service marks referred to in this Report may appear without the ®, ™ and SM symbols. References to our trademarks, tradenames and service marks are not intended to indicate in any way that we will not assert to the fullest extent under applicable law our rights or the rights of the applicable licensors if any, nor that respective owners to other intellectual property rights will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend the use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

The market data and certain other statistical information used throughout this Report are based on independent industry publications, reports by market research firms or other independent sources that we believe to be reliable sources. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information and have not commissioned any such information. We are responsible for all of the disclosures contained in this Report, and we believe these industry publications and third-party research, surveys and studies are reliable. While we are not aware of any misstatements regarding any third-party information presented in this Report, their estimates, in particular, as they relate to projections, involve numerous assumptions, are subject to risks and uncertainties, and are subject to change based on various factors, including those discussed under, and incorporated by reference in, the section entitled "Item 1A. Risk Factors" of this Report. These and other factors could cause our future performance to differ materially from our assumptions and estimates. Some market and other data included herein, as well as the data of competitors as they relate to the Company, is also based on our good faith estimates.

See also “Cautionary Statement Regarding Forward-Looking Statements”, above, which includes information on forward-looking statements used herein and other matters which are applicable to this Report, including, but not limited to this “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Unless the context requires otherwise, references to the “Company,” “we,” “us,” “our,” “180 Life”, “180LS” and “180 Life Sciences Corp.” refer specifically to 180 Life Sciences Corp. and its consolidated subsidiaries. References to “KBL” refer to the Company prior to the November 6, 2020 Business Combination.

In addition, unless the context otherwise requires and for the purposes of this Report only:

“CAD” refers to Canadian dollars;

“Exchange Act” refers to the Securities Exchange Act of 1934, as amended;

“£” or “GBP” refers to British pounds sterling;

“SEC” or the “Commission” refers to the United States Securities and Exchange Commission; and

“Securities Act” refers to the Securities Act of 1933, as amended.

#### *Additional Information*

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC’s website at [www.sec.gov](http://www.sec.gov) and are available for download, free of charge, soon after such reports are filed with or furnished to the SEC, on the “[Investors](#)” “[Investors](#)”—“[SEC Filings](#)” Filings”—“[All SEC Filings](#)” Filings” page of our website at [www.180lifesciences.com](http://www.180lifesciences.com). Copies of documents filed by us with the SEC are also available from us without charge, upon oral or written request to our Secretary, who can be contacted at the address and telephone number set forth on the cover page of this Report. Our website address is [www.180lifesciences.com/](http://www.180lifesciences.com/). The information on, or that may be accessed through, our website is not incorporated by reference into this Report and should not be considered a part of this Report.

#### *Going Concern and Management Liquidity Plans*

As of [September 30, 2023](#) [March 31, 2024](#), we had an accumulated deficit of [\\$126,116,552](#) [\\$128,413,401](#) and a working capital deficit of [\\$1,435,947](#), [\\$2,225,359](#), and for the three quarter ended [March 31, 2024](#), a net loss of [\\$1,069,744](#) and nine months ended [September 30, 2023](#), net losses of [\\$10,265,760](#) and [\\$18,708,007](#), respectively, and for the nine months ended [September 30, 2023](#), cash used in operating activities of [\\$8,762,209](#), [\\$1,033,417](#). The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. As we are not generating revenues, we need to raise a significant amount of capital in order to pay our debts and cover our operating costs. While the Company raised money in August 2021, July 2022, December 2022 and April 2023, August 2023 and August November 2023 (see Note 2 – Going Concern and Management’s Plans, Note 9 – Stockholders’ Equity, under “Part I – Item 1. Financial Statements” Plans), and on April 16, 2024, AmTrust paid the Company \$2.27 million in reimbursement of fees which the Notes Company had advanced to Condensed Consolidated Financial Statements, under April 2023 Offering Dr. Marlene Krauss and August 2023 Offering) George Hornig for indemnification as former officers and directors, of which the Company received \$1.5 million after the payment of attorney’s fees. On May 9, 2024, we AmTrust paid the Company \$300,140 in reimbursement of fees which the Company had advanced to Dr. Marlene Krauss and George Hornig, of which the Company expects to receive \$200,093 after the payment of attorney’s fees.

We expect to require additional funding in the future and there is no assurance that we will be able to raise additional needed capital or that such capital will be available under favorable terms. In the event that we do raise capital in the future, we anticipate it being from the sale of equity which may cause dilution to existing stockholders.

We are subject to all the substantial risks inherent in the development of a new business enterprise within an extremely competitive industry. Due to the absence of a long-standing operating history and the emerging nature of the markets in which we compete, we anticipate operating losses until we can successfully implement our business strategy, which includes all associated revenue streams. We may never achieve profitable operations or generate significant revenues.

We currently have a minimum monthly cash requirement of approximately [\\$650,000](#), [\\$300,000](#), which is required to support the Company’s operations. We believe that in the aggregate, we will require significant additional capital funding to support and expand the research and development and marketing of our products, fund future clinical trials, repay debt obligations, provide capital expenditures for additional equipment and development costs, payment obligations, office space and systems for managing the business, and cover other operating costs until our planned revenue streams from products are fully-implemented and begin to offset our operating costs, if ever.

Since our inception, we have funded our operations with the proceeds from equity and debt [financing](#), [financings](#). We have experienced liquidity issues due to, among other reasons, our limited ability to raise adequate capital on acceptable terms. We have

historically relied upon the issuance of equity and promissory notes that are convertible into shares of our common stock to fund our operations and have devoted significant efforts to reduce that exposure. We anticipate that we will need to issue equity to fund our operations and repay our outstanding debt for the foreseeable future. If we are unable to achieve operational profitability or we are not successful in securing other forms of financing, we will have to evaluate alternative actions to reduce our operating expenses and conserve cash.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The condensed consolidated financial statements included in this report also include a going concern footnote.

Additionally, wherever possible, our Board of Directors will attempt to use non-cash consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of restricted shares of our common stock, preferred stock or warrants to purchase shares of our common stock. Our Board of Directors has authority, without action or vote of the shareholders, but subject to Nasdaq rules and regulations (which generally require shareholder approval for any transactions which would result in the issuance of more than 20% of our then outstanding shares of common stock or voting rights representing over 20% of our then outstanding shares of stock, subject to certain exceptions), to issue all or part of the authorized but unissued shares of common stock, preferred stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing shareholders, may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management's ability to maintain control of us, because the shares may be issued to parties or entities committed to supporting existing management.

#### *Organization of MD&A*

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") is provided in addition to the accompanying condensed consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

- **Business Overview and Recent Events.** A summary of the Company's business and certain material recent events.
- **Significant Financial Statement Components.** A summary of the Company's significant financial statement components.
- **Results of Operations.** An analysis of our financial results comparing the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**.
- **Liquidity and Capital Resources.** An analysis of changes in our balance sheets and cash flows and discussion of our financial condition.
- **Critical Accounting Policies and Estimates.** Accounting estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.

#### *Business Overview and Recent Events*

This MD&A and the related financial statements for the **three** **quarters ended March 31, 2024** and **nine** **months ended September 30, 2023** **2023**, primarily **covers** **cover** the operations of 180, which is a clinical stage biotechnology company headquartered in Palo Alto, California, focused on the development of therapeutics for unmet medical needs in chronic pain, inflammation, fibrosis and other inflammatory **diseases**, where anti-TNF therapy will provide a clear benefit to patients, by employing innovative research, and, where appropriate, combination therapy. **diseases**. We have three product development platforms:

- fibrosis and anti-tumor necrosis factor ("TNF");
- drugs which are derivatives of cannabidiol ("CBD") or cannabigerol ("CBG") analogues ("SCAs"); and
- alpha 7 nicotinic acetylcholine receptor ("α7nAChR").

We have several future product candidates in development, including one product candidate which previously completed a successful Phase 2b clinical trial in the United Kingdom for the early treatment of Dupuytren's Contracture, a condition that affects the development of fibrous connective tissue in the palm of the hand. 180 was founded by several world-leading scientists in the biotechnology and pharmaceutical sectors.

On August 17, 2023, the Company met with the UK Medicines and Healthcare products Regulatory Agency ("MHRA") regarding a proposed marketing authorization application to be submitted by the Company. Prior to the MHRA meeting, the Company's strategy was to pursue a Conditional Marketing Authorization Application in the UK while the Company was conducting a Phase 3 trial for Dupuytren's disease, which was expected to allow the Company to commercialize its therapy. Following the August 2023 meeting, the Company received correspondence from the MHRA that a substantially completed Phase 3 trial would be required before a marketing authorization is potentially granted, adding significant time to the approval and commercialization process.

We intend to invest resources to successfully complete the clinical programs that are underway, discover new drug candidates, and develop new molecules to build up on our existing pipeline to address unmet clinical needs. The product candidates are designed via a platform comprised of defined unit operations and technologies. This work is performed in a research and development environment that evaluates and assesses variability in each step of the process in order to define the most reliable production conditions.

We may rely on third-party contract manufacturing organizations ("CMOs") and other third parties for the manufacturing and processing of the product candidates in the future. We believe the use of contract manufacturing and testing for the first clinical product candidates is cost-effective and has allowed us to rapidly prepare for clinical trials in accordance with our development plans. We expect that third-party manufacturers will be capable of providing and processing sufficient quantities of these product candidates to meet anticipated clinical trial demands.

#### Nasdaq Bid Price Deficiency Notice

On September 7, 2023, the Company received a letter from the Listing Qualifications Department of The Nasdaq Stock Market LLC ("Nasdaq") indicating that the Company is not in compliance with the \$1.00 Minimum Bid Price requirement set forth in NASDAQ Listing Rule 5550(a)(2) for continued listing on the Nasdaq Capital Market (the "Bid Price Requirement").

The letter indicated that the Company will be provided 180 calendar days (or until March 5, 2024) in which to regain compliance. If at any time during this 180-calendar day period the bid price of the Company's common stock closes at or above \$1.00 per share for a minimum of ten consecutive business days, Nasdaq will provide the Company with a written confirmation of compliance and the matter will be closed.

Alternatively, if the Company fails to regain compliance with Rule 5550(a)(2) prior to the expiration of the initial 180 calendar day period, the Company may be eligible for an additional 180 calendar day compliance period, provided (i) it meets the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on the Nasdaq Capital Market (except for the Bid Price Requirement) and (ii) it provides written notice to Nasdaq of its intention to cure this deficiency during the second compliance period by effecting a reverse stock split, if necessary. In the event the Company does not regain compliance with Rule 5550(a)(2) prior to the expiration of the initial 180 calendar day period, and if it appears to the Staff that the Company will not be able to cure the deficiency, or if the Company is not otherwise eligible, the Staff will provide the Company with written notification that its securities are subject to delisting from The Nasdaq Capital Market. At that time, the Company may appeal the delisting determination to a Hearings Panel.

The Company intends to consider all options to regain compliance with all Nasdaq continued listing requirements.

The Company's receipt of the letter from Nasdaq did not affect the Company's business, operations or reporting requirements with the Securities and Exchange Commission.

#### Nasdaq Shareholder Approval Violation Notice

On October 11, 2023, the Company received a letter from Nasdaq that the Company failed to comply with Nasdaq's shareholder approval requirements set forth in Listing Rule 5635(d), which requires prior shareholder approval for transactions, other than public offerings, involving the issuance of 20% or more of the pre-transaction shares outstanding at less than the Minimum Price (as defined in Nasdaq's rules).

Due to restrictions in the Company's resources, the Company has slowed down research and development activities significantly in the SCA platform and the anti-TNF platform, and the Company has not made progress in the  $\alpha$ 7nAChR platform and has suspended further research and development activity in this program the meantime.

The letter indicated Company is currently evaluating all options to monetize its existing assets, in addition to exploring other strategic alternatives to maximize value for its stockholders. Potential strategic alternatives that the Nasdaq staff has determined that the August 2023 financing completed may be explored or evaluated by the Company was as part of this process include, but are not a public offering for limited to, an acquisition, merger, reverse merger, other business combination, sale of assets, licensing or other strategic transactions involving the purposes of Nasdaq's shareholder approval rules due to the type of offering and a single investor purchasing 98% of the offering. Company.

The letter also indicated that the Company has 45 calendar days to submit a plan to regain compliance and if the plan is accepted, the Company can be granted an extension of up to 180 calendar days from the date of the letter.

The Company intends to submit, within the requisite period, a plan to regain compliance under the Nasdaq Listing Rules. There can be no assurance that Nasdaq will accept the Company's plan or that the Company will be able to regain compliance with the applicable listing requirements.

The Company's receipt of the letters from Nasdaq did not affect the Company's business, operations or reporting requirements with the Securities and Exchange Commission.

### Significant Financial Statement Components

#### Research and Development

To date, 180's research and development expenses have related primarily to discovery efforts and preclinical and clinical development of its three product platforms: fibrosis and anti-TNF; drugs which are derivatives of CBD, and  $\alpha$ 7nAChR. Research and development expenses consist primarily of costs associated with those three product platforms, which include:

- expenses incurred under agreements with 180's collaboration partners and third-party contract organizations, investigative clinical trial sites that conduct research and development activities on its behalf, and consultants;
- costs related to production of clinical materials, including fees paid to contract manufacturers;
- laboratory and vendor expenses related to the execution of preclinical and clinical trials;
- employee-related expenses, which include salaries, benefits and stock-based compensation; and
- facilities and other expenses, which include expenses for rent and maintenance of facilities, depreciation and amortization expense and other supplies.

We expense all research and development costs in the periods in which they are incurred. We accrue for costs incurred as services are provided by monitoring the status of each project and the invoices received from our external service providers. We adjust our accrual as actual costs become known. When contingent milestone payments are owed to third parties under research and development arrangements or license agreements, the milestone payment obligations are expensed when the milestone results are achieved.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that research and development expenses will increase over the next several years as clinical programs progress and as we seek to initiate clinical trials of additional product candidates. It is also expected that increased research and development expenses will be incurred as additional product candidates are selectively identified and developed. However, it is difficult to determine with certainty the duration and completion costs of current or future preclinical programs and clinical trials of product candidates.

The duration, costs and timing of clinical trials and development of product candidates will depend on a variety of factors that include, but are not limited to, the following:

- per patient trial costs;
- the number of patients that participate in the trials;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the terms of our license agreements, including the rights of the licensors to terminate such license agreements in certain cases;
- the length of time required to enroll eligible patients;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the impact of COVID-19 on our trials;
- the duration of patient follow-up; and
- the efficacy and safety profile of the product candidates.

In addition, the probability of success for each product candidate will depend on numerous factors, including competition, manufacturing capability and commercial viability. We will determine which programs to pursue and fund in response to the scientific and clinical success of each product candidate, as well as an assessment of each product candidate's commercial potential.

Because the product candidates are still in clinical and preclinical development and the outcome of these efforts is uncertain, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of product candidates or whether, or when, we may achieve profitability. Due to the early-stage nature of these programs, we do not track costs on a project-by-project basis. As these programs become more advanced, we intend to track the external and internal cost of each program.

#### **General and Administrative**

General and administrative expenses consist primarily of salaries and other staff-related costs, including stock-based compensation for shares of common stock issued and options granted to founders, directors and personnel in executive, commercial, finance, accounting, legal, investor relations, facilities, business development and human resources functions and include vesting conditions.

Other significant general and administrative costs include costs relating to facilities and overhead costs, legal fees relating to corporate and patent matters, litigation, SEC filings, insurance, investor relations costs, fees for accounting and consulting services, indemnification expenses and other general and administrative costs. General and administrative costs are expensed as incurred, and we accrue amounts for services provided by third parties related to the above expenses by monitoring the status of services provided and receiving estimates from our service providers and adjusting our accruals as actual costs become known.

It is expected that the general and administrative expenses will increase over the next several years to support our continued research and development activities, manufacturing activities, potential commercialization of our product candidates and the increased costs of operating as a public company. These increases are anticipated to include increased costs related to the hiring of additional personnel, developing commercial infrastructure, fees to outside consultants, lawyers and accountants, and increased costs associated with being a public company, as well as expenses related to services associated with maintaining compliance with Nasdaq listing rules and SEC requirements, insurance and investor relations costs.

### **Other Income**

Other income primarily represents fees earned for research and development work performed for other companies, some of which are related parties.

### **Interest Expense**

Interest expense consists primarily of interest expense related to debt instruments.

### **Change in Fair Value of Derivative Liabilities**

Change in fair value of derivative liabilities represents the non-cash change in fair value of derivative liabilities during the reporting period. Gains Losses resulting from change changes in fair value of derivative liabilities during the three and nine months ended September 30, 2023 March 31, 2024, were driven by decreases increases in stock price during the periods, resulting in a lower higher fair value of the underlying liability.

## CONSOLIDATED RESULTS OF OPERATIONS

For the Three Months Quarter Ended September 30, 2023 March 31, 2024 Compared to the Three Months Quarter Ended September 30, 2022 March 31, 2023

	For the Three Months Ended September 30,	
	2023	2022
<b>Operating Expenses:</b>		
Research and development	\$ 972,113	\$ 583,177
Research and development - related parties	132,881	53,347
General and administrative	2,433,193	3,418,628
Total Operating Expenses	<u>3,538,187</u>	<u>4,055,152</u>
Loss From Operations	<u>(3,538,187)</u>	<u>(4,055,152)</u>
<b>Other (Expense) Income:</b>		
Interest expense	(11,634)	(7,348)
Interest expense - related parties	-	(1,536)
Loss on goodwill impairment	-	(18,872,850)
Loss on IP R&D asset Impairment	(9,063,000)	-
Change in fair value of derivative liabilities	2,036	1,449,908
Total Other Expense, Net	<u>(9,072,598)</u>	<u>(17,431,826)</u>
<b>Loss Before Income Taxes</b>	<u>(12,610,785)</u>	<u>(21,486,978)</u>
Income tax benefit	2,345,025	-
<b>Net Loss</b>	<u><u>\$ (10,265,760)</u></u>	<u><u>\$ (21,486,978)</u></u>
	For the Three Months Ended March 31,	
	2024	2023
<b>Operating Expenses:</b>		
Research and development expense	\$ 365,186	\$ 578,309
Research and development - related parties	170,542	216,684
General and administrative	1,556,740	4,008,852
Total Operating Expenses	<u>2,092,468</u>	<u>4,803,845</u>
Loss From Operations	<u>(2,092,468)</u>	<u>(4,803,845)</u>
<b>Other (Expense) Income:</b>		
Other income	1,039,364	-
Interest expense	(16,449)	(11,556)
Change in fair value of derivative liabilities	(191)	53,323
Total other income, net	<u>1,022,724</u>	<u>41,767</u>
<b>Loss Before Income Taxes</b>	<u>(1,069,744)</u>	<u>(4,762,078)</u>
Income tax benefit	-	-
<b>Net Loss</b>	<u><u>\$ (1,069,744)</u></u>	<u><u>\$ (4,762,078)</u></u>
<u>Research and Development</u>		

We incurred research and development expenses of \$972,113 \$365,186 for the three months ended September 30, 2023 March 31, 2024, compared to \$583,177 expenses of \$578,309 for the three months ended September 30, 2022 March 31, 2023, representing an increase a decrease in expenses of \$388,936 \$213,123 or 67% 37%. The change is attributable decrease in expense includes a) a reduction in

expense of approximately \$100,000 due to a decrease to the R&D Tax change in a tax credit which increased expenses and b) a reduction in the current period by approximately \$120,000 as compared to the prior period, as well as an increase stock-based compensation of approximately \$310,000 in expenses incurred by Oxford University for the HMGB1 program and approximately \$80,000 in expenses incurred by the Oxford University Studentship Program; which expenses were offset by decreases in (i) expenses incurred by Oxford University for the CBRX program of \$70,000 and (ii) expenses related to the Stanford License Agreement of \$50,000. \$90,000.

#### Research and Development – Related Parties

We incurred research and development expenses – related parties of \$132,881 \$170,542 for the three months ended September 30, 2023 March 31, 2024, compared to \$53,347 \$216,684 for the three months ended September 30, 2022 March 31, 2023, representing an increase of \$79,534, or 149%. The change is attributable to a decrease in the R&D Tax credit, which increased expenses in the current period by approximately \$40,000 as compared to the prior period, as well as an increase to consulting expenses of approximately \$40,000 for the period.

#### General and Administrative

We incurred general and administrative expenses of \$2,433,193 and \$3,418,628 for the three months ended September 30, 2023 and 2022, respectively, representing a decrease of \$985,435 \$46,142, or 29% 23%. The change resulted from decreases in legal expenses, insurance expense, stock-based compensation expense and salaries expense of approximately \$430,000, \$240,000, \$170,000 and \$170,000, respectively.

#### Other Expenses, Net

We incurred other expenses, net of \$9,072,598 and \$17,431,826 during the three months ended September 30, 2023 and 2022, respectively, representing a decrease of \$8,359,228 or 48%. The change is primarily attributable to the following: i) an impairment to IP R&D assets in the current year of approximately \$9.1 million (see Note 3 - IP R&D under “Part I – Item 1. Financial Statements” in the Notes to Condensed Consolidated Financial Statements), ii) an impairment to goodwill of approximately \$18.9 million in the third quarter of the prior year that was absent from the same period in the current year, offset by iii) a decrease in the change in the fair value of derivative liabilities from the prior year of approximately \$1.4 million.

**For the Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating Expenses:</b>		
Research and development	\$ 2,339,863	\$ 1,688,474
Research and development - related parties	481,027	158,401
General and administrative	9,204,122	10,405,933
General and administrative - related parties	-	5,261
Total Operating Expenses	<u>12,025,012</u>	<u>12,258,069</u>
Loss From Operations	<u>(12,025,012)</u>	<u>(12,258,069)</u>
<b>Other (Expense) Income:</b>		
Interest expense	(34,796)	(22,117)
Interest income - related parties	-	1,495
Loss on goodwill impairment	-	(18,872,850)
Loss on IP R&D asset impairment	(9,063,000)	-
Change in fair value of derivative liabilities	69,776	14,167,560
Total Other Expense, Net	<u>(9,028,020)</u>	<u>(4,275,912)</u>
<b>Loss Before Income Taxes</b>	<u>(21,053,032)</u>	<u>(16,983,981)</u>
Income tax benefit	2,345,025	-
<b>Net Loss</b>	<u><u>\$ (18,708,007)</u></u>	<u><u>\$ (16,983,981)</u></u>

#### Research and Development

We incurred research and development expenses of \$2,339,863 for the nine months ended September 30, 2023, compared to \$1,688,474 for the nine months ended September 30, 2022, representing an increase of \$651,389 or 39%. The change is attributable to a decrease to the R&D Tax credit, which increased research and development expenses in the current period by approximately \$410,000, as well as expense in the current fiscal year instead of a credit of approximately \$170,000; additionally, there were also increases of approximately \$680,000 in expenses incurred by Oxford University. These increases were offset by i) reductions in salaries and bonuses of approximately \$300,000 due to reductions/terminations, ii) decreases in expenses incurred by Oxford University for the CBRX program of approximately \$220,000 and iii) decreases in fees paid to the Scientific Advisory Board of approximately \$100,000.

#### Research and Development – Related Parties

We incurred research and development expenses – related parties of \$481,027 for the nine months ended September 30, 2023, compared to \$158,401 for the nine months ended September 30, 2022, representing an increase of \$322,626, or 204%. The change is attributable to an increase to the R&D Tax credit of approximately \$240,000, as well as an increase of approximately \$130,000 in consulting fees. These increases were offset by a reduction in stock-based compensation of approximately \$60,000, provision adjustment.

#### General and Administrative

We incurred general and administrative expenses of \$9,204,122 \$1,556,740 and \$10,405,933 \$4,008,852 for the nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, representing a decrease of \$1,201,811 \$2,452,112 or 12% 61% for the 2024 period, compared to the 2023 period. The decrease resulted from reductions reduced legal fees of approximately \$1.3 million, reduced accounting and regulatory fees of approximately \$450,000, reduced salaries expense of approximately \$300,000 and a reduction in legal expenses, insurance expense and stock-based compensation expense of approximately \$700,000, \$400,000 and \$400,000, respectively, offset by an increase in executive management compensation of approximately \$160,000.

#### \$280,000. Other Expenses, Net

We incurred other expenses, net of \$9,028,020 and \$4,725,912 during the nine months ended September 30, 2023 and 2022, respectively, representing an increase in other expenses of approximately \$4,302,108 or 91%. The change is primarily attributable to the following: i) an impairment to IP R&D assets in the current year of approximately \$9.1 million (see Note 3 - IP R&D under “Part I – Item 1. Financial Statements” in the Notes to Condensed Consolidated Financial Statements), and ii) an impairment to goodwill of approximately \$18.9 million in the third quarter of the prior year that was absent from the same period in the current year, offset by iii) a decrease in the change in the fair value of derivative liabilities from the prior year of approximately \$14.1 million (see Note 3 – Summary of Significant

Accounting Policies, *In-Process Research and Development* ("IP R&D"), under "Part I – Item 1. Financial Statements" in the Notes to Condensed Consolidated Financial Statements.

### Other Income, Net

We incurred other income, net of \$1,022,724 during the three months ended March 31, 2024, as compared to other income, net of \$41,767 for the three months ended March 31, 2023, representing an increase in other income, net of \$980,957 or 2,349%. The increase is attributable to amounts due to contractors related to certain R&D programs that were forgiven; as a result, the Company reduced its accounts payable and accrued liabilities accounts by \$588,506 and \$450,859, respectively, during the period and recorded the forgiven amounts as other income for a total of \$1,039,364 (see Note 5).

### Net Loss

**We had a net loss of \$1,069,744 for the three months ended March 31, 2024, compared to \$4,762,078 for the three months ended March 31, 2023, representing a decrease in net loss of \$3,692,334 or 78%, for the reasons discussed above.**

### Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had cash balances of \$2,662,520 \$675,977 and \$6,970,110 \$1,975,799, respectively, and working capital (deficit) deficits of (\$1,435,947) \$2,225,359 and \$3,270,608, \$1,422,710, respectively, largely due to a decrease in cash cash related to cash used in operations.

For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, cash used in operating activities was \$8,762,209 \$1,033,417 and \$9,200,830 \$3,869,891, respectively. Our cash used in operations for the nine three months ended September 30, 2023 March 31, 2024 was primarily attributable to our net loss of \$18,708,007 \$1,069,744, adjusted for non-cash expenses in the aggregate amount of \$8,484,563 \$259,829, as well as \$1,461,235 \$223,502 of net cash provided by used to fund changes in the levels of operating assets and liabilities. A significant portion of the non-cash expenses during the period relates to approximately \$9.1 million of non-recurring expenses associated with the impairment of IP R&D assets (see Note 3 – IP R&D, under “Part I – Item 1. Financial Statements” in the Notes to Condensed Consolidated Financial Statements), as well as a decrease in the deferred tax benefit in the amount of \$2.3 million. Our cash used in operations for the nine three months ended September 30, 2022 March 31, 2023 was primarily attributable to our net loss of \$16,983,981, \$4,762,078, adjusted for non-cash expenses in the aggregate amount of \$7,050,633, \$525,870, as well as \$732,518 \$366,317 of net cash provided by to fund changes in the levels of operating assets and liabilities.

For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, cash provided by used in financing activities was \$4,439,526 \$264,394 and \$4,477,924, \$469,810, respectively. Cash provided by financing activities during the nine months ended September 30, 2023 was due to net proceeds of \$5,424,701 from the April 2023 Offering and August 2023 Offering, partially offset by the repayment of loans in the amount of \$985,175. Cash used in financing activities during the nine three months ended September 30, 2022, March 31, 2024 was due to net proceeds of \$5,969,910 from the July 2022 Offering, partially offset by the repayment repayments of loans in the amount of \$1,491,986. \$264,883, offset by proceeds of \$489 from the exercise of pre-funded warrants related to the Amendment to the August 2023 Offering. Cash used in financing activities during the three months ended March 31, 2023 was due to repayments of loans in the amount of \$469,810.

Our product candidates may never achieve commercialization and we anticipate that we will continue to incur losses for the foreseeable future. We expect that our research and development expenses, general and administrative expenses, and capital expenditures will continue to increase. As a result, until such time, if ever, as we are able to generate substantial product revenue, we expect to finance our cash needs through a combination of equity offerings, debt financing financings or other capital sources, including potentially collaborations, licenses and other similar arrangements, which may not be available on favorable terms, if at all. The sale of additional equity or debt securities, if accomplished, may result in dilution to our then stockholders. Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, third-party clinical research and development services, license payments or milestone obligations that may arise, laboratory and related supplies, clinical costs, potential manufacturing costs, legal and other regulatory expenses and general overhead costs.

Our material cash requirements and time periods of such requirements from known contractual and other obligations include milestone and royalty payments related to license agreements with Oxford University and Yissum, payments related to D&O the director and officer insurance, payments related to indemnification obligations of officers and directors and former officers and directors under our governing documents, payments to consultants and payments related to outside consulting firms, such as legal counsel, auditors, accountants, etc. These cash requirements, in the aggregate, are expected to amount to approximately \$2,500,000 \$4,100,000 for 2024 and \$23,500,000 for the remainder of 2023 and \$27,000,000 for 2024 2025 through 2027, 2028.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. We currently have no credit facility or committed sources of capital. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated product development programs.

We have not yet achieved profitability and expect to continue to incur cash outflows from operations. It is expected that our research and development and general and administrative expenses will continue to increase and, as a result, we will eventually need to raise additional capital to fund our operations. If we are unable to obtain adequate funds on reasonable terms, we may be required to significantly curtail or discontinue operations or obtain funds by entering into financing agreements on unattractive terms. Our operating needs include the

planned costs to operate our business, including amounts required to fund working capital and capital expenditures. As of **September 30, 2023** **March 31, 2024**, the conditions outlined above indicated that there was a substantial doubt about our ability to continue as a going concern within one year after the financial statement issuance date. However, in **August 2021, July 2022, December 2022, April 2023, August 2023 and August November 2023**, the Company raised additional capital of approximately **\$13.9 million, \$6.0 million, \$5.5 million, \$3.0 million** **\$2.7 million, \$2.7 million and \$3.0 million** **\$0.8 million**, respectively, on April 16, 2024, AmTrust paid the Company **\$2.27 million** in reimbursement of fees which the Company had advanced to Dr. Marlene Krauss and George Hornig, of which the Company received **\$1.5 million** after the payment of attorney's fees, on May 9, 2024, AmTrust paid the Company **\$300,140** in reimbursement of fees which the Company had advanced to Dr. Marlene Krauss and George Hornig, of which the Company expects to receive **\$200,093** after the payment of attorney's fees, and with current cash on hand of approximately **\$2.0 million** **\$1.5 million** as of **November 8, 2023**. The Company's current financial resources are only expected **May 13, 2024**, the Company expects to last be able to continue as a going concern through approximately **January October 2024**.

Our condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the condensed consolidated financial statements do not necessarily purport to represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

## Recent Financing Transactions

### April 2023 Offering

On April 5, 2023, the Company entered into a Securities Purchase Agreement with certain purchasers, pursuant to which the Company agreed to sell an aggregate of 400,000 21,053 shares of common stock, pre-funded warrants to purchase up to an aggregate of 1,170,860 61,615 shares of common stock (“April 2023 Pre-Funded Warrants”), and common stock warrants to purchase up to an aggregate of 1,570,680 82,668 shares of common stock (the “April 2023 Common Warrants”), at a combined purchase price of \$1.91 \$36.29 per share and warrant, warrant (the “April 2023 Offering”). Aggregate gross proceeds from the April 2023 Offering were approximately \$3,000,000, and the April 2023 Offering closed on April 10, 2023.

The April 2023 Pre-Funded Warrants have an exercise price equal to \$0.0001, are immediately exercisable and are subject to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. The exercise price of the April 2023 Pre-Funded Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than the then-current exercise price. The April 2023 Pre-Funded Warrants are exercisable until they are exercised in full. The April 2023 Pre-Funded Warrants are subject to a provision prohibiting the exercise of such April 2023 Pre-Funded Warrants \$2,999,882. Net proceeds to the extent that, Company from the offering, after giving effect to such exercise, deducting the holder of such April 2023 Pre-Funded Warrants (together with the holder's affiliates, placement agent fees and any other persons acting as a group together with the holder or any of the holder's affiliates), would beneficially own in excess of 9.99% of the Company's outstanding common stock (which may be increased or decreased, with 61 days prior written notice offering expenses payable by the holder) Company, were approximately \$2.7 million. Although the April 2023 Pre-Funded Warrants have a tender offer provision, the April 2023 Pre-Funded Warrants were determined to be equity-classified because they met the limited exception in the case of a change-in-control. Because the April 2023 Pre-Funded Warrants are equity-classified, the The placement agent fees and offering expenses will be of approximately \$300,000 were accounted for as a reduction of additional paid in capital.

The April 2023 Common Warrants have an exercise price equal to \$1.78 per share, were immediately exercisable upon the closing of the April 2023 Offering ("the Initial Exercise Date") and are subject to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. The exercise price of the April 2023 Common Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than the then-current exercise price. The April 2023 Common Warrants are exercisable for 5.5 years following the Initial Exercise Date. The April 2023 Common Warrants are subject to a provision prohibiting the exercise of such April 2023 Common Warrants to the extent that, after giving effect to such exercise, the holder of such April 2023 Common Warrants (together with the holder's affiliates, and any other persons acting as a group together with the holder or any of the holder's affiliates), would beneficially own in excess of 4.99% of the Company's outstanding common stock (which may be increased or decreased, with 61 days prior written notice by the holder) closed on April 10, 2023. Although the April 2023 Common Warrants have a tender offer provision, the April 2023 Common Warrants were determined to be equity-classified because they met the limited exception in the case of a change-in-control. Because the April 2023 Common Warrants are equity-classified, the placement agent fees and offering expenses will be accounted for as a reduction of additional paid in capital.

To date, all of the 1,170,860 April 2023 Pre-Funded Warrants have been exercised and none of the 1,570,680 April 2023 Common Warrants have been exercised.

#### August 2023 Offering

On August 9, 2023, the Company entered into a Securities Purchase Agreement with an accredited investor (the "Purchaser"), in addition to certain purchasers who relied on the Company's registration statement filed with the SEC on July 25, 2023, which went became effective on August 9, 2023, pursuant to which the Company agreed to sell an aggregate of 666,925 35,102 shares of common stock (the "August 2023 Shares"), pre-funded warrants to purchase up to an aggregate of 3,948,460 207,814 shares of common stock ("August 2023 Pre-Funded Warrants"), and common stock warrants to purchase up to an aggregate of 4,615,385 242,915 shares of common stock (the "August 2023 Common Warrants"), at a combined purchase price of \$0.65 \$12.35 per share and warrant (the "August 2023 Offering"). Aggregate gross proceeds from the August 2023 Offering were approximately \$3.0 million, and the August 2023 Offering closed on August 14, 2023.

The August 2023 Pre-Funded Warrants have an exercise price equal to \$0.0001, are immediately exercisable and are subject to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. The exercise price of the August 2023 Pre-Funded Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than the then-current exercise price. The August 2023 Pre-Funded Warrants are exercisable until they are exercised in full. The August 2023 Pre-Funded Warrants are subject to a provision prohibiting the exercise of such August 2023 Pre-Funded Warrants \$2,999,606. Net proceeds to the extent that, Company from the offering, after giving effect to such exercise, the holder of such August 2023 Pre-Funded Warrants (together with the holder's affiliates, and any other persons acting as a group together with the holder or any of the holder's affiliates), would beneficially own in excess of 9.99% of the Company's outstanding common stock (which may be increased or decreased, with 61 days prior written notice by the holder). Although the August 2023 Pre-Funded Warrants have a tender offer provision, the August 2023 Pre-Funded Warrants were determined to be equity-classified because they met the limited exception in the case of a change-in-control. Because the August 2023 Pre-Funded Warrants are equity-classified, deducting the placement agent fees and other offering expenses payable by the Company, were approximately \$2.7 million. The placement agent fees and offering expenses of approximately \$300,000 were accounted for as a reduction of additional paid in capital. The August 2023 Offering closed on August 14, 2023.

#### The Amendment to August 2023 Common Warrants have an exercise price equal Offering

On October 11, 2023, the Company received a letter from Nasdaq, stating that Nasdaq had determined that the Company failed to \$0.65 per share, are immediately exercisable upon comply with Nasdaq's shareholder approval requirements set forth in Listing Rule 5635(d), which requires prior shareholder approval for transactions, other than public offerings, involving the closing issuance of 20% or more of the pre-transaction shares outstanding at less than the Minimum Price. The letter from Nasdaq referred to the August 2023 Offering and are subject requested the Company to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. The

exercise price submit a plan of compliance no later than November 27, 2023. On November 9, 2023, the Company submitted a plan of compliance to Nasdaq, and on November 14, 2023, Nasdaq provided a letter of extension to the Company.

Pursuant to the compliance plan submitted to Nasdaq, on November 28, 2023, the Company entered into an amendment to the August 2023 Offering (“Amendment to the August 2023 Offering”), whereby (i) the Purchaser agreed to pay an additional \$830,769 in connection with the repricing of the August 2023 Common Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than the then-current exercise price. The Shares and August 2023 Common Pre-Funded Warrants are exercisable for 5 years following (the “Repricing Amount”), (ii) the initial exercise date of August 14, 2023. The August 2023 Common Warrants are subject Company agreed to a provision prohibiting the exercise of such August 2023 Common Warrants issue to the extent that, after giving effect Purchaser additional pre-funded warrants to such purchase up to 257,205 shares of common stock, with an exercise the holder price of such August 2023 \$0.0019 per share (the “Additional Pre- Funded Warrants”), and warrants to purchase up to 477,058 shares of common stock, with an exercise price of \$3.23 per share (the “Additional Common Warrants (together Warrants”, and collectively with the holder’s affiliates, Additional Pre-Funded Warrants, the “Additional Warrants”), and any other persons acting as (iii) the Company and the Purchaser agreed to enter into a group together with warrant amendment agreement (as described below). Net proceeds to the holder or any of Company from the holder’s affiliates), would beneficially own in excess of 4.99% of the Company’s outstanding common stock (which may be increased or decreased, with 61 days prior written notice by the holder). Although the August 2023 Common Warrants have a tender offer provision, the August 2023 Common Warrants were determined to be equity-classified because they met the limited exception in the case of a change-in-control. Because the August 2023 Common Warrants are equity-classified, repricing, after deducting the placement agent fees and other offering expenses payable by the Company, were approximately \$0.8 million. The placement agent fees and offering expenses of approximately \$60,000 were accounted for as a reduction of additional paid in capital.

As of September 30, 2023, 663,460 of The Amendment to the August 2023 Pre-Funded Warrants have been exercised for a value of \$66, and there are 3,285,000 unexercised Offering closed on December 1, 2023.

In accordance with the Amendment to the August 2023 Pre-Funded Offering, the Company entered into a warrant amendment agreement to amend the following outstanding warrants held by the Purchaser: (i) warrants to purchase up to 16,138 shares of common stock issued in July 2022; (ii) warrants to purchase up to 135,339 shares of common stock issued in December 2022; (iii) warrants to purchase up to 82,668 shares of common stock issued in April 2023; and (iv) warrants to purchase up to 242,915 shares of common stock issued in August 2023 (collectively, the “Existing Common Warrants”). Pursuant to the warrant amendment agreement, the Existing Common Warrants remaining were not exercisable until the Company obtained stockholder approval for the issuance of up to be exercised. No August 2023 477,058 shares of common stock upon exercise of the Existing Common Warrants. The Existing Common Warrants have been exercised.

On October 23, 2023, 737,000 an exercise price equal to \$3.23 per share, and the Existing Common Warrants will expire on the fifth anniversary of the August 2023 Pre-Funded Warrants were exercised for a value of \$74; there are 2,548,000 outstanding August 2023 Pre-Funded Warrants as of the stockholder approval date. The stockholder approval date of this filing, occurred on February 16, 2024.

### Critical Accounting Policies and Estimates

The Company's condensed consolidated financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of its assets, liabilities, revenue and expenses. The Company has identified certain policies and estimates as critical to its business operations and the understanding of its past or present results of operations related to intangible assets and in-process research and development assets. These policies and estimates are considered critical because they had a material impact, or they have the potential to have a material impact, on the Company's condensed consolidated financial statements and because they require management to make significant judgments, assumptions or estimates. The Company believes that the estimates, judgments and assumptions made when accounting for the items described below were reasonable, based on information available at the time they were made. However, actual results may differ from those estimates, and these differences may be material.

**Intangible Assets**

**As**

Intangible assets consist of December 31, 2022 licensed patents held by Katexco Pharmaceuticals Corp. ("Katexco"), the carrying amount a wholly-owned subsidiary of the IP R&D assets Company, as well as technology licenses acquired in connection with the July 2019, corporate restructuring completed between the Company and each of 180 Therapeutics L.P. ("180 LP"), Katexco and CannBioRex Pharmaceuticals Corp. ("CBR Pharma"), pursuant to which each of 180 LP, Katexco and CBR Pharma became wholly-owned subsidiaries of the Company (the "Reorganization"). Licensed patents are amortized over the remaining life of the patent. Technology licenses represent the fair value of licenses acquired for the development and commercialization of certain licenses and knowledge. The technology licenses are amortized on a straight-line basis over the estimated useful lives of the underlying patents. It will be necessary to monitor and possibly adjust the useful lives of the licensed patents and technology licenses depending on the balance sheet was \$12,405,084 (which consists of carrying value of \$1,462,084 and \$10,943,000 related to the Company's CBR Pharma subsidiary and its 180 LP subsidiary, respectively). Per the valuation obtained from a third party as of year-end, the fair market value results of the Company's IP R&D assets was determined to be \$9,063,000 (which consists of fair market values of \$0 research and \$9,063,000 related to the Company's CBR Pharma subsidiary and 180 LP subsidiary, respectively). As of this measurement date, the carrying value of the CBR Pharma and 180 LP subsidiaries' assets exceeded their fair market values by \$1,462,084 and \$1,880,000, respectively. As such, management determined that the consolidated IP R&D assets were impaired by \$3,342,084, and in order to recognize the impairment, the Company recorded a loss for this amount during the fourth quarter of 2022, which appears as a loss on impairment of IP R&D assets on the income statement. This reduced the IP R&D asset balances of its CBR Pharma subsidiary and its 180 LP subsidiary to zero and \$9,063,000, respectively, as of December 31, 2022; the total consolidated IP R&D asset balance is \$9,063,000 after impairment. development activities.

As of September 30, 2023, the carrying amount of the IP R&D assets on the balance sheet was \$9,063,000 (which consists of a balance related to the Company's 180 LP subsidiary); the Company typically assesses asset impairment on an annual basis unless a triggering event or other facts or circumstances indicate that an evaluation should be performed at an earlier date. At the end of the current period, the Company assessed general economic conditions, industry and market considerations, the Company's financial performance and all relevant legal, regulatory, and political factors that might indicate the possibility of impairment and concluded that, when these factors were collectively evaluated, it is likely that the asset is impaired. The Company recorded a loss in the amount of \$9,063,000, which appears as a loss on impairment to IP R&D assets on the income statement for the three and nine months ended September 30, 2023.

**Recently Issued Accounting Pronouncements**

Management does not believe that any recently issued, but not yet effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's unaudited condensed consolidated financial statements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a "smaller reporting company," as defined by Rule 229.10(f)(1).

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

We have established and maintain a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed with the SEC pursuant to the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) (principal executive officer) and Chief Financial Officer (CFO) (principal accounting/financial and accounting officer), as appropriate, to allow timely decisions regarding required disclosures.

The Company's management evaluated, with the participation of our principal executive officer and principal financial and accounting officer, the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of the end of the period covered by this Report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on their evaluation, our principal executive officer and principal financial and accounting officer concluded that, as of September 30, 2023 March 31, 2024, our disclosure controls and procedures were not effective to provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosures as of September 30, 2023 March 31, 2024.

Management's evaluation was based on the following material weaknesses in our internal control over financial reporting which existed as of December 31, 2022, and which continue to exist, as discussed in the Company's Annual Report on Form 10-K:reporting:

- *Ineffective controls:* The Company's review and control procedures did not operate at the appropriate level of precision to detect an error in fair value determine that reversals of warrants year-end bonus accruals related to a one-time reverse stock split discontinued R&D project should have been recorded as the forgiveness of a liability, and therefore an increase in Other Income on the fair value of IP income statement, as opposed to a reduction to R&D assets. expense.

A material weakness is a control deficiency or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As a company with limited accounting resources, a significant amount of management's time and attention has been and will be diverted from our business to ensure compliance with these regulatory requirements.

Our management plans to establish procedures to monitor and evaluate the effectiveness of our internal controls over financial reporting on an ongoing basis and is committed to taking further action and implementing necessary enhancements or improvements. Management expects to complete its an assessment of the design and operating effectiveness of its internal controls over financial reporting during the second half of 2023, 2024. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Remediation Plan

## Remediation Plan

Management continues to take steps to develop and enhance its internal controls over financial reporting, and has implemented the following controls to remediate the above material weakness which existed as of December 31, 2022 (as noted in the Company's Annual Report on Form 10-K for the year ended December 31, 2022) beginning in Q1 of 2023, including: weakness:

- Implement an analysis added layer of fluctuations and variances on a quarterly basis technical review by the SEC Reporting Director for the Income Statement which would detect material movements in account balances from both a dollar amount and percentage change perspective and research any differences over a defined threshold, one time significant entries to ensure appropriate classification is assessed
- Implement an additional layer of review over the SEC reporting process and ensure that the overall financial statements and preparation are subject to concurring review by a member of the SEC reporting team other than the SEC reporting manager.

Management will consider the material weakness which existed as of December 31, 2022 to be fully remediated once the controls have been operating effectively for sufficient contiguous reporting periods, and after Management has validated the effective operation of the controls through testing.

## Inherent Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we may be a party to litigation that arises in the ordinary course of our business. The impact and outcome of litigation, if any, is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We believe the ultimate resolution of any such current proceeding will not have a material adverse effect on our continued financial position, results of operations or cash flows.

Such current litigation or other legal proceedings are described in, and incorporated by reference in, this "Item 1. Legal Proceedings" of this Form 10-Q from, "Part I – Item 1. Financial Statements" in the Notes to Condensed Consolidated Financial Statements in "Note 8 – Commitments and Contingencies", under the heading Legal Matters. The Company believes that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on our financial condition or results of operations. However, assessment of the current litigation or other legal claims could change in light of the discovery of facts not presently known to the Company or by judges, juries or other finders of fact, which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

Additionally, the outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected.

### Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as filed with the Commission on March 31, 2023 March 25, 2024, under the heading "Risk Factors", which risk factors are incorporated by reference herein, except as discussed below, which risk factors and investors should review the risks provided in the Annual Report on Form 10-K and below, investors should review prior to making an investment in the Company. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in the Form 10-K for the year ended December 31, 2022 December 31, 2023, under "Risk Factors" and below, any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price.

#### Summary Risk Factors

The following is a summary of select risks and uncertainties that could materially adversely affect us and our business, financial condition and results of operations:

#### Risks Related to Our Business Operations

- Our current cash balance is only expected to be sufficient to fund our planned business operations through approximately January 2024. If additional capital is not available, we may not be able to pursue our planned business operations, may be forced to change our planned business operations, or may take other actions that could adversely impact our stockholders, including potentially seeking bankruptcy protection.
- Our industry and the broader U.S. economy have experienced higher than expected inflationary pressures during 2022 and 2023, related to continued supply chain disruptions, labor shortages and geopolitical instability. Should these conditions persist our business, future results of operations and cash flows could be materially and adversely affected.

- We are dependent on the success of our future product candidates, some of which may not receive regulatory approval or be successfully commercialized.
- Our ability to generate revenue from any of our potential products is subject to our ability to obtain regulatory approval and fulfill numerous other requirements and we may never be successful in generating revenues or becoming profitable.

#### **Risks Related to Development and Regulatory Approval of Our Future Product Candidates**

- Clinical trials are expensive, time-consuming, uncertain and susceptible to change, delay or termination. The results of clinical trials are open to differing interpretations.
- We may find it difficult to enroll patients in our clinical trials, which could delay or prevent clinical trials of our product candidates.
- Any failure by our company to comply with existing regulations could harm our reputation and operating results.
- We are subject to federal, state and foreign healthcare laws and regulations, and implementation of, or changes to, such healthcare laws and regulations could adversely affect our business and results of operations.

#### **Risks Related to our Reliance Upon Third Parties**

- Our existing collaboration arrangements and any that we may enter into in the future may not be successful, which could adversely affect our ability to develop and commercialize our future product candidates.
- We expect to depend on a limited number of suppliers for materials and components in order to manufacture our future product candidates. The loss of these suppliers, or their failure to supply us on a timely basis, could cause delays in our current and future capacity and adversely affect our business.

#### **Risks Related to Our Intellectual Property**

- We may not be able to adequately protect our future product candidates or our proprietary technology in the marketplace.
- If third parties claim that intellectual property used by our company infringes upon their intellectual property, our operating profits could be adversely affected.

#### **Risks Related to Controlled Substances**

- Controlled substance legislation differs between countries, and legislation in certain countries may restrict or limit our ability to sell our future product candidates.
- The product candidates that we are developing may be subject to U.S. controlled substance laws and regulations and failure to comply with these laws and regulations, or the cost of compliance with these laws and regulations, may adversely affect the results of our business operations, both during clinical development and post approval, and our financial condition.

## Accounting Risks

- Our goodwill and intangible assets have been impaired in the past and are subject to future impairment risks.
- We have in the past, and may in the future, impair long-lived assets and intangible assets, including goodwill and acquired in-process research and development.

## Risks Related to Our Common Stock and Warrants

- The market price of our common stock has been extremely volatile and may continue to be volatile due to numerous circumstances beyond our control.
- Information available in public media that is published by third parties, including blogs, articles, message boards and social and other media may include statements not attributable to us and may not be reliable or accurate.

## Risks Associated with Our Governing Documents and Delaware Law

- Our Certificate of Incorporation provides for indemnification of officers and directors at our expense and limits their liability, which may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers or directors.
- Our Certificate of Incorporation contains a specific provision that limits the liability of our directors for monetary damages to us and our stockholders and requires us, under certain circumstances, to indemnify officers, directors and employees.

## Compliance, Reporting and Listing Risks

- We incur significant costs to ensure compliance with U.S. and Nasdaq reporting and corporate governance requirements.
- We incur increased costs as a result of being a reporting company, and given our limited capital resources, such additional costs may have an adverse impact on our profitability.
- We are not currently in compliance with the continued listing requirements of the Nasdaq Capital Market.

*Our current cash balance is only expected to be sufficient to fund our planned business operations through approximately January 2024. If additional capital is not available, we may not be able to pursue our planned business operations, may be forced to change our planned business operations, or may take other actions that could adversely impact our stockholders, including seeking bankruptcy protection.*

We are a clinical stage biotechnology company that currently has no revenue. Thus, our business does not generate the cash necessary to finance our planned business operations. We will require significant additional capital to: (i) develop FDA and/or MHRA-approved products and commercialize such products; (ii) fund research and development activities relating to, and obtain regulatory approval for, our product candidates; (iii) protect our intellectual property; (iv) attract and retain highly-qualified personnel; (v) respond effectively to competitive pressures; and (vi) acquire complementary businesses or technologies.

Our future capital needs depend on many factors, including: (i) the scope, duration and expenditures associated with our research, development and commercialization efforts; (ii) continued scientific progress in our programs; (iii) the outcome of potential partnering or licensing transactions, if any; (iv) competing technological developments; (v) our proprietary patent position; and (vi) the regulatory approval process for our products.

We will need to raise substantial additional funds through public or private equity offerings, debt financings or strategic alliances and licensing arrangements to finance our planned business operations. We may not be able to obtain additional financing on terms favorable to us, if at all. General market conditions, rising interest rates and inflation, as well as global conflicts such as the ongoing conflict between Ukraine and Russia, and Israel and Hamas, may make it difficult for us to seek financing from the capital markets, and the terms of any financing may adversely affect the holdings or the rights of our stockholders. For example, if we raise additional funds by issuing equity securities, further dilution to our stockholders will result, which may substantially dilute the value of their investment. Any equity financing may also have the effect of reducing the conversion or exercise price of our outstanding convertible or exercisable securities, which could result in the issuance (or potential issuance) of a significant number of additional shares of our common stock. In addition, as a condition to providing additional funds to us, future investors may demand, and may be granted, rights superior to those of existing stockholders. Debt financing, if available, may involve restrictive covenants that could limit our flexibility to conduct future business activities and, in the event of insolvency, could be paid before holders of equity securities received any distribution of our assets. We may be required to relinquish rights to our technologies or product candidates, or grant licenses through alliance, joint venture or agreements on terms that are not favorable to us, in order to raise additional funds. If adequate funds are not available, we may have to delay, reduce or eliminate one or more of our planned activities with respect to our business, or terminate our operations, or may be forced to seek bankruptcy protection. These actions would likely reduce the market price of our common stock.

**We will need additional capital which may not be available on commercially acceptable terms, if at all, which raises questions about our ability to continue as a going concern.**

As of September 30, 2023, we had an accumulated deficit of \$126,116,552 and a working capital deficit of \$1,435,947, and for the three and nine months ended September 30, 2023, a net loss of \$10,265,760 and \$18,708,007, respectively, and cash used in operating activities for the nine months ended September 30, 2023, of \$8,762,209. As of November 9, 2023, we had cash on hand of approximately \$[ ] million. The accompanying Consolidated Financial Statements have been prepared assuming we will continue as a going concern. As we are not generating revenues, we need to raise a significant amount of capital in order to pay our debts and cover our operating costs. While we recently raised funds through the sale of equity in July 2022 (approximately \$6.5 million of gross proceeds), December 2022 (approximately \$6.0 million of gross proceeds), April 2023 (approximately \$3.0 million of gross proceeds) and August 2023 (approximately \$3 million), there is no assurance that we will be able to raise additional needed capital or that such capital will be available under favorable terms.

We are subject to all the substantial risks inherent in the development of a new business enterprise within an extremely competitive industry. Due to the absence of a long-standing operating history and the emerging nature of the markets in which we compete, we anticipate operating losses until we can successfully implement our business strategy, which includes all associated revenue streams. We may never ever achieve profitable operations or generate significant revenues.

We currently have a monthly cash requirement spend of approximately \$650,000. We believe that in the aggregate, we will require significant additional capital funding to support and expand the research and development and marketing of our products, fund future clinical trials, repay debt obligations, provide capital expenditures for additional equipment and development costs, payment obligations, office space and systems for managing the business, and cover other operating costs until our planned revenue streams from products are fully-implemented and begin to offset our operating costs, if ever.

Since our inception, we have funded our operations with the proceeds from equity and debt financings. We have experienced liquidity issues due to, among other reasons, our limited ability to raise adequate capital on acceptable terms. We have historically relied upon the sale of equity and debt funding that is convertible into shares of our common stock to fund our operations and have devoted significant efforts to reduce that exposure. We anticipate that we will need to issue equity to fund our operations and fund our operating expenses for the foreseeable future. If we are unable to achieve operational profitability or we are not successful in securing other forms of financing, we will have to evaluate alternative actions to reduce our operating expenses and conserve cash.

These conditions raise substantial doubt about our ability to continue as a going concern. The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the Consolidated Financial Statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern. The Consolidated Financial Statements included herein also include a going concern footnote.

Additionally, wherever possible, our board of directors (“Board of Directors” or “Board”) will attempt to use non-cash consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of restricted shares of our common stock, preferred stock or warrants to purchase shares of our common stock. Our Board has authority, without action or vote of the stockholders, but subject to Nasdaq rules and regulations (which generally require stockholder approval for any transactions which would result in the issuance of more than 20% of our then outstanding shares of common stock or voting rights representing over 20% of our then outstanding shares of stock, subject to certain exceptions), to issue all or part of the authorized but unissued shares of common stock, preferred stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing stockholders, may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management’s ability to maintain control of us, because the shares may be issued to parties or entities committed to supporting existing management.

**We will need to raise additional capital, which may not be available on favorable terms, if at all, causing dilution to our stockholders, restricting our operations or adversely affecting our ability to operate our business.**

We may not be able to obtain additional financing on terms favorable to us, if at all, including as a result of macroeconomic conditions such as a severe or prolonged economic downturn. Disruption, uncertainty or volatility in the capital markets could increase our cost of capital or limit our ability to raise funds needed to operate our business. Disruptions could be caused by Federal Reserve policies and actions, currency concerns, inflation, economic downturn or uncertainty, monetary policies, failures of financial institutions, U.S. debt management concerns, and U.S. debt limit and budget disputes, including government shutdowns, European and worldwide sovereign debt concerns, other global or geopolitical events, or other factors. Current macroeconomic conditions have negatively impacted the U.S. banking sector, including for example, the recent closures and FDIC receiverships of Silicon Valley Bank and Signature Bank. Although we do not have any accounts at or business relationships with these banks, we may be negatively impacted by other disruptions to the U.S. banking system caused by these or similar developments.

**Future sales and issuances of our common stock or rights to purchase common stock, could result in additional dilution to our stockholders and could cause the price of our common stock to decline.**

We may issue additional common stock, convertible securities, or other equity in the future. We also issue common stock to our employees, directors, and other service providers pursuant to our equity incentive plans. Such issuances could be dilutive to investors and could cause the price of our common stock to decline. New investors in such issuances could also receive rights senior to those of current stockholders.

**Future sales of our common stock could cause our stock price to decline.**

If our stockholders sell substantial amounts of our common stock in the public market, the market price of our common stock could decrease significantly. The perception in the public market that our stockholders might sell shares of our common stock could also depress the market price of our common stock. Up to \$125,000,000 in total aggregate value of securities have been registered by us on a “shelf” registration statement on Form S-3 that we filed with the Commission on June 3, 2022, and which was declared effective on June 24, 2022. However, as of November 9, 2023, our public float was less than \$75 million, and under SEC regulations for so long as our public float remains less than \$75 million, the amount we can raise through primary public offerings of securities in any twelve-month period using our shelf registration statement on Form S-3 is limited to an aggregate of one-third of our public float. At such time as our public float again exceeds \$75 million, the number of securities we may sell under a Form S-3 registration statement will no longer be limited by such rules. Additionally, if our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly. The market price for shares of our common stock may drop significantly when such securities are sold in the public markets. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

**Our outstanding options and warrants may adversely affect the trading price of our securities.**

As of November 9, 2023, we had (i) outstanding stock options to purchase an aggregate of 417,732 shares of common stock at a weighted average exercise price of \$30.61 per share; (ii) outstanding pre-funded warrants to purchase 2,548,000 shares of common stock; and (iii) outstanding warrants to purchase 9,621,793 shares of common stock at a weighted average exercise price of \$8.35 per share (when not including the pre-funded warrants). For the life of the options and warrants, the holders have the opportunity to profit from a rise in the market price of our common stock without assuming the risk of ownership. The issuance of shares upon the exercise of outstanding securities will also dilute the ownership interests of our existing stockholders.

The availability of these shares for public resale, as well as any actual resales of these shares, could adversely affect the trading price of our common stock. We cannot predict the size of future issuances of our common stock pursuant to the exercise of outstanding options or warrants or conversion of other securities, or the effect, if any, that future issuances and sales of shares of our common stock may have on the market price of our common stock. Sales or distributions of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our common stock to decline.

In addition, the common stock issuable upon exercise/conversion of outstanding convertible securities may represent overhang that may also adversely affect the market price of our common stock. Overhang occurs when there is a greater supply of a company’s stock in the market than there is demand for that stock. When this happens the price of our stock will decrease, and any additional shares which stockholders attempt to sell in the market will only further decrease the share price. If the share volume of our common stock cannot absorb shares sold by holders of our outstanding convertible securities, then the value of our common stock will likely decrease.

**A significant number of our shares are eligible for sale and their sale or potential sale may depress the market price of our common stock.**

Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock. Most of our common stock is available for resale in the public market, including (a) options to purchase 417,732 shares of common stock with a weighted average exercise price of \$30.61 per share; (b) pre-funded warrants to purchase 2,548,000 shares of common stock; and (c) warrants to purchase 9,621,793 shares of common stock with a weighted average exercise price of \$8.35 per share. If a significant number of shares were sold, such sales would increase the supply of our common stock, thereby potentially causing a decrease in its price. Some or all of our shares of common stock may be offered from time to time in the open market pursuant to effective registration statements and/or compliance with Rule 144, which sales could have a depressive effect on the market for our shares of common stock. Subject to certain restrictions, a person who has held restricted shares for a period of six months may generally sell common stock into the market. The sale of a significant portion of such shares when such shares are eligible for public sale may cause the value of our common stock to decline in value.

**Provisions of certain outstanding warrants could discourage an acquisition of us by a third party.**

Provisions of certain outstanding warrants could make it more difficult or expensive for a third party to acquire us. Certain outstanding warrants prohibit us from engaging in certain transactions constituting “fundamental transactions” unless, among other things, the surviving entity assumes our obligations under each of the outstanding warrants issued in connection with the July 2022 Offering, the December 2022 Offering, the April 2023 Offering and August 2023 offering (each as defined and/or discussed herein), respectively. Further, such outstanding warrants provide that, in the event of certain transactions constituting “fundamental transactions,” with some exception, holders of such warrants will have the right, at their option, to require us to repurchase such warrants at a price described in the applicable warrants (based on the Black Scholes Value of such warrants). These and other provisions of the Warrants could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to stockholders.

**We are not in compliance with the continued listing standards of Nasdaq and Nasdaq has provided a delisting determination letter; we may not be able to comply with Nasdaq's continued listing standards in the future, and as a result our common stock and warrants Public Warrants may be delisted from Nasdaq.**

Our common stock and Public Warrants trade on Nasdaq under the symbols “ATNF” and “ATNFW,” respectively. Notwithstanding such listing, there can be no assurance any broker will be interested in trading our securities. Therefore, it may be difficult to sell our securities publicly. There is also no guarantee that we will be able to maintain our listings on Nasdaq for any period of time by perpetually satisfying Nasdaq's continued listing requirements.

On September 7, 2023, the Company received written notice from the Listing Qualifications Department. We have previously been out of The Nasdaq Stock Market LLC (“Nasdaq”) notifying the Company that it is not in compliance with the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2) for Nasdaq's continued listing on The Nasdaq Capital Market. Nasdaq Listing Rule 5550(a)(2) requires listed securities requirements due to our failure to maintain a minimum bid price of \$1.00 per share, and Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of thirty (30) consecutive business days. Based on the closing bid price of the Company's common stock for the thirty (30) consecutive business days from July 26, 2023 to September 6, 2023, the Company no longer meets the minimum bid price requirement.

The notification letter stated that the Company has 180 calendar days or until March 5, 2024, to regain compliance with Nasdaq Listing Rule 5550(a)(2). To regain compliance, the bid price of the Company's common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by March 5, 2024, an additional 180 days may be granted to regain compliance, so long as the Company meets The Nasdaq Capital Market initial listing criteria (except for the bid price requirement) and notifies Nasdaq in writing of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary. If the Company does not qualify for the second compliance period or fails to regain compliance during the second 180-day period, the Company's our common stock, will be subject to delisting, at which point the Company would have an opportunity to appeal the delisting determination to a Hearings Panel. failure was remedied in March 2024.

The Company intends to monitor the closing bid price of its common stock and may, if appropriate, consider implementing available options to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules.

On Also, on October 11, 2023, the Company received written notice from Nasdaq notifying the Company that it was not in compliance with the shareholder approval requirements set forth in Nasdaq Listing Rule 5635(d), which require prior shareholder approval for transactions, other than public offerings, involving the issuance of 20% or more of the pre-transaction shares outstanding at less than the applicable Minimum Price (as defined in Listing Rule 5635(d)(1)(A)), which non-compliance we remedied in December 2023.

Additionally, on November 15, 2023, the Company received a letter from Nasdaq notifying the Company that it was not in compliance with the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market. Nasdaq Listing Rule 5550(b)(1) (the “Rule”) requires companies listed on the Nasdaq Capital Market to maintain stockholders' equity of at least \$2,500,000. In the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, the Company reported a stockholders' deficit of (\$149,327), which is below the minimum stockholders' equity required for continued listing pursuant to the Rule. Additionally, the Company does not meet the alternative Nasdaq continued listing standards under Nasdaq Listing Rules and did not meet the minimum stockholders' equity requirement as of December 31, 2023 or March 31, 2024.

The Staff's determination under Listing Rule 5635(d) relates to the offering and issuance by Nasdaq provided the Company of until January 2, 2024 to submit to Nasdaq a plan to regain compliance. We submitted the plan to regain compliance in a timely manner, and on January 11, 2024, Nasdaq advised the Company that it has determined to grant the Company an aggregate of: (i) 666,925 shares of extension to regain compliance with the Company's common stock, \$0.0001 par value, at a price of \$0.65 per share, (ii) pre-funded warrants to purchase up to 3,948,460 shares of Common Stock, at a price of \$0.6499 per pre-funded warrant and (iii) warrants to purchase up to 4,615,385 shares of common stock. The offering price per share and associated common warrant was \$0.65 and the offering price per pre-funded warrant and associated common warrant was \$0.6499. Rule.

The Staff determined that terms of the Offering was not a “public offering” extension were as follows: on or before May 13, 2024, the Company must have completed certain transactions described in greater detail in the compliance plan, contemplated to result in the Company increasing its stockholders’ equity to more than \$2.5 million, and opt for one of the purposes of Nasdaq’s shareholder approval rules due two following alternatives to evidence compliance with the Rule: Alternative 1: The Company must have furnished to the type SEC and Nasdaq a publicly available report (e.g., a Form 8-K) including: 1. A disclosure of offering, a best efforts offering pursuant to a placement agency agreement, the Staff’s deficiency letter and the fact that one investor purchased 98% specific deficiency(ies) cited; 2. A description of the Offering. As a result, because completed transaction or event that enabled the Offering represented greater than 20% Company to satisfy the stockholders’ equity requirement for continued listing; and 3. An affirmative statement that, as of the Common Stock outstanding date of the report, the Company believed it had regained compliance with the stockholders’ equity requirement based upon the specific transaction or event referenced in Step 2; or Alternative 2: The Company must furnish to the SEC and was priced below Nasdaq a publicly available report including: 1. Steps 1 & 2 set forth above; 2. A balance sheet no older than 60 days with pro forma adjustments for any significant transactions or event occurring on or before the Minimum Price, report date; and 3. That the Staff determined that Company believes it satisfies the stockholders’ equity requirement as of the report date. The pro forma balance sheet must have evidenced compliance with the stockholders’ equity requirement.

Additionally, in either case the Company was required to obtain disclose that Nasdaq will continue to monitor the Company’s ongoing compliance with the stockholders’ equity requirement and, if at the time of its next periodic report the Company does not evidence compliance, that it may be subject to delisting.

While the Company was able to undertake some of the transactions described in the compliance plan, it was unable to regain compliance with the Rule prior shareholder approval under to the end of the plan period (May 13, 2024). As a result, on May 14, 2024, the Company received a delist determination letter from the Listing Rule 5635(d). Qualifications department of The Nasdaq Stock Market LLC (the “Staff”) advising the Company that the Staff had determined that the Company did not meet the terms of the extension. Specifically, the Company did not complete its proposed transactions and was unable to file a Current Report Form 8-K by the May 13, 2024 deadline previously required by the Staff, evidencing compliance with the Rule. As a result, unless the Company requests an appeal of the Staff’s determination, trading of the Company’s common stock will be suspended at the opening of business on May 23, 2024, and a Form 25-NSE will be filed with the SEC, which will remove the Company’s common stock and Public Warrants from listing and registration on The Nasdaq Stock Market.

The notification letter states that the Company has 45 days to submit a plan to regain compliance. If the plan is accepted, Nasdaq may grant the Company an extension of 180 calendar days from the date of the Notification Letter to evidence compliance. The Company intends to submit within a hearing request to the requisite period, Nasdaq Hearings Panel (the “Panel”), which request is expected to stay any delisting action by the Staff at least until the hearing process concludes and any extension granted by the Panel expires.

At the Panel hearing, the Company intends to present a plan to regain compliance with the minimum stockholders’ equity requirement. In the interim, the Company’s common stock will continue to trade on Nasdaq under the Nasdaq Listing Rules. symbol “ATNF” at least pending the ultimate conclusion of the hearing process.

There can be no assurance that Nasdaq will accept the Company’s plan will be accepted by the Panel or that, if it is, the Company will be able to regain compliance with the applicable Nasdaq listing requirements. If the Company’s common stock and Public Warrants are delisted, it could be more difficult to buy or sell the Company’s common stock and Public Warrants or to obtain accurate quotations, and the price of the Company’s common stock and Public Warrants could suffer a material decline. Delisting could also impair the Company’s ability to raise capital and/or trigger defaults and penalties under outstanding agreements or securities of the Company.

The Company is continuing to work towards completing the necessary transactions in an effort to achieve compliance with the Rule and is currently evaluating various courses of action to regain compliance with the Rule. However, there can be no assurance that the Company will be able to complete the transactions necessary to regain compliance with the Rule.

Separately, on May 14, 2024, the Staff provided us notice of our non-compliance with the audit committee requirements for continued listing on The Nasdaq Capital Market set forth in Listing Rule 5605(c)(2), which requires that listed companies maintain an audit committee of at least three independent directors. Nasdaq provided the Company a cure period in order to regain compliance as follows: until the earlier of the Company’s next annual shareholders’ meeting or May 7, 2025; or if the next annual shareholders’ meeting is held before November 4, 2024, then the Company must evidence compliance no later than November 4, 2024. In the event the Company does not regain compliance by the applicable date above, Nasdaq rules require the Staff to provide written notification to the Company that its securities will be delisted. At that time, the Company may appeal the delisting determination to a Hearings Panel. The Company is currently seeking out qualified independent directors to serve on the Company’s audit committee and plans to regain compliance with Listing Rule 5605(c)(2) in the near future.

Among the conditions required for continued listing on The Nasdaq Capital Market, Nasdaq requires us to maintain at least \$2.5 million in stockholders’ equity or \$500,000 in net income over the prior two years or two of the prior three years. As of September 30, 2023,

December 31, 2023 and March 31, 2024, our stockholders' equity was below \$2.5 million and we did not otherwise meet the net income requirements described above, and as such, we are not currently in compliance with Nasdaq's continue listing standards relating to minimum stockholders' equity. If we fail to timely remedy our compliance with such applicable requirement, our common stock and Public Warrants may be delisted.

Our failure to meet Nasdaq's continued listing requirements for the reasons above, or any other reason, may result in our securities being delisted from Nasdaq.

Additional conditions required for continued listing on Nasdaq include requiring that we have a majority of independent directors, a two-person compensation committee and a three-member audit committee (consisting (each consisting of all independent directors)., which three-person audit committee requirement we do not currently meet. As a result, our common stock and Public Warrants may be delisted from Nasdaq.

Even if we demonstrate compliance with the requirements of Nasdaq, we will have to continue to meet other objective and subjective listing requirements to continue to be listed on The Nasdaq Capital Market. Delisting from The Nasdaq Capital Market could make trading our common stock and Public Warrants more difficult for investors, potentially leading to declines in our share price and liquidity. Without a Nasdaq Capital Market listing, stockholders may have a difficult time getting a quote for the sale or purchase of our common stock and Public Warrants, the sale or purchase of our common stock and Public Warrants would likely be made more difficult, and the trading volume and liquidity of our common stock and Public Warrants could decline. Delisting from The Nasdaq Capital Market could also result in negative publicity and could also make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our common stock as currency or the value accorded by other parties. Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and Public Warrants and the ability of our stockholders and warrant holders to sell our common stock and Public Warrants in the secondary market. If our common stock and Public Warrants are delisted by Nasdaq, our common stock and Public Warrants may be eligible to trade on an over-the-counter quotation system, such as the OTCQB Market or the OTC Pink market, where an investor may find it more difficult to sell our common stock and Public Warrants or obtain accurate quotations as to the market value of our common stock and Public Warrants. In the event our common stock and Public Warrants are delisted from The Nasdaq Capital Market, we may not be able to list our common stock on another national securities exchange or obtain quotation on an over-the counter quotation system.

***Our License Agreements with the University of Oxford and other licensors may be terminated in certain circumstances without our consent.***

All of our License Agreements with the University of Oxford and other licensors remain subject to various conditions and covenants, and provide for certain termination rights to the licensors. Those agreements typically allow termination by the licensor due to our failure to pay amounts due timely, our failure to cure a material breach under the terms of the applicable license agreement, and our insolvency. As a result, if we are deemed insolvent, or in the event we seek bankruptcy protection, the licensors of our license agreements may terminate their license agreements with us. In the event such license agreements are terminated, we could lose the right to develop all of our platforms and technologies, may lose any investments made towards developing such platforms and technologies, and may be left without any intellectual property, product pathways, or development opportunities. Such terminations may result in the value of our securities declining in value or becoming worthless, the need for us to change our business plan, and may result in the Company seeking bankruptcy protection.

**Our industry and the broader U.S. economy have experienced higher than expected inflationary pressures during 2022 and 2023, related to continued supply chain disruptions, labor shortages and geopolitical instability. Should these conditions persist our business, future results of operations and cash flows could be materially and adversely affected.**

During 2022 and the early part of 2023, there were significant increases in the costs of certain materials, products and shipping costs, as a result of availability constraints, supply chain disruption, increased demand, labor shortages associated with a fully employed U.S. labor force, high inflation and other factors. Supply and demand fundamentals have been further aggravated by disruptions in global energy supply caused by multiple geopolitical events, including the ongoing conflict between Russia and Ukraine, and Israel and Hamas, which threatens to spread to other Middle Eastern countries. Service, materials and shipping costs have also increased accordingly with general supply chain and inflation issues seen throughout the U.S. leading to increased operating costs. Recent supply chain constraints and inflationary pressures may adversely impact our operating costs and may negatively impact our future product costs, consulting costs and expenses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Economic uncertainty may affect our access to capital and/or increase the costs of such capital.***

Global economic conditions continue to be volatile and uncertain due to, among other things, consumer confidence in future economic conditions, fears of recession and trade wars, the price of energy, fluctuating interest rates, the availability and cost of consumer credit, the availability and timing of government stimulus programs, levels of unemployment, increased inflation, tax rates, and the war between Ukraine and Russia which began in February 2022, and Israel and Hamas, which began in October 2023 and which threatens to spread to other Middle Eastern countries. These conditions remain unpredictable and create uncertainties about our ability to raise capital in the future. In the event required capital becomes unavailable in the future, or more costly, it could have a material adverse effect on our business, future results of operations, and financial condition.

***Our operations are subject to risks associated with ongoing and potential future global conflicts.***

In February 2022, an armed conflict escalated between Russia and Ukraine. The sanctions announced by the United States and other countries against Russia and Belarus following Russia's invasion of Ukraine to date include restrictions on selling or importing goods, services, or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business, and financial organizations in Russia and Belarus. The United States and other countries could impose wider sanctions and take other actions should the conflict further escalate. Separately, in October 2023, Israel and certain Iranian-backed Palestinian forces began an armed conflict in Israel, the Gaza Strip, and surrounding areas, which threatens to spread to other Middle Eastern countries including Lebanon and Iran.

These wars are increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. While we do not believe these conflicts currently have a material impact on our financial accounting and reporting, the degree to which we will be affected in the future largely depends on the nature and duration of uncertain and unpredictable events, and our business could be impacted. Additionally, we currently have agreements and relationships in place with Yissum Research Development Company of the Hebrew University of Jerusalem, Ltd. ("Yissum"), located in Israel, and Yissum's operations may be materially affected by the ongoing war in Israel, which may delay, prevent, or materially increase the cost of, the ongoing services Yissum is required to provide to the Company. Furthermore, future global conflicts or wars could create further economic challenges, including, but not limited to, increases in inflation and further global supply-chain disruption. Consequently, the ongoing Russia/Ukraine/Hamas/Israel conflicts and/or other future global conflicts, could result in an increase in operating expenses and/or a decrease in any future revenue and could further have a material adverse effect on our results of operations and cash flow.

**We may not receive any amounts under our pre-merger directors' and officers' insurance policy in connection with certain litigation matters.**

On June 29, 2022, AmTrust International Underwriters DAC ("AmTrust"), which was the premerger directors' and officers' insurance policy underwriter for KBL, filed a declaratory relief action against us in the U.S. District Court for the Northern District of California (the "Declaratory Relief Action") seeking declaration of AmTrust's obligations under the directors' and officers' insurance policy. In the Declaratory Relief Action, AmTrust is claiming that as a result of the merger, we are no longer the insured under the subject insurance policy, notwithstanding the fact that the fees which we seek to recover from AmTrust relate to matters occurring prior to the merger.

On April 21, 2023, the Court issued an Order Granting in Part and Denying in Part the Company's Motion for Partial Summary Judgment. Specifically, the Court granted summary adjudication in favor of the Company on the following issues: (a) that the Company is, in fact, an insured under both the AmTrust and Freedom insurance policies; (b) that certain SEC subpoena related expenses for defendants Dr. Marlene Krauss, the Company's former Chief Executive Officer and Director, and George Hornig, the former Chairman of the Board, are within the basic scope of coverage under both the AmTrust and Freedom insurance policies; and (c) that the Insured vs. Insured exclusion relied upon by AmTrust and Freedom is not applicable to bar any such coverage.

The Court also found that there were issues of disputed facts as to the Change in Control exclusion contained within the policies, which therefore precluded the Court from granting the remainder of the Company's requests for summary adjudication as a matter of law. Accordingly, the Court, at this time, denied the Company's further requests for summary adjudication and deemed that for the time being, the Change in Control issue is to be determined at the time of trial, in order to find that the policies (i) provide coverage for the fees which the Company has advanced and will advance to Dr. Marlene Krauss and George Hornig; (ii) that AmTrust has breached the policy; (iii) that AmTrust must pay such expenses of the Company; and that, once the AmTrust policy has been exhausted, (iv) Freedom will be obligated to pay such expenses of the Company pursuant to its policy.

On August 4, 2023, the Court granted the Company's request to file a second motion for partial summary judgment in this case, this one being on the issue of whether AmTrust should be required to advance to the Company the defense costs being incurred by Dr. Marlene Krauss and George Hornig during the pendency of the case. The Company filed such Motion for Partial Summary Judgment, and it has now been fully briefed by the parties. The hearing date for such motion is January 11, 2024. The parties have commenced written discovery proceedings against each other, and it is anticipated that depositions will also occur. The Company intends to continue to vigorously pursue this matter in order to establish the Company's entitlement to full payment by both AmTrust and Freedom of the subject advancement expenses of the Company.

While the Company continues to believe it has a strong case against both AmTrust and Freedom and believes the Court ruling in its favor in regards to the matters discussed above is a significant positive outcome for the Company, there can be no assurance that the Company will prevail in this action.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Recent Sales of Unregistered Securities

There have been no sales of unregistered securities during the quarter ended **September 30, 2023** **March 31, 2024**, and for the period from **October 1, 2023** **April 1, 2024**, to the filing date of this report which have not previously been reported in a Current Report on Form 8-K.

\* \* \* \* \*

### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

### Item 3. Defaults upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

(a)

(c) *Rule 10b5-1 Trading Plans.* Our directors and executive officers may from time to time enter into plans or other arrangements for the purchase or sale of our shares that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or may represent a non-Rule 10b5-1 trading arrangement under the Exchange Act. During the quarter ended March 31, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f)) adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

*Clawback Policy.* On November [ ], 2023, the Board of Directors of the Company approved the adoption of a Policy for the Recovery of Erroneously Awarded Incentive Based Compensation (the "Clawback Policy"), with an effective date of October 2, 2023, in order to comply with the final clawback rules adopted by the Securities and Exchange Commission under Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended ("Rule 10D-1"), and the listing standards, as set forth in the Nasdaq Listing Rule 5608 (the "Final Clawback Rules").

The Clawback Policy provides for the mandatory recovery of erroneously awarded incentive-based compensation from current and former executive officers as defined in Rule 10D-1 ("Covered Officers") of the Company in the event that the Company is required to prepare an accounting restatement, in accordance with the Final Clawback Rules. The recovery of such compensation applies regardless of whether a Covered Officer engaged in misconduct or otherwise caused or contributed to the requirement of an accounting restatement. Under the Clawback Policy, the Board of Directors may recoup from the Covered Officers erroneously awarded incentive compensation received within a lookback period of the three completed fiscal years preceding the date on which the Company is required to prepare an accounting restatement.

The foregoing summary of the Clawback Policy does not purport to be complete and is qualified in its entirety by reference to the full text of the Clawback Policy, a copy of which is attached hereto as Exhibit 10.4, to this Quarterly Report on Form 10-Q and incorporated herein by reference.

**Item 6. Exhibits.**

Exhibit No.	Description	Filed/ Furnished Herewith	Form	File No.	Exhibit	Filing Date	Description	Filed/ Furnished Herewith	Form	File No.	Exhibit	Filing Date
3.1	<u>Second Amended and Restated Bylaws of 180 Life Sciences Corp., effective as of September 4, 2023</u>		8-K	001-38105	3.1	9/7/2023	<u>Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of 180 Life Sciences Corp., filed with the Secretary of State of Delaware on February 26, 2024</u>		8-K	001-38105	3.1	02/28/2024
10.1#	<u>First Amended and Restated 180 Life Sciences Corp. 2022 Omnibus Incentive Plan</u>		8-K	001-38105	10.2	7/10/2023	<u>Fourth Amendment to Employment Agreement dated January 10, 2024 and effective as of January 1, 2024, between 180 Life Sciences Corp. and James N. Woody, M.D., Ph.D.</u>		8-K	001-38105	10.1	01/17/2024

10.2#	<u>Form of Stock Option Agreement (First Amended and Restated 2022 Omnibus Incentive Plan)</u>	8-K	001-38105	10.2	9/7/2023	<u>Fourth Amendment to Employment Agreement dated January 10, 2024 and effective as of January 1, 2024, between 180 Life Sciences Corp. and Jonathan Rothbard, Ph.D.</u>	8-K	001-38105	10.2	01/17/2024	
10.3	<u>Termination Letter (Oxford License)</u> <u>September 22, 2023</u>	8-K	001-38105	10.1	9/28/2023						
10.4*#	<u>180 Life Sciences Corp. Policy for the Recovery of Erroneously Awarded Incentive-Based Compensation</u>	X									
10.3#						<u>Third Amendment to Consulting Agreement dated January 10, 2024 and effective as of January 1, 2024, between 180 Life Sciences Corp. and Lawrence Steinman, M.D.</u>	8-K	001-38105	10.3	01/17/2024	

10.4#	<u>Second</u> <u>Amendment</u> <u>to Consulting</u> <u>Agreement</u> <u>dated</u> <u>January 10,</u> <u>2024 and</u> <u>effective as</u> <u>of January 1,</u> <u>2024,</u> <u>between</u> <u>Cannbiorex</u> <u>Pharma Ltd.</u> <u>and Sir Marc</u> <u>Feldmann</u> <u>Second</u> <u>Amendment</u> <u>to 180 Life</u> <u>Sciences</u> <u>Corp. 2022</u> <u>Omnibus</u> <u>Incentive</u> <u>Plan</u> <u>Second</u> <u>Amended</u> <u>and Restated</u> <u>180 Life</u> <u>Sciences</u> <u>Corp. 2022</u> <u>Omnibus</u> <u>Incentive</u> <u>Plan</u> <u>Offer Letter</u> <u>between 180</u> <u>Life Science</u> <u>Corp. and</u> <u>Blair Jordan</u> <u>(director)</u> <u>dated</u> <u>February 24,</u> <u>2024 and</u> <u>effective</u> <u>February 28,</u> <u>2024</u>	8-K	001-38105	10.4	01/17/2024
10.5#		8-K	001-38105	10.1	02/16/2024
10.6#		8-K	001-38105	10.2	02/16/2024
10.7#		8-K	001-38105	10.1	02/29/2024

10.8#	<u>Offer Letter</u> <u>between 180</u> <u>Life Science</u> <u>Corp. and</u> <u>Omar</u> <u>Jimenez</u> <u>(director)</u> <u>dated March</u> <u>4, 2024 and</u> <u>effective</u> <u>March 7,</u> <u>2024</u> <u>Offer Letter</u> <u>between 180</u> <u>Life Science</u> <u>Corp. and</u> <u>Ryan L.</u> <u>Smith</u> <u>(director)</u> <u>dated March</u> <u>5, 2024 and</u> <u>effective</u> <u>March 7,</u> <u>2024</u> <u>Separation</u> <u>and Release</u> <u>Agreement</u> <u>dated May 7,</u> <u>2024, by and</u> <u>between 180</u> <u>Life Sciences</u> <u>Corp. and Dr.</u> <u>James N.</u> <u>Woody</u> <u>Separation</u> <u>and Release</u> <u>Agreement</u> <u>dated May 7,</u> <u>2024, by and</u> <u>between 180</u> <u>Life Sciences</u> <u>Corp. and Dr.</u> <u>Jonathan</u> <u>Rothbard</u>	8-K	001-38105	10.1	03/11/2024
10.9#		8-K	001-38105	10.2	03/11/2024
10.10#		8-K	001-38105	10.1	05/9/2024
10.11#		8-K	001-38105	10.2	05/9/2024

10.12#	<u>Consulting</u> <u>Agreement</u> <u>dated May 7,</u> <u>2024, by and</u> <u>between 180</u> <u>Life Sciences</u> <u>Corp. and Dr.</u> <u>Jonathan</u> <u>Rothbard</u> <u>Fourth</u> <u>Amendment</u> <u>to Consulting</u> <u>Agreement</u> <u>dated May 7,</u> <u>2024, by and</u> <u>between 180</u> <u>Life Sciences</u> <u>Corp. and Dr.</u> <u>Lawrence</u> <u>Steinman</u> <u>Executive</u> <u>Consulting</u> <u>Agreement</u> <u>dated May 7,</u> <u>2024, by and</u> <u>between 180</u> <u>Life Sciences</u> <u>Corp., Blair</u> <u>Jordan and</u> <u>Blair Jordan</u> <u>Strategy and</u> <u>Finance</u> <u>Consulting</u> <u>Inc.</u> <u>Form of 180</u> <u>Life Sciences</u> <u>Corp.</u> <u>Indemnity</u> <u>Agreement</u> <u>Letter from</u> <u>Marcum LLP</u> <u>dated April</u> <u>19, 2024</u>	8-K	001-38105	10.3	05/9/2024
10.13#		8-K	001-38105	10.4	05/9/2024
10.14#		8-K	001-38105	10.5	05/9/2024
10.15#		8-K	001-38105	10.6	05/9/2024
16.1		8-K	001-38105	16.1	04/19/2024

		<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>	
31.1*		<u>Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>	<u>Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>	X
31.2*		<u>Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>	<u>Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>	X
32.1**		<u>Officer Pursuant to Section 906 of the Sarbanes-Oxley Act</u>	<u>Officer Pursuant to Section 906 of the Sarbanes-Oxley Act</u>	X
32.2**		<u>Officer Pursuant to Section 906 of the Sarbanes-Oxley Act</u>	<u>Officer Pursuant to Section 906 of the Sarbanes-Oxley Act</u>	X

	101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X
	101.SCH*	Inline XBRL Taxonomy Extension Schema	X	Inline XBRL Taxonomy Extension Schema	X
	101.CAL*	Inline XBRL Taxonomy Calculation Linkbase	X	Inline XBRL Taxonomy Calculation Linkbase	X
	101.DEF*	Inline XBRL Definition Linkbase Document	X	Inline XBRL Definition Linkbase Document	X
	101.LAB*	Inline XBRL Taxonomy Label Linkbase	X	Inline XBRL Taxonomy Label Linkbase	X
	101.PRE*	Inline XBRL Definition Linkbase Document	X	Inline XBRL Definition Linkbase Document	X
	104*	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set	X	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set	X

- \* Filed herewith.
- \*\* Furnished herewith.
- # Indicates management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: **November 9, 2023** **May 15, 2024**

### **180 LIFE SCIENCES CORP.**

By: /s/ James N. Woody, M.D., Ph.D. Blair Jordan  
James N. Woody, M.D., Ph.D.,  
Blair Jordan  
Interim Chief Executive Officer  
(Principal Executive Officer)

Date: **November 9, 2023** **May 15, 2024**

By: /s/ Ozan Pamir  
Ozan Pamir

Chief Financial Officer  
(Principal Financial and Accounting Officer)

49  
37

Exhibit 10.4

### **180 LIFE SCIENCES CORP.** **POLICY FOR THE RECOVERY OF** **ERRONEOUSLY AWARDED INCENTIVE-BASED COMPENSATION**

The Board of Directors (the “**Board**”) of **180 Life Sciences Corp.** (the “**Company**”) believes that it is in the best interests of the Company and its stockholders to adopt this Policy for the Recovery of Erroneously Awarded Incentive-Based Compensation (the “**Policy**”), which provides for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below). This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 promulgated under the Exchange Act (“**Rule 10D-1**”) and Nasdaq Listing Rule 5608 (the “**Listing Standards**”).

#### **1. Administration**

Except as specifically set forth herein, this Policy shall be administered by the Compensation Committee of the Board (the “**Administrator**”). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board or such other committeees of the Board, such as the Audit Committee or the Risk Committee, as may be necessary or appropriate as to matters within the scope of such other committee’s responsibility and authority.

Subject to any limitation under applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

#### **2. Definitions**

As used in this Policy, the following definitions shall apply:

- “**Accounting Restatement**” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).
- “**Administrator**” has the meaning set forth in **Section 1** hereof.

- **“Applicable Period”** means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The **“date on which the Company is required to prepare an Accounting Restatement”** is the earlier to occur of (a) the date the Board (or the Compensation Committee, if authorized by the Board) concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.

---

- “Covered Executives” means the Company’s current and former Executive Officers, as determined by the Administrator. For the avoidance of doubt, a Covered Executive may include a former Executive Officer that left the Company, retired, or transitioned to an employee role (including after serving as an Executive Officer in an interim capacity) during the Applicable Period.
- “Erroneously Awarded Compensation” has the meaning set forth in Section 5 of this Policy.
- “Executive Officer” means an executive officer as defined in Rule 10D-1(d) and the Listing Standards including, but not limited to, the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policymaking functions for the Company; and executive officers identified pursuant to Regulation S-K Item 401(b). For the purposes of such definition, Executive Officers of the Company’s parent(s) or subsidiaries are deemed Executive Officers of the Company if they perform such policy making functions for the Company.
- A “Financial Reporting Measure” is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total stockholder return (“TSR”); revenues; net income; operating income; profitability of one or more reportable segments; financial ratios (e.g., accounts receivable turnover and inventory turnover rates); earnings before interest, taxes, depreciation and amortization (“EBITDA”); funds from operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., earnings per share); any of such financial reporting measures relative to a peer group, where the Company’s financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the Securities and Exchange Commission.
- “Incentive-Based Compensation” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is “received” for purposes of this Policy in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

### 3. Covered Executives; Incentive-Based Compensation

This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation (whether or not such Covered Executive is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company); and (c) while the Company had a listed class of securities on a national securities exchange.

### 4. Required Recoupment of Erroneously Awarded Compensation in the Event of an Accounting Restatement

In the event the Company is required to prepare an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, during the Applicable Period.

### 5. Erroneously Awarded Compensation: Amount Subject to Recovery

The amount of “Erroneously Awarded Compensation” subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation (calculated on a pre-tax basis and without regard to any taxes paid) received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had it been determined based on the restated amounts. For the avoidance of doubt Erroneously Awarded Compensation does not include any Incentive-Based Compensation received by a person (i) before such person began service in a position or capacity meeting the definition of an Executive Officer, (ii) who did not serve as an Executive Officer at any time during the performance period for that Incentive-Based Compensation, or (iii) during any period the Company did not have a class of its securities listed on a national securities exchange or a national securities association.

Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation.

By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market (“Nasdaq”).

### 6. Method of Recoupment

The Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

The applicable Covered Executive shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding paragraph. The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Administrator has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

To the extent that the Covered Executive has already reimbursed the Company for any Erroneously Awarded Compensation under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

#### 7. No Indemnification of Covered Executives; No Reimbursement; No Agreements Exempting or Waiving Recovery

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential clawback obligations under this Policy.

Further, the Company shall not enter into any agreement that exempts any Incentive-Based Compensation that is granted, paid or awarded to a Covered Executive from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

## 8. Administrator Indemnification

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

## 9. Effective Date; Retroactive Application

This Policy shall be effective as of September 28, 2023 (the "**Effective Date**"). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date. Without limiting the generality of Section 6 hereof, and subject to applicable law, the Administrator may affect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

This Policy will survive and continue notwithstanding any termination of a Covered Executive's employment with the Company and its affiliates.

## 10. Amendment; Termination

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed. Notwithstanding anything in this Section 10 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

## 11. Severability

If any provision of this Policy is or becomes or is deemed to be invalid or unenforceable in any jurisdiction or as to any Covered Executive, such provision shall be construed or deemed amended to conform with applicable law.

This Policy shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to any conflicts of law principles thereof that would require the application of the laws of another jurisdiction.

## 12. Other Recoupment Rights; Company Claims

The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with a Covered Executive shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Covered Executive to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

#### 13. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

#### 14. Acknowledgement by Covered Executives; Condition to Eligibility for Incentive-Based Compensation

The Company will provide notice and seek acknowledgment of this Policy from each Covered Executive (in the form attached hereto), provided that the failure to provide such notice or obtain such acknowledgment will have no impact on the applicability or enforceability of this Policy.

After the Effective Date, the Company must be in receipt of a Covered Executive's acknowledgment as a condition to such Covered Executive's eligibility to receive Incentive-Based Compensation.

All Incentive-Based Compensation subject to this Policy will not be earned, even if already paid, until the Policy ceases to apply to such Incentive-Based Compensation and any other vesting conditions applicable to such Incentive-Based Compensation are satisfied.

#### 15. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.

#### 16. Required Public Disclosures

The Company shall disclose the adoption and terms of this Policy in accordance with Item 402(w) of Regulation S-K in its Annual Report on Form 10-K and/or proxy statements.

Additionally, when an Accounting Restatement occurs, which resulted in Erroneously Awarded Compensation being awarded to Covered Executives, the Company shall, consistent with, and to the extent required by, Item 402(w) to Regulation S-K disclose in its next Annual Report on Form 10-K and/or proxy statement, actions taken to recover such Erroneously Awarded Compensation.

Similarly, if an Accounting Restatement occurs, and the Company concludes that recovery of Erroneously Awarded Compensation is not required pursuant to the terms of this Policy, the Company shall briefly explain why application of the Policy resulted in this conclusion in accordance with, and to the extent required by, Item 402(w) of Regulation S-K.

#### 17. Prompt Notice

The Company's Chief Financial Officer (or the person performing a similar role if the Company does not then have a Chief Financial Officer), shall promptly notify the Administrator in writing upon becoming aware of any required Accounting Restatement.

[TO BE SIGNED BY THE COMPANY'S EXECUTIVE OFFICERS:]

**Policy for the Recovery of Erroneously Awarded Incentive-Based Compensation Acknowledgment**

I, the undersigned, agree and acknowledge that I am fully bound by, and subject to, all of the terms and conditions of 180 Life Sciences Corp.'s Policy for the Recovery of Erroneously Awarded Incentive-Based Compensation (as may be amended, restated, supplemented or otherwise modified from time to time, the "Policy").

In the event of any inconsistency between the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern. In the event it is determined by the Administrator that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. Any capitalized terms used in this Acknowledgment without definition shall have the meaning set forth in the Policy.

By: \_\_\_\_\_

[Name] \_\_\_\_\_

[Title] \_\_\_\_\_

Date \_\_\_\_\_

Policy for the Recovery of Erroneously Awarded  
Incentive-Based Compensation

180 Life Sciences Corp.  
Page 7 of 7

Exhibit 31.1

Certification of Chief Executive Officer

I, James N. Woody, M.D., Ph.D., Blair Jordan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 180 Life Sciences Corp. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 15, 2024

/s/ *James N. Woody, M.D., Ph.D. Blair Jordan*

James N. Woody, M.D., Ph.D. *Blair Jordan*

Interim *Chief Executive Officer*

(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer

I, Ozan Pamir, certify that:

- I have reviewed this Quarterly Report on Form 10-Q of 180 Life Sciences Corp. (the "registrant");
- Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 15, 2024

/s/ *Ozan Pamir*

Ozan Pamir  
Chief Financial Officer  
(Principal Financial/Accounting Officer)

Exhibit 32.1

**Certification of Chief Executive Officer  
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of  
The Sarbanes-Oxley Act of 2002**

I, James N. Woody, M.D., Ph.D., Blair Jordan, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of 180 Life Sciences Corp. on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of 180 Life Sciences Corp. at the dates and for the periods indicated.

Dated: November 9, 2023 May 15, 2024

/s/ *James N. Woody, M.D., Ph.D.* Blair Jordan

James N. Woody, M.D., Ph.D. Blair Jordan  
Interim Chief Executive Officer  
(Principal Executive Officer)

*A signed original of this written statement required by Section 906 has been provided to 180 Life Sciences Corp. and will be retained by 180 Life Sciences Corp. and furnished to the Securities and Exchange Commission or its staff upon request.*

Exhibit 32.2

**Certification of Chief Financial Officer  
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of  
The Sarbanes-Oxley Act of 2002**

I, Ozan Pamir, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of 180 Life Sciences Corp. on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of 180 Life Sciences Corp. at the dates and for the periods indicated.

Dated: November 9, 2023 May 15, 2024

/s/ *Ozan Pamir*

Ozan Pamir  
Chief Financial Officer  
(Principal Financial/Accounting Officer)

*A signed original of this written statement required by Section 906 has been provided to 180 Life Sciences Corp. and will be retained by 180 Life Sciences Corp. and furnished to the Securities and Exchange Commission or its staff upon request.*

## DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.