

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the annual period ended: December 31, 2022**

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ___ to ___
Commission File Number 001-38286

ENVERIC BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

95-4484725
(IRS Employer Identification No.)

4851 Tamiami Trail N, Suite 200 Naples, FL
(Address of principal executive offices)

34103
(Zip code)

(239) 302-1707
(Registrant's telephone number, including area code)

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value per share	ENVB	The Nasdaq Stock Market LLC

Securities registered under section 12(g) of the Act: None

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

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

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

As of June 30, 2022, the last day of the registrant's most recently completed second fiscal quarter; the aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based on a closing price of \$10.72 per share, was approximately \$11.0 million.

As of March 30, 2023, there were 2,078,271 shares outstanding of Registrant's Common Stock (par value \$0.01 per share).

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus if led pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

None.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES

FORM 10-K

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS; RISK FACTOR SUMMARY

This Annual Report on Form 10-K, including the documents that we incorporate by reference herein, contains forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but are not always, made through the use of words or phrases such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will,” “would,” and similar expressions, or the negative of these terms, or similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Annual Report on Form 10-K, and in particular those factors referenced in the section entitled “Risk Factors.”

These forward-looking statements are based on our management’s belief and assumptions and on information currently available to our management. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Numerous factors could cause our actual results to differ materially from those described in forward-looking statements.

A summary of the principal risk factors that make investing in our securities risky and might cause our actual results to differ materially from those projected in these forward-looking statements is set forth below. If any of the following risks occur, our business, financial condition, results of operations, cash flows, cash available for distribution, ability to service our debt obligations and prospects could be materially and adversely affected.

- our dependence on the success of our prospective product candidates, which are in early stages of development and may not reach a particular stage in development, receive regulatory approval or be successfully commercialized;
- potential difficulties that may delay, suspend, or scale back our efforts to advance additional early research programs through preclinical development and investigational new drug (“IND”) application filings and into clinical development;
- the risk that the cost savings, synergies and growth from our combination with MagicMed Industries Inc. and the successful use of the rights and technologies acquired in the combination may not be fully realized or may take longer to realize than expected;
- the impact of the novel coronavirus (COVID-19) on our business, including our current plans for product development, as well as any currently ongoing preclinical studies and clinical trials and any future studies or other development or commercialization activities;
- the limited study on the effects of medical cannabinoids and psychedelics, and the chance that future clinical research studies may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabinoids or psychedelics;
- the expensive, time-consuming, and uncertain nature of clinical trials, which are susceptible to change, delays, termination, and differing interpretations;
- the ability to establish that potential products are efficacious or safe in preclinical or clinical trials;
- the fact that our current and future preclinical and clinical studies may be conducted outside the United States, and the United States Food and Drug Administration may not accept data from such studies to support any new drug applications we may submit after completing the applicable developmental and regulatory prerequisites;
- our ability to effectively and efficiently build, maintain and legally protect our molecular derivatives library so that it can be an essential building block from which those in the biotech industry can develop new patented products;
- our ability to establish or maintain collaborations on the development of therapeutic candidates;
- our ability to obtain appropriate or necessary governmental approvals to market potential products;

- our ability to manufacture product candidates on a commercial scale or in collaborations with third parties;
- our significant and increasing liquidity needs and potential requirements for additional funding;
- our ability to obtain future funding for developing products and working capital and to obtain such funding on commercially reasonable terms;
- legislative changes related to and affecting the healthcare system, including, without limitation, changes and proposed changes to the Patient Protection and Affordable Care Act (“PPACA”);
- the intense competition we face, often from companies with greater resources and experience than us;
- our ability to retain key executives and scientists;
- the ability to secure and enforce legal rights related to our products, including intellectual property rights and patent protection;
- political, economic, and military instability in Israel which may impede our development programs; as well as
- our ability to successfully spin off our cannabinoid assets; and
- other factors described in the “Risk Factors” section of this Annual Report on Form 10-K

We have included important factors in the cautionary statements included in this Annual Report on Form 10-K and the documents we incorporate by reference herein and, particularly in the “Risk Factors” sections of these documents, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. No forward-looking statement is a guarantee of future performance.

You should read this Annual Report on Form 10-K and the documents that we incorporate by reference herein completely and with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements in this Annual Report on Form 10-K and the documents we incorporate by reference herein represent our views as of the date of this Annual Report on Form 10-K. We anticipate that subsequent events and developments will cause our views to change. However, we undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Annual Report on Form 10-K.

PART I

Unless the context indicates otherwise, references in this Annual Report on Form 10-K to the “Company,” “Enveric,” “we,” “us,” “our” and similar terms refer to Enveric Biosciences, Inc. and its subsidiaries.

Item 1. Business

Company Information

We were incorporated under the laws of the State of Delaware in February 1994 as Spatializer Audio Laboratories, Inc., which was a shell company immediately prior to the completion of a “reverse merger” transaction on May 26, 2015, whereby Ameri100 Acquisition, Inc., a Delaware corporation and newly created, wholly owned subsidiary, was merged with and into Ameri and Partners Inc. (“Ameri and Partners”), a Delaware corporation (the “2015 Merger”). In connection with the 2015 Merger, we changed our name to AMERI Holdings, Inc.

The Ameri business ceased to be part of the Company on December 30, 2020, pursuant to a spin-off transaction. On December 30, 2020, we completed a tender offer to purchase all of the outstanding common shares of Jay Pharma Inc., a Canada corporation, for shares of Company common stock or certain preferred stock (the “Offer”), and changed our name to “Enveric Biosciences, Inc.” Our principal corporate office is located at Enveric Biosciences, Inc., 4851 Tamiami Trail N, Suite 200, Naples, Florida 34103, telephone (239) 302-1707. Our internet address is <https://www.enveric.com/>, and the information included in, or linked to our website is not part of this Annual Report on Form 10-K. We have included our website address in this Annual Report on Form 10-K solely as a textual reference.

On May 24, 2021, the Company entered into an Amalgamation Agreement (the “Amalgamation Agreement”) with 1306432 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of the Company (“HoldCo”), 1306436 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of HoldCo (“Purchaser”), and MagicMed Industries Inc., a corporation existing under the laws of the Province of British Columbia (“MagicMed”), pursuant to which, among other things, the Company, indirectly through Purchaser, acquired all of the outstanding securities of MagicMed in exchange for securities of the Company by way of an amalgamation under the British Columbia Business Corporations Act, upon the terms and conditions set forth in the Amalgamation Agreement, such that, upon completion of the Amalgamation (as defined herein), the amalgamated corporation (“Amalco”) will be an indirect wholly-owned subsidiary of the Company. The Amalgamation was completed on September 16, 2021. MagicMed’s principal executive offices are located at 777 Hornby Street, Suite 600, Vancouver, British Columbia, V6Z 1S and its telephone number is (508) 627-0485.

Available Information

We are required to file Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q with the Securities and Exchange Commission (the “SEC”) on a regular basis, and are required to disclose certain material events in Current Reports on Form 8-K. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The SEC’s Internet website is located at <http://www.sec.gov>. We also make available, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports on our website at <https://www.enveric.com/> as soon as reasonably practicable after those reports and other information is electronically filed with, or furnished to, the SEC.

Business Overview

We are a biotechnology company dedicated to the development of novel small-molecule therapeutics for the treatment of anxiety, depression, and addiction disorders. We seek to improve the lives of patients suffering from cancer, initially by developing palliative and supportive care products for people suffering from certain side effects of cancer and cancer treatment such as pain or skin irritation. We currently intend to offer such palliative and supportive care products in the United States, following approval through established regulatory pathways.

Amalgamation Agreement with MagicMed Industries Inc. (Item 7. MD&A)

On May 24, 2021, the Company entered into the Amalgamation Agreement with HoldCo, Purchaser, and MagicMed, pursuant to which, among other things, the Company, indirectly through Purchaser, acquired all of the outstanding securities of MagicMed in exchange for securities of the Company by way of an amalgamation under the British Columbia Business Corporations Act, upon the terms and conditions set forth in the Amalgamation Agreement, such that, upon completion of the Amalgamation (as defined herein), Amalco will be an indirect wholly-owned subsidiary of the Company. The Amalgamation was completed on September 16, 2021.

At the effective time of the Amalgamation (the “Effective Time”), holders of outstanding common shares of MagicMed (the “MagicMed Shares”) received such number of shares of common stock of the Company (“Company Shares”) representing, together with the Company Shares issuable upon exercise of the Warrants and the Converted Options (each as defined herein), approximately 36.6% of the issued and outstanding Company Shares (on a fully diluted basis). The MagicMed Shares were initially converted into Amalco Redeemable Preferred Shares (as defined in the Amalgamation Agreement), which immediately following the Amalgamation were redeemed for 0.000001 of a Company Share. Following such redemption, the shareholders of MagicMed received additional Company Shares equal to the product of the Exchange Ratio (as defined in the Amalgamation Agreement) multiplied by the number of MagicMed Shares held by each such shareholder. Additionally, following the Effective Time (i) each outstanding MagicMed stock option was converted into and became an option to purchase (the “Converted Options”) the number of Company Shares equal to the Exchange Ratio multiplied by the number of MagicMed Shares subject to such MagicMed stock option, and (ii) each holder of an outstanding MagicMed warrant (including Company Broker Warrants (as defined in the Amalgamation Agreement), the “Warrants”) received upon exercise of such Warrant that number of Company Shares which the holder would have been entitled to receive as a result of the Amalgamation if, immediately prior to the date of the Amalgamation (the “Effective Date”), such holder had been the registered holder of the number of MagicMed Shares to which such holder would have been entitled if such holder had exercised such holder’s Warrants immediately prior to the Effective Time (the foregoing collectively, the “Amalgamation”). In aggregate, holders of MagicMed Shares received 199,025 Company Shares representing approximately 31.7% of the Company Shares following the consummation of the Amalgamation. The maximum number of Company Shares to be issued by the Company as in respect of the Warrants and Converted Options shall not exceed 148,083 Company Shares.

The aggregate number of Company Shares that the Company issued in connection with the Amalgamation (collectively, the “Share Consideration”) was in excess of 20% of the Company’s pre-transaction outstanding Company Shares. Accordingly, the Company sought and received stockholder approval of the issuance of the Share Consideration in the Amalgamation in accordance with the NASDAQ Listing Rules.

Pursuant to the terms of the Amalgamation Agreement, the Company appointed, effective as of the Effective Time two individuals selected by MagicMed to the Company Board of Directors, Dr. Joseph Tucker and Dr. Brad Thompson.

The Amalgamation Agreement contained representations and warranties, closing deliveries and indemnification provisions customary for a transaction of this nature. The closing of the Amalgamation was conditioned upon, among other things, (i) the Share Consideration being approved for listing on Nasdaq, (ii) the effectiveness of a Registration Statement on Form S-4 registering the Share Consideration (the “S-4 Registration Statement”) and (iii) the approval (a) of the MagicMed stockholders of the Amalgamation and (b) of the Company’s stockholders of each of the Amalgamation and the issuance of the Share Consideration in the Amalgamation. The closing of the Amalgamation occurred on September 16, 2021.

MagicMed Industries develops and commercializes psychedelic-derived pharmaceutical candidates. MagicMed’s psychedelic derivatives library, the Psybrary™, is an essential building block from which industry can develop new patented products. The initial focus of the Psybrary™ is on psilocybin and DMT derivatives, and it is then expected to be expanded to other psychedelics.

Psychedelics

Following our amalgamation with MagicMed completed in September 2021 (the “Amalgamation”), we have continued to pursue the development of MagicMed’s proprietary psychedelic derivatives library, the Psybrary™ which we believe will help us to identify and develop the right drug candidates needed to address mental health challenges, including anxiety. We synthesize novel versions of classic psychedelics, such as psilocybin, N-dimethyltryptamine (DMT), mescaline and MDMA, using a mixture of chemistry and synthetic biology, resulting in the expansion of the Psybrary™, which includes 15 patent families with over a million potential variations and hundreds of synthesized molecules. Within the Psybrary™ we have three different types of molecules, Generation 1 (classic psychedelics), Generation 2 (pro-drugs), and Generation 3 (new chemical entities). The Company is working to add novel psychedelic molecular compounds and derivatives (“Psychedelic Derivatives”) on a regular basis through our work at Enveric Labs in Calgary, Alberta, Canada, where we have a team of PhD scientists with expertise in synthetic biology and chemistry. To date we have created over 500 molecules that are housed in the Psybrary™.

We screen newly synthesized molecules in the Psybrary™ through PsyAI™, a proprietary artificial intelligence (AI) tool. Leveraging AI systems is expected to reduce the time and cost of pre-clinical, clinical, and commercial development. We believe it streamlines pharmaceutical design by predicting ideal binding structures of molecules, manufacturing capabilities, and pharmacological effects to help determine ideal drug candidates, tailored to each indication. Each of these molecules that we believe are patentable can then be further screened to see how changes to its makeup alter its effects in order to synthesize additional new molecules. New compounds of sufficient purity are undergoing pharmacological screening, including non-clinical (receptors/cell lines), preclinical (animal), and ultimately clinical (human) evaluations. We intend to utilize our Psybrary™ and the AI tool to categorize and characterize the Psybrary™ substituents to focus on bringing more psychedelics-inspired molecules from discovery to the clinical phase.

Spin-Off and Related Private Placement

On May 11, 2022, the Company announced plans to transfer and spin-off its cannabinoid clinical development pipeline assets to Akos Biosciences, Inc. (“Akos”), a majority owned subsidiary of the Company by way of dividend to the Company’s shareholders (the “Spin-Off”). The Spin-Off will be subject to various conditions, including Akos meeting the qualifications for listing on the Nasdaq Stock Market, and if successful, would result in two standalone public companies. The primary assets and liabilities included as part of the Spin-Off are intangible assets.

On May 5, 2022, Akos, the Company and an investor entered into a Securities Purchase Agreement (the “Akos Purchase Agreement”), pursuant to which Akos agreed to sell up to an aggregate of 5,000 shares of its Series A Convertible Preferred Stock (the “Akos Series A Preferred Stock”), par value \$0.01 per share at a price of \$1,000 per share, and warrants (the “Akos Warrants”) to purchase shares of Akos’ common stock (the “Akos Common Stock”), par value \$0.01 per share, for an aggregate purchase price of up to \$5,000,000 (the “Akos Private Placement”). Pursuant to the Akos Purchase Agreement, Akos issued 1,000 shares of the Akos Series A Preferred Stock to investors in exchange for \$1,000,000 on May 5, 2022.

If the Spin-off is successful, the Company would be spinning off the cannabinoid business to Akos and focus solely on psychedelic-based treatments.

Product Candidates

Our pipeline of product candidates and key ongoing development programs are shown in the tables below:

Product Candidates	Targeted Indications	Partner(s)	Status	Expected Next Steps
EV104: CBD + Celecoxib Conjugate	Osteoarthritis		Research & Development, Lead Optimization	Synthesis of two molecular conjugates EV104a and EV104b
EVM-201 <i>Second-generation psychedelic asset: prodrug of psilocin</i>	Anxiety		Research & Development, Lead Optimization	In-vitro and in-vivo experimentation
EVM-301 <i>Third-generation psychedelic-inspired new chemical entity</i>	Mental health indication		Research & Development, Hit-to-Lead Generation	In-vitro experimentation
Cannabinoid-Infused Topical Product	Oncology-related skincare conditions (e.g., radiodermatitis)	U.S.-Based Center of Excellence	Research & Development/Discovery	IND submission; Exploratory Phase 1/2 trial
Cannabinoid and COX-2 inhibitor Conjugation	OA/Acute Pain		Successfully conjugated New Chemical Entity	Pre-clinical studies

Intellectual Property

We are a party to certain license agreements as described below, and going forward we intend to both develop intellectual property and license intellectual property from pharmaceutical and biotechnology companies and research institutions which would cover research stage and clinical stage assets to build a pipeline of product candidates.

Psychedelics

We own full rights to 16 patent applications related to psychedelics. Of those, 10 patent applications relate to psilocybin derivatives, methods of making psilocybin derivatives, and methods for treatment of mental disorders, such as anxiety, PTSD, and other psychiatric conditions; 1 patent application relates to prodrugs of psilocin; and 5 patent applications related to mescaline derivatives and methods of using mescaline derivatives. The portfolio includes the following published and unpublished applications:

- *Glycosylated Psilocybin Derivatives and Methods of Using (WO 2022/040802)*: Relates to glycosylated psilocybin derivative compounds that activate the 5-HT_{2A} cell surface receptor and increase intracellular calcium concentration with a profile different from that of psilocin, methods for making the compounds, and methods for treating psychiatric disorders.
- *Halogenated Psilocybin Derivatives and Methods of Using (WO2022047579)*: Relates to halogenated psilocybin derivative compounds, methods for making the compounds, and methods for modulating a 5-HT_{2A} cell surface receptor, and methods for treating psychiatric disorders.
- *Hydroxylated Psilocybin Derivatives and Methods of Using (WO2022047580)*: Relates to hydroxylated psilocybin derivative compounds, methods for making the compounds,, and methods for modulating a 5-HT_{2A} cell surface receptor.
- *Nitrated Psilocybin Derivatives and Methods of Using (WO 2022/047583)*: Relates to nitrated psilocybin compounds, methods for making the compounds, methods for modulating a 5-HT_{2A} cell surface receptor, and methods for treating psychiatric disorders.
- *Psilocybin Derivatives and Methods of Using (Five PCT Applications, unpublished, and 1 US Provisional Applications, all unpublished)*: Each relates to different psilocybin derivative compounds, methods for making the compounds, methods for modulating a 5-HT_{2A} cell surface receptor, and methods for treating psychiatric disorders.
- *Prodrugs for Psilocin and Methods of Using (U.S. Provisional Application, unpublished)*: Relates to prodrugs for psilocin, and methods for making the prodrug compounds.
- *Mescaline Derivatives and Methods of Using (Five US Provisional Applications, all unpublished)*: Relates to mescaline derivative compounds, and methods for making the compounds.

Cannabinoids

We are a party to certain license agreements as described below, and going forward we intend to both develop intellectual property and license intellectual property from pharmaceutical and biotechnology companies and research institutions which would cover research stage and clinical stage assets to build a pipeline of product candidates.

Tikun Olam In-License

We hold limited rights to several plant patent applications as an in-licensee of Tikun Olam.

Tikun Olam employs evidence-based medicine and other best practices, and its products have been studied in numerous medical trials. Tikun Olam's patient databases include 12,000+ persons treated across a variety of conditions, with a primary focus on cancer care.

We hold limited rights to use the data included in the Tikun Olam patient database.

Diverse Biotech, Inc. In-License

We hold limited rights to patent applications owned by Diverse Biotech, Inc. for the use of cannabinoids with five existing, standard-of-care drugs via Diverse Biotech's patent pending conjugate drug delivery platform. Our rights extend to all fields of use. We plan to engage in targeted research and development to apply such conjugates to alleviate the side effects that cancer patients experience, with the goal of achieving novel therapeutic outcomes for patients.

The Diverse Biotech, Inc. patent application portfolio includes two patent applications licensed to us. Those two patent applications disclose conjugate chemistry that combines cannabinoids with existing drugs in conjugate form that we believe will provide differentiation in use and efficacy from combination therapy of drugs and cannabinoids. The license extends for as long as Enveric intends to develop and commercialize the licensed Agents and Products. The patent applications, should they issue, may expire as late as 2040.

Our Patents and Patent Applications

We own full rights to several families of patent applications covering the use of CBD in combination with current cancer treatments, both broadly, as well as for specific cancer types; a portfolio of patent applications directed to formulations including CBD and cannabinoids for treating the side effects of cancer, including radiodermatitis, pain and other conditions, including the following:

- *Compositions for Topical Treatment of Radiation Dermatitis: (US Provisional Applications, unpublished):* Relates to novel compositions of topical formulations including a novel carrier for treatment of radiodermatitis.
- *Compositions for Topical Treatment of Radiation Dermatitis: (US Provisional Applications, unpublished):* Relates to novel compositions of topical formulations including a complex formula for treatment of radiodermatitis.
- *Cannabinoid Conjugate Molecules: (Three US Provisional Applications, unpublished):* Relates to conjugate molecules of cannabinoids and novel forms of cannabinoids linked to celecoxib and other COX-2 inhibitors, and methods for making, for treatment of osteoarthritis.

Exclusive Supply Agreement

On February 22, 2021, we entered into an exclusive supply agreement (the “Development and Clinical Supply Agreement”) with PureForm Global, Inc. (“PureForm”), a biotechnology company focused on the research, development, and commercialization of synthesized CBD and other cannabinoids not derived from hemp or cannabis, for use in development and commercialization of products for cancer supportive/palliative care associated with radiodermatitis, chemotherapy induced peripheral neuropathy, and glioblastoma. Pursuant to the Development and Clinical Supply Agreement, PureForm will be the exclusive provider of synthetic Cannabidiol (“Synthetic Cannabidiol”) for Enveric’s development plans for cancer treatment and supportive care. Under the terms of the Development and Clinical Supply Agreement, PureForm has granted Enveric the exclusive right to purchase Synthetic Cannabidiol and related products for cancer treatment and supporting care.

Research & Development

In view of the urgent need for new and more effective mental health and palliative oncology treatments, we intend to combine innovative scientific discoveries and bio-chemical synthesis, along with accelerated clinical development plans to create, develop and progress novel therapies using psychedelic-inspired and cannabinoid-based medications and similar compounds. Our current research and development efforts are focused on developing novel molecules structurally related to certain naturally occurring psychedelics with improved pharmaceutical characteristics. Some of the naturally occurring psychedelic molecules are currently being investigated by researchers around the world as potential treatments for a broad range of psychiatric and neurologic disorders. Additionally, we maintain activities dedicated to investigative work surrounding cannabinoids which are expected to be spun-out, including creating and developing novel formulations, and evaluating potential opportunities to license technologies from pharmaceutical companies and leading research institutions.

Clinical Studies

We are currently pursuing drug discovery and pre-clinical activities in order to advance a number of novel psychedelic-inspired molecules towards the clinic. Enveric’s lead program, EB-373, is a next generation prodrug of psilocin, the active metabolite of psilocybin. EB-373 is the lead drug candidate from the EVM201 Series currently advancing through preclinical development with the aim of initiating first-in-human studies, followed by clinical trials targeting the treatment of anxiety disorders.

We intend to assemble a team of principal investigators with clinical experience across multiple mental health and central nervous system indications to be responsible for the management, monitoring, and integrity of the clinical research.

We plan to submit filings with regulatory agencies including Clinical Trial Applications (CTA), Investigational New Drug (IND) applications and, eventually, new drug applications (“NDA”) to seek approval with the US FDA and other jurisdictions, in connection with our product candidates. The selection, timing, duration, and design of any prospective studies are subject to regulatory filings, approval and finalization of commercial plans.

On March 23, 2023, we issued a press release announcing the selection of Australian CRO, Avance Clinical, in preparation for Phase 1 Study of EB-373, our lead candidate targeting the treatment of anxiety disorders. The Phase 1 clinical trial is expected to initiate in the fourth quarter of 2023. Under the agreement, Avance Clinical will manage the Phase 1 clinical trial of EB-373 in coordination with our newly established Australian subsidiary, Enveric Therapeutics Pty, Ltd. The Phase 1 clinical trial is designed as a multi-cohort, dose-ascending study to measure the safety and tolerability of EB-373. EB-373, a next-generation proprietary psilocin prodrug, has been recognized as a New Chemical Entity (NCE) by Australia’s Therapeutic Goods Administration (TGA) and is currently in preclinical development targeting the treatment of anxiety disorder.

Scientific Advisory Board

We have established a scientific advisory board and plan to seek advice and input from these experienced clinical leaders on matters related to our research and development programs. The members of our scientific advisory board consist of experts across a range of key disciplines relevant to our programs. We intend to continue to leverage the broad expertise of our advisors by seeking their counsel on important topics relating to our product development and clinical development programs.

Our scientific advisors are not our employees and do have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. In addition, our scientific advisors may have arrangements with other companies to assist those companies in developing products or technologies that may compete with us. All of our scientific advisors are affiliated with other entities and devote a limited portion of their time to us.

Enveric’s current scientific advisors are set forth in the table below:

Name	Title	Specialization
Maurizio Fava, M.D.	Executive Director of the Clinical Trials Network and Institute	Clinical Research
Stephen M. Stahl, M.D., Ph.D.	Director of Psychopharmacology for the California Department of State Hospitals	Clinical Research
Sheila DeWitt, Ph.D.	Chair, President & CEO of DeuteRx, LLC; COO of Neuromity Therapeutics, Inc.; Founder of RIFFIT, Inc.; Professor, St. George’s University of London	Clinical Research
John Krystal, M.D.	Director of Yale Center for Clinical Investigation	Clinical Research
Michael Liebowitz, M.D.	Professor of Psychiatry; Director at Medical Research Network	Clinical Research

Maurizio Fava, M.D. has served as a Scientific Advisor of Enveric since 2022. Dr. Maurizio Fava is Psychiatrist-in-Chief of the Massachusetts General Hospital (MGH), executive director of the Clinical Trials Network and Institute, (MGH), associate dean for clinical and translational research, and the Slater Family Professor of Psychiatry at Harvard Medical School. Dr. Fava is a world leader in the field of depression. He has edited eight books and authored or co-authored more than 900 original articles published in medical journals with international circulation, articles which have been cited more than 95,000 times in the literature and with an H index greater than 150. Dr. Fava founded and was director of MGH’s Depression Clinical and Research Program from 1990 until 2014. Under Dr. Fava’s direction, the Depression Clinical and Research Program became one of the most highly regarded depression programs in the country, a model for academic programs that link, in a bi-directional fashion, clinical and research work. In 2007, he also founded and is now the executive director of the MGH Psychiatry Clinical Trials Network and Institute, the first academic CRO specialized in the coordination of multi-center clinical trials in psychiatry.

Stephen M. Stahl, M.D., Ph.D. has served as a Scientific Advisor of Enveric since 2022. Dr. Stephen Stahl has held faculty positions at Stanford University, the University of California at Los Angeles, the Institute of Psychiatry London, the Institute of Neurology London, and, currently, as Clinical Professor of Psychiatry and Neuroscience at the University of California Riverside, Adjunct Professor of Psychiatry at the University of California San Diego and as Honorary Fellow in Psychiatry at the University of Cambridge. Dr. Stahl serves as editor-in-chief of CNS Spectrums and is Senior Academic Advisor and Director of Psychopharmacology for the California Department of State Hospitals (DSH) where he has a leadership role in addressing violence and decriminalization of the seriously mentally ill. Author of over 575 articles and chapters with an H index of 69, and more than 2000 scientific presentations and abstracts, Dr. Stahl is an internationally renowned clinician, researcher, and teacher in psychiatry with subspecialty expertise in psychopharmacology. Dr. Stahl has written over 50 textbooks and edited 15 others, including the best-selling and award-winning textbook, Stahl’s Essential Psychopharmacology, now in its fifth edition, and the best-selling and award-winning clinical manual, Essential Psychopharmacology Prescriber’s Guide, now in its seventh edition.

Sheila DeWitt, M.D. has served as a Scientific Advisor of Enveric since 2022. Dr. Sheila DeWitt is a Life Sciences Executive & Serial Entrepreneur with over 30 years of experience in pharmaceutical and biotechnology companies. She is currently the Chair, President & CEO of DeuteRx, LLC, the COO and Board Member of Neuromity Therapeutics, Inc., and a Founder and Board Member of RIFFIT, Inc. She also collaborates with Poxel SA and Salarius Therapeutics, Inc. on deuterated drug candidates. Dr. DeWitt has founded and/or led the start-up or turnaround of nine biotechnology companies or business units. Dr. DeWitt earned her B.A. in Chemistry from Cornell University and Ph.D. in Synthetic Organic Chemistry from Duke University. She is internationally recognized for her pioneering contributions to pharmaceutical R&D in the areas of combinatorial chemistry, predictive ADMET, nanotechnology, computational chemistry, and deuterated drugs and has received numerous awards in recognition for her innovation and entrepreneurship. She has authored over 60 publications and abstracts, created and delivered over 20 short courses or symposia, and is an inventor on over 100 patents and/or patent applications.

John Krystal, M.D. has served as a Scientific Advisor of Enveric since 2022. Dr. John Krystal is the Robert L. McNeil, Jr., Professor of Translational Research; Professor of Psychiatry, Neuroscience, and Psychology; Chair of the Department of Psychiatry at Yale University; and Chief of Psychiatry and Behavioral Health at Yale-New Haven Hospital. He is a graduate of the University of Chicago, Yale School of Medicine, and the Yale Psychiatry Residency Training Program. He has published extensively on the neurobiology and treatment of schizophrenia, alcoholism, PTSD, and depression. Notably, his laboratory discovered the rapid antidepressant effects of ketamine in humans. Dr. Krystal directs/co-directs the Yale Center for Clinical Investigation (CTSA), NIAAA Center for the Translational Neuroscience of Alcoholism, and Clinical Neuroscience Division of the National Center for PTSD (VA). He is a member of the U.S. National Academy of Medicine; co-director of the Neuroscience Forum of the U.S. National Academies of Sciences, Engineering, and Medicine; Fellow of the American Association for the Advancement of Science (AAAS); and editor of Biological Psychiatry (IF=13.382). Previously, Dr. Krystal chaired the NIMH Board of Scientific Counselors and has served as a member of the NIMH National Mental Health Advisory Council and the NIAAA National Alcohol Advisory Council. He also previously served as the president of the American College of Neuropsychopharmacology (ACNP) and the International College of Neuropsychopharmacology (CINP).

Michael Liebowitz, M.D. has served as a Scientific Advisor of Enveric since 2022. Dr. Michael Liebowitz is a Professor of Psychiatry at Columbia University and New York State Psychiatric Institute (NYSPI) and is currently Director at Medical Research Network where he is engaged in clinical trials for depression, anxiety, binge eating, ADHD, PTSD, and borderline personality disorders. Dr. Liebowitz completed his fellowship in psychopharmacology at the Depression Evaluation Service at NYSPI, where he helped develop and validate the DSM criteria for atypical depression. Dr. Liebowitz established the Anxiety Disorders Clinic at NYSPI, the first research clinic to specialize in anxiety disorders in the United States. Over the next two decades, Dr. Liebowitz and colleagues helped refine treatments for panic disorder, broadened the diagnostic criteria and established medication treatment for social anxiety disorder, and collaborated in clinical trials comparing medications and behavioral treatments for several anxiety disorders. Dr. Liebowitz developed the Liebowitz Social Anxiety Scale (LSAS) which has been the primary outcome measure for several registration programs in social anxiety disorder and is used worldwide as a research and clinical measure.

Academic and Industry Partners

We have also established relationships with certain academic and industry partners, whom we believe have the potential to accelerate product development, market entry, data collection, analysis and advancement of clinical trials.

Our current academic and industry partners are set forth in the table below:

Name	Description
St. George's University of London	St. George's University of London brings research capabilities and relevant domain expertise in cancer and cannabinoids.
The Soroka Medical Cancer Center	The Soroka Medical Cancer Center brings clinical research capabilities and extensive patient access.
The University of Calgary	The University of Calgary, through its Hotchkiss Brain Institute, brings excellence into advancing brain and mental health research and education.

Competition

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition, and a strong emphasis on proprietary products. While we believe that our scientific knowledge and technology and development experience provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions, governmental agencies, and public and private research institutions. Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

We intend to focus on the development of novel and viable Psychedelic Derivatives for mental illnesses and unmet medical needs, and partner with pharmaceutical and other drug development and biotechnology companies in developing and commercializing psychedelic-derived drugs for diverse psychological and neuropsychiatric indications, of which will be fundamentally composed of the Psychedelic Derivatives contained in the Psybrary™. While we believe that our technology, knowledge and experience as well as the scientific resources at our disposal provide us with significant competitive advantages, we face potential competition from many different sources. Any product candidates we successfully identify will compete not only with existing therapies but also new therapies that may become available in the future.

Our radiation dermatitis (also referred to as radiodermatitis) product candidate, EV102: Cannabinoid Cream for Topical skin Application, faces competition from Lutric Pharma, which has a topical B-Raf Inhibitor in Phase 1/2 studies that is intended to treat radiation dermatitis.

With respect to CBD, a number of non-approved and non-standardized CBD preparations derived from crude herbal cannabis have been made available in limited quantities by producers of “medical marijuana” in the U.S. We do not believe prescription cannabinoids are the same as distributing or legalizing crude herbal cannabis, or preparations derived from crude herbal cannabis, and therefore we do not believe they are competitive with, crude herbal cannabis. We believe that only a cannabinoid medication, one that is standardized in composition, formulation and dose, administered by means of an appropriate delivery system, and tested in properly controlled pre-clinical and clinical studies, can meet the standards of regulatory authorities around the world, including those of the FDA. We also believe that these regulatory processes provide important protections for patients, and that any cannabinoid medication must be subjected to, and satisfy, such rigorous scrutiny.

Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize medicines that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any product candidates that we may develop. Our competitors also may obtain approval from the FDA or other regulatory agencies for their medicines more rapidly than us, which could result in our competitors establishing a strong market position before we are able to enter the market.

Regarding our Psybrary™ and the intellectual property kept and developed therein, our success depends on our ability to protect our intellectual property and our ability to achieve and maintain key partnerships aimed at the development, licensing and marketing of Psychedelic Derivatives without infringing on the proprietary rights of others. Patent positions within the pharmaceutical field can be highly uncertain and involve complex legal, scientific and factual questions for which important legal principles remain unresolved. Patents issued to us may be challenged, invalidated or circumvented.

Government Regulation and Product Approvals

Pharmaceutical companies are subject to extensive regulation by the federal government, principally by the FDA under the Federal Food, Drug and Cosmetic Act, or the FDCA, and, to a lesser extent, by state and local governments. Before our prescription products may be marketed in the U.S., they must be approved by the FDA for commercial distribution. Certain OTC products must comply with applicable FDA regulations, known as OTC Monographs, in order to be marketed, but do not have the benefit of FDA review and approval before marketing. We are also subject to regulation under federal, state and local laws, including requirements regarding occupational safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other present and future local, state, federal and foreign regulations. We cannot predict the extent to which we may be affected by legislative and other regulatory developments concerning our products and the healthcare industry in general.

The FDCA and other federal and state statutes and regulations govern the testing, manufacture, quality control, export and import, labeling, storage, record keeping, approval, pricing, advertising, promotion, sale and distribution of pharmaceutical products. Noncompliance with applicable requirements both before and after approval, can subject us, our third party manufacturers and other collaborative partners to administrative and judicial sanctions, such as, among other things, warning letters, fines and other monetary payments, recall or seizure of products, criminal proceedings, suspension or withdrawal of regulatory approvals, interruption or cessation of clinical trials, total or partial suspension of production or distribution, injunctions, limitations on or the limitation of claims we can make for our products, and refusal of the government to enter into supply contracts for distribution directly by governmental agencies, or delay in approving or refusal to approve new drug applications. The FDA also has the authority to revoke or withhold approvals of new drug applications.

FDA approval is required before any “new drug,” can be marketed. Our products are new drugs and require prior FDA approval. Such approval must be based on extensive information and data submitted in a NDA, including, but not limited to, adequate and well controlled laboratory and clinical investigations to demonstrate the safety and effectiveness of the drug product for its intended use(s) as well as the manufacturing suitability of the product. In addition to providing required safety and effectiveness data for FDA approval, a drug manufacturer’s practices and procedures must comply with current Good Manufacturing Practices (“cGMPs”), which apply to manufacturing, receiving, holding and shipping, and include, among other things, demonstration of product purity, consistent manufacturing and quality and at least six months of data supporting product expiration dating based on clinical registration batches. Accordingly, manufacturers must continue to expend time, money and effort in all applicable areas relating to quality assurance and regulatory compliance, including production and quality control to comply with cGMPs. Failure to so comply risks delays in approval of drug products and possible FDA enforcement actions, such as an injunction against shipment of products, the seizure of non-complying products, criminal prosecution and/or any of the other possible consequences described above. We are subject to periodic inspection by the FDA and the Drug Enforcement Administration (“DEA”), which inspections may or may not be announced in advance.

The intellectual property kept and developed in our Psybrary™ is focused solely on developing and commercializing non-hallucinogenic synthetic derivatives of psychedelic substances. While we use psychedelic inspired compounds and classic psychedelics as our starting point for our research and identification of compounds, we do not have any direct or indirect involvement in the illegal selling, production or distribution of any substances in the jurisdictions in which we operate. Enveric is a neuro-pharmaceutical scientific company and as such we do not advocate for the legalization of psychedelic substances nor do we deal with psychedelic substances except within laboratory and clinical trial settings conducted within approved regulatory frameworks. Our products will not be commercialized prior to applicable regulatory approval and this approval will only be granted if clinical evidence of safety and efficacy for the specific intended use is successfully developed.

Successful execution of our strategy is in part contingent upon compliance with regulatory requirements enacted by governmental authorities and obtaining regulatory approvals for the development and license of its Psychedelic Derivatives. The psychedelic therapy industry is a new and emerging industry with ambiguous existing regulations and uncertainty as to future regulations; we cannot predict the impact of the ever-evolving compliance regime in respect of this industry. The impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact our development of markets, our business, Psychedelic Derivatives, and licensing initiatives and could have a material adverse effect on our business, financial condition and operating results.

FDA New Drug Approval Process

In the U.S., pharmaceutical products are subject to extensive regulation by the FDA. The Federal Food, Drug, and Cosmetic Act, or the FDCA, and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of pharmaceutical products. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as imposition of clinical holds, FDA refusal to approve pending NDAs, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement, civil penalties and criminal prosecution.

Pharmaceutical product development in the U.S. typically involves pre-clinical laboratory and animal tests and the submission to the FDA of an IND, which must become effective before clinical testing may commence. For commercial approval, the sponsor must submit adequate tests by all methods reasonably applicable to show that the drug is safe for use under the conditions prescribed, recommended or suggested in the proposed labeling. The sponsor must also submit substantial evidence, generally consisting of adequate, well-controlled clinical trials to establish that the drug will have the effect it purports or is represented to have under the conditions of use prescribed, recommended or suggested in the proposed labeling. In certain cases, the FDA may determine that a drug is effective based on one clinical study plus confirmatory evidence. Satisfaction of FDA pre-market approval requirements typically takes many years and the actual time required may vary substantially based upon the type, complexity and novelty of the product or disease.

Pre-clinical tests include laboratory evaluation of product chemistry, formulation and toxicity, as well as animal trials to assess the characteristics and potential safety and efficacy of the product. The conduct of the pre-clinical tests must comply with federal regulations and requirements, including the FDA’s good laboratory practices regulations and the U.S. Department of Agriculture’s (USDA’s) regulations implementing the Animal Welfare Act. The results of pre-clinical testing are submitted to the FDA as part of an IND application along with other information, including information about product chemistry, manufacturing and controls, and a proposed clinical trial protocol. Long-term pre-clinical tests, such as animal tests of reproductive toxicity and carcinogenicity, may continue after the IND application is submitted.

A 30-day waiting period after the submission of each IND application is required prior to the commencement of clinical testing in humans. If the FDA has not imposed a clinical hold on the IND application or otherwise commented or questioned the IND application within this 30-day period, the clinical trial proposed in the IND application may begin.

Clinical trials involve the administration of the IND to healthy volunteers or patients under the supervision of a qualified investigator. Clinical trials must be conducted: (i) in compliance with federal regulations, (ii) in compliance with GCP (“Good Clinical Practice”), an international standard meant to protect the rights and health of patients and to define the roles of clinical trial sponsors, administrators and monitors, and (iii) under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Each protocol involving testing on U.S. patients and subsequent protocol amendments must be submitted to the FDA as part of the IND application.

The FDA may order the temporary, or permanent, discontinuation of a clinical trial at any time or impose other sanctions if it believes that the clinical trial either is not being conducted in accordance with FDA requirements or presents an unacceptable risk to the clinical trial patients. The trial protocol and informed consent information for patients in clinical trials must also be submitted to an institutional review board, or IRB, for approval. An IRB may also require the clinical trial at the site to be halted, either temporarily or permanently, for failure to comply with the IRB’s requirements or may impose other conditions.

Clinical trials to support NDAs for marketing approval are typically conducted in three sequential phases, but the phases may overlap. In general, in Phase 1, the initial introduction of the drug into healthy human subjects or patients, the drug is tested to assess metabolism, pharmacokinetics, pharmacological actions, side effects associated with increasing doses and, if possible, early evidence on effectiveness. Phase 2 usually involves trials in a limited patient population to determine the effectiveness of the drug for a particular indication, dosage tolerance and optimum dosage, and to identify common adverse effects and safety risks.

If a compound demonstrates evidence of effectiveness and an acceptable safety profile in Phase 2 evaluations, Phase 3 trials are undertaken to obtain the additional information about clinical efficacy and safety in a larger number of patients, typically at geographically dispersed clinical trial sites, to permit the FDA to evaluate the overall benefit-risk relationship of the drug and to provide adequate information for the labeling of the drug. In most cases, the FDA requires two adequate and well-controlled Phase 3 clinical trials to demonstrate the efficacy of the drug. The FDA may, however, determine that a drug is effective based on one clinical study plus confirmatory evidence. Only a small percentage of investigational drugs complete all three phases and obtain marketing approval. In some cases, the FDA may require post-market studies, known as Phase 4 studies, to be conducted as a condition of approval in order to gather additional information on the drug’s effect in various populations and any side effects associated with long-term use. Depending on the risks posed by the drugs, other post-market requirements may be imposed.

After completion of the required clinical testing, an NDA is prepared and submitted to the FDA. The FDA approval of the NDA is required before marketing of the product may begin in the U.S. The NDA must include the results of all pre-clinical, clinical, and other testing and a compilation of data relating to the product’s pharmacology, chemistry, manufacture, and controls. The cost of preparing and submitting an NDA is substantial. Under federal law, the submission of most NDAs is additionally subject to a substantial application user fee.

The FDA has 60 days from its receipt of an NDA to determine whether the application will be accepted for filing based on the agency’s threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. Under the statute and implementing regulations, the FDA has 180 days (the initial review cycle) from the date of filing to issue either an approval letter or a complete response letter, unless the review period is adjusted by mutual agreement between the FDA and the applicant or as a result of the applicant submitting a major amendment. In practice, the performance goals established pursuant to the Prescription Drug User Fee Act have effectively extended the initial review cycle beyond 180 days. The FDA’s current performance goals call for the FDA to complete review of 90 percent of standard (non-priority) NDAs within 10 months of receipt and within six months for priority NDAs, but two additional months of review are added to standard and priority NDAs for a new molecular entity (NME).

The FDA may also refer applications for novel drug products, or drug products that present difficult questions of safety or efficacy, to an advisory committee, which is typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. Before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Additionally, the FDA will inspect the facility or the facilities at which the drug is manufactured. The FDA will not approve the product unless compliance with current GMP is satisfactory and the NDA contains data that provide substantial evidence that the drug is safe and effective in the indication studied.

After the FDA evaluates the NDA and the manufacturing facilities, it issues either an approval letter or a complete response letter. A complete response letter generally outlines the deficiencies in the submission and may require substantial additional testing, or information, in order for the FDA to reconsider the application. If, or when, those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the NDA, the FDA will issue an approval letter. The FDA has committed to reviewing 90 percent of resubmissions within two to six months depending on the type of information included.

An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. As a condition of NDA approval, the FDA may require a risk evaluation and mitigation strategy, or REMS, to help ensure that the benefits of the drug outweigh the potential risks. REMS can include medication guides, communication plans for health care professionals, and elements to assure safe use, or ETASU. ETASU can include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. The requirement for a REMS can materially affect the potential market and profitability of the drug. Moreover, product approval may require substantial post-approval testing and surveillance to monitor the drug's safety or efficacy. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

Disclosure of Clinical Trial Information

Sponsors of clinical trials of certain FDA-regulated products, including prescription drugs, are required to register and disclose certain clinical trial information on a public website maintained by the U.S. National Institutes of Health. Information related to the product, patient population, phase of investigation, study sites and investigator, and other aspects of the clinical trial is made public as part of the registration. Sponsors are also obligated to disclose the results of these trials after completion. Disclosure of the results of these trials can be delayed for up to two years if the sponsor certifies that it is seeking approval of an unapproved product or that it will file an application for approval of a new indication for an approved product within one year. Competitors may use this publicly available information to gain knowledge regarding the design and progress of our development programs.

Special Protocol Assessment

A company may reach an agreement with the FDA under the Special Protocol Assessment, or "SPA", process as to the required design and size of clinical trials intended to form the primary basis of an efficacy claim. According to its performance goals, the FDA is supposed to evaluate the protocol within 45 days of the request to assess whether the proposed trial is adequate, and that evaluation may result in discussions and a request for additional information. A SPA request must be made before the proposed trial begins, and all open issues must be resolved before the trial begins. If a written agreement is reached, it will be documented and made part of the administrative record. Under the FDCA and FDA guidance implementing the statutory requirement, an SPA is generally binding upon the FDA except in limited circumstances, such as if the FDA identifies a substantial scientific issue essential to determining safety or efficacy after the study begins, public health concerns emerge that were unrecognized at the time of the protocol assessment, the sponsor and the FDA agree to the change in writing, or if the study sponsor fails to follow the protocol that was agreed upon with the FDA.

Advertising and Promotion

Pre-approval promotion of investigational drug candidates is prohibited by the FDA. Therefore, sponsors must ensure that any pre-approval communications disseminated about its drug candidates do not state or imply that such candidates have been proven safe or effective for the applicable use(s) or that they have been approved for commercialization in the United States. Further, once an NDA for a given candidate is approved, if ever, the product will be subject to certain post-approval requirements. For instance, the FDA closely regulates the post-approval marketing and promotion of drugs.

Drugs may be marketed only for the approved indications and in accordance with the provisions of the approved labeling. Changes to some of the conditions established in an approved application, including changes in indications, labeling, or manufacturing processes or facilities, require submission and FDA approval of a new NDA or NDA supplement before the change can be implemented. An NDA supplement for a new indication typically requires clinical data similar to that in the original application, and the FDA uses the same procedures and actions in reviewing NDA supplements as it does in reviewing NDAs.

Adverse Event Reporting and GMP Compliance

Adverse event reporting and submission of periodic reports is required following FDA approval of an NDA. The FDA also may require post-marketing testing, known as Phase 4 testing, may require under a REMS special communication regarding the safety of the drug or heightened surveillance to monitor the effects of an approved product, or the FDA may place conditions on an approval that could restrict the distribution or use of the product. In addition, quality-control, drug manufacture, packaging, and labeling procedures must continue to conform to GMP, after approval. Drug manufacturers and certain of their subcontractors are required to register their establishments with the FDA and certain state agencies. Registration with the FDA subjects entities to periodic unannounced inspections by the FDA, during which the agency inspects manufacturing facilities to assess compliance with GMP. Accordingly, manufacturers must continue to expend time, money and effort in the areas of production and quality control to maintain compliance with GMP. Regulatory authorities may withdraw product approvals or request product recalls if a company fails to comply with regulatory standards, if it encounters problems following initial marketing or if previously unrecognized problems are subsequently discovered.

Pediatric Exclusivity and Pediatric Use

The Best Pharmaceuticals for Children Act, or “BPCA”, provides NDA holders a six-month period of exclusivity attached to any other exclusivity listed with the FDA—patent or non-patent—for a drug, if certain conditions are met. Conditions for pediatric exclusivity include a determination by the FDA that information relating to the use of a new drug in the pediatric population may produce health benefits in that population; a written request by the FDA for pediatric studies; and agreement by the applicant to perform the requested studies and the submission to the FDA, completion of the studies in accordance with the written request, and the acceptance by the FDA, of the reports of the requested studies within the statutory time frame. Applications under the BPCA are treated as priority applications.

In addition, under the Pediatric Research Equity Act, or “PREA”, NDAs or supplements to NDAs must contain data to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the drug is safe and effective, unless the sponsor has received a deferral or waiver from the FDA. Unless otherwise required by regulation, PREA does not apply to any drug for an indication for which orphan designation has been granted. The sponsor or the FDA may request a deferral of pediatric studies for some or all of the pediatric subpopulations. A deferral may be granted for several reasons, including a finding that the drug is ready for approval for use in adults before pediatric studies are complete or that additional safety or effectiveness data need to be collected before the pediatric studies begin. Under PREA, the FDA must send a noncompliance letter requesting a response within 45 days to any sponsor that fails to submit the required assessment, keep a deferral current or fails to submit a request for approval of a pediatric formulation.

Controlled Substances

The federal Controlled Substances Act of 1970, or “CSA”, and its implementing regulations establish a “closed system” of regulations for controlled substances. The CSA imposes registration, security, recordkeeping and reporting, storage, manufacturing, distribution, importation and other requirements under the oversight of the Drug Enforcement Agency (“DEA”). The DEA is the federal agency responsible for regulating controlled substances, and requires those individuals or entities that manufacture, import, export, distribute, research, or dispense controlled substances to comply with the regulatory requirements in order to prevent the diversion of controlled substances to illicit channels of commerce.

The DEA categorizes controlled substances into one of five schedules—Schedule I, II, III, IV or V—with varying qualifications for listing in each schedule. Schedule I substances by definition have a high potential for abuse, have no currently accepted medical use in treatment in the U.S., and lack accepted safety for use under medical supervision. Marijuana and psychedelics such as psilocybin, DMT, mescaline and MDMA are currently Schedule I controlled substances, which means that no preclinical or clinical studies of product candidates containing these substances may be conducted in the United States without the required DEA registration(s) and related approvals, as applicable. Pharmaceutical products having a currently accepted medical use that are otherwise approved for marketing may be listed as Schedule II, III, IV or V substances, with Schedule II substances presenting the highest potential for abuse and physical or psychological dependence, and Schedule V substances presenting the lowest relative potential for abuse and dependence.

Facilities that manufacture, distribute, import, or export any controlled substance must register annually with the DEA. The DEA registration is specific to the particular location, activity(ies) and controlled substance schedule(s). For example, separate registrations are required for importation and manufacturing activities, and each registration authorizes which schedules of controlled substances the registrant may handle. However, certain coincidental activities are permitted without obtaining a separate DEA registration, such as distribution of controlled substances by the manufacturer that produces them.

The DEA inspects all manufacturing facilities to review security, recordkeeping, reporting, and handling prior to issuing a controlled substance registration. The specific security requirements vary by the type of business activity and the schedule and quantity of controlled substances handled. The most stringent requirements apply to manufacturers of Schedules I and Schedule II substances. Required security measures commonly include background checks on employees and physical control of controlled substances through storage in approved vaults, safes and cages, and through use of alarm systems and surveillance cameras. An application for a manufacturing registration as a bulk manufacturer (not a dosage form manufacturer or a repacker/relabeler) for a Schedule I or II substance must be published in the Federal Register, and is open for 60 days to permit interested persons to submit comments, objections or requests for a hearing. A copy of the notice of the Federal Register publication is simultaneously forwarded by DEA to all those registered, or applicants for registration, as bulk manufacturers of that substance.

Once registered, manufacturing facilities must maintain records documenting the manufacture, receipt and distribution of all controlled substances. Manufacturers must submit periodic reports to the DEA of the distribution of Schedules I and II controlled substances, Schedule III narcotic substances, and other designated substances. Registrants must also report any controlled substance thefts or significant losses, and must obtain authorization to destroy or dispose of controlled substances.

As with applications for registration as a bulk manufacturer, an application for an importer registration for a Schedule I or II substance must also be published in the Federal Register, which remains open for 30 days for comments. Imports of Schedules I and II controlled substances for commercial purposes are generally restricted to substances not already available from a domestic supplier or where there is not adequate competition among domestic suppliers. In addition to an importer or exporter registration, importers and exporters must obtain a permit for every import or export of a Schedules I and II substance or Schedules III, IV and V narcotic, and submit import or export declarations for Schedules III, IV and V non-narcotics. In some cases, Schedule III non-narcotic substances may be subject to the import/export permit requirement, if necessary to ensure that the U.S. complies with its obligations under international drug control treaties.

For drugs manufactured in the U.S., the DEA establishes annually an aggregate quota for the amount of substances within Schedules I and II that may be manufactured or produced in the U.S. based on the DEA's estimate of the quantity needed to meet legitimate medical, scientific, research and industrial needs. This limited aggregate amount of cannabis that the DEA allows to be produced in the U.S. each year is allocated among individual companies, which, in turn, must annually apply to the DEA for individual manufacturing and procurement quotas. The quotas apply equally to the manufacturing of the active pharmaceutical ingredient and production of dosage forms. The DEA may adjust aggregate production quotas a few times per year, and individual manufacturing or procurement quotas from time to time during the year, although the DEA has substantial discretion in whether or not to make such adjustments for individual companies.

The states also maintain separate controlled substance laws and regulations, including licensing, recordkeeping, security, distribution, and dispensing requirements. State Authorities, including Boards of Pharmacy, regulate use of controlled substances in each state. Failure to maintain compliance with applicable requirements, particularly as manifested in the loss or diversion of controlled substances, can result in enforcement action that could have a material adverse effect on our business, operations and financial condition. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to revoke those registrations. In certain circumstances, violations could lead to criminal prosecution.

Europe/Rest of World Government Regulation

In addition to regulations in the U.S., we are and will be subject, either directly or through our distribution partners, to a variety of regulations in other jurisdictions governing, among other things, clinical trials and any commercial sales (including pricing and reimbursement) and distribution of our product candidates, if approved.

Whether or not we obtain FDA approval for a product, we must obtain the requisite approvals from regulatory authorities in non-U.S. countries prior to the commencement of clinical trials or marketing of the product in those countries.

In the European Union, medicinal products are subject to extensive pre- and post-marketing regulation by regulatory authorities at both the European Union and national levels. Additional rules also apply at the national level to the manufacture, import, export, storage, distribution and sale of controlled substances. In many European Union member states the regulatory authority responsible for medicinal products is also responsible for controlled substances. Responsibility is, however, split in some member states. Generally, any company manufacturing or distributing a medicinal product containing a controlled substance in the European Union will need to hold a controlled substances license from the competent national authority and will be subject to specific record-keeping and security obligations. Separate import or export certificates are required for each shipment into or out of the member state.

Clinical Trials and Marketing Approval

Whether or not we obtain FDA approval for a product, we would need to obtain the necessary approvals by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ from and be longer than that required to obtain FDA approval. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively impact the regulatory process in others.

Certain countries outside of the U.S. have a process that requires the submission of a clinical trial application much like an IND application prior to the commencement of human clinical trials. In Europe, for example, a clinical trial application, or “CTA”, must be submitted to the competent national health authority and to independent ethics committees in each country in which a company intends to conduct clinical trials. Once the CTA is approved in accordance with a country’s requirements and a company has received favorable ethics committee approval, clinical trial development may proceed in that country.

The requirements and process governing the conduct of clinical trials, product licensing, pricing, and reimbursement vary from country to country, even though there is already some degree of legal harmonization in the European Union member states resulting from the national implementation of underlying European Union legislation. In all cases, the clinical trials must be conducted in accordance with the International Conference on Harmonization, or “ICH”, guidelines on GCP and other applicable regulatory requirements.

To obtain regulatory approval to place a drug on the market in European Union countries, Enveric must submit a marketing authorization application. This application is similar to the NDA in the U.S., with the exception of, among other things, country-specific document requirements. All application procedures require an application in the common technical document, or CTD, format, which includes the submission of detailed information about the manufacturing and quality of the product, and nonclinical and clinical trial information. Drugs can be authorized in the European Union by using (i) the centralized authorization procedure, (ii) the mutual recognition procedure, (iii) the decentralized procedure, or (iv) national authorization procedures.

The European Commission created the centralized procedure for the approval of human drugs to facilitate marketing authorizations that are valid throughout the European Union and, by extension (after national implementing decisions) in Iceland, Liechtenstein and Norway, which, together with the European Union Member States, comprise the European Economic Area, or “EEA”. Applicants file marketing authorization applications with the EMA (European Medicines Agency), where they are reviewed by a relevant scientific committee, in most cases the Committee for Medicinal Products for Human Use (the “CHMP”). The EMA forwards CHMP opinions to the European Commission, which uses them as the basis for deciding whether to grant a marketing authorization. This procedure results in a single marketing authorization granted by the European Commission that is valid across the European Union, as well as in Iceland, Liechtenstein and Norway. The centralized procedure is compulsory for human drugs that are: (i) derived from biotechnology processes, such as genetic engineering, (ii) contain a new active substance indicated for the treatment of certain diseases, such as HIV/AIDS, cancer, diabetes, neurodegenerative diseases, autoimmune and other immune dysfunctions and viral diseases, (iii) officially designated “orphan drugs” (drugs used for rare human diseases), and (iv) advanced-therapy medicines, such as gene-therapy, somatic cell-therapy or tissue-engineered medicines. The centralized procedure may at the voluntary request of the applicant also be used for human drugs that do not fall within the above-mentioned categories if the CHMP agrees that the human drug (a) contains a new active substance not yet approved on November 20, 2005; (b) constitutes a significant therapeutic, scientific or technical innovation, or (c) authorization under the centralized procedure is in the interests of patients at the European Union level. Since the U.K. exited the E.U., it no longer falls under these regulations, however, it has been decided it will follow EMA as it is transitioning to regulations as defined by the Medicines and Healthcare products Regulatory Agency (MHRA). The MHRA has temporary arrangements in place to partially align with EU regulations around medical technology including the sale of CE-marked medical devices until June 2023 and approval of EU-authorized medicines using a mutual recognition procedure until the end of 2023.

Under the centralized procedure in the European Union, the maximum time frame for the evaluation of a marketing authorization application by the EMA is 210 days (excluding clock stops, when additional written or oral information is to be provided by the applicant in response to questions asked by the CHMP), with adoption of the actual marketing authorization by the European Commission thereafter.

Accelerated evaluation might be granted by the CHMP in exceptional cases, when a medicinal product is expected to be of a major public health interest from the point of view of therapeutic innovation, defined by three cumulative criteria: the seriousness of the disease to be treated; the absence of an appropriate alternative therapeutic approach, and anticipation of exceptional high therapeutic benefit. In this circumstance, EMA ensures that the evaluation for the opinion of the CHMP is completed within 150 days and the opinion issued thereafter.

For those medicinal products for which the centralized procedure is not available, the applicant must submit marketing authorization applications to the national medicines regulators through one of three procedures: (i) the mutual recognition procedure (which must be used if the product has already been authorized in at least one other European Union member state, and in which the European Union member states are required to grant an authorization recognizing the existing authorization in the other European Union member state, unless they identify a serious risk to public health), (ii) the decentralized procedure (in which applications are submitted simultaneously in two or more European Union member states), or (iii) national authorization procedures (which results in a marketing authorization in a single European Union member state).

Mutual Recognition Procedure

The mutual recognition procedure, or “MRP”, for the approval of human drugs is an alternative approach to facilitate individual national marketing authorizations within the European Union. Fundamentally, the MRP may be applied for all human drugs for which the centralized procedure is not obligatory. The MRP is applicable to the majority of conventional medicinal products, and must be used if the product has already been authorized in one or more European Union member states.

The MRP functions by building on an already-existing marketing authorization in a member state of the European Union which is used as a reference in order to obtain marketing authorizations in other European Union member states. Under the MRP, if a marketing authorization for a drug already exists in one or more member states of the European Union and subsequently marketing authorization applications are made in other European Union member states by referring to the initial marketing authorization. The member state in which the marketing authorization was first granted will then act as the reference member state. The member states where the marketing authorization is subsequently applied for act as concerned member states. The concerned member states are required to grant an authorization recognizing the existing authorization in the reference member state, unless they identify a serious risk to public health.

The MRP is based on the principle of the mutual recognition by European Union member states of their respective national marketing authorizations. Based on a marketing authorization in the reference member state, the applicant may apply for marketing authorizations in other member states. In such case, the reference member state shall update its existing assessment report about the drug in 90 days. After the assessment is completed, copies of the report are sent to all member states, together with the approved summary of product characteristics, labeling and package leaflet. The concerned member states then have 90 days to recognize the decision of the reference member state and the summary of product characteristics, labeling and package leaflet. National marketing authorizations shall be granted within 30 days after acknowledgement of the agreement.

Should any European Union member state refuse to recognize the marketing authorization by the reference member state, on the grounds of potential serious risk to public health, the issue will be referred to a coordination group. Within a time frame of 60 days, member states shall, within the coordination group, make all efforts to reach a consensus. If this fails, the procedure is submitted to an EMA scientific committee for arbitration. The opinion of this EMA Committee is then forwarded to the European Commission, for the start of the decision-making process. As in the centralized procedure, this process entails consulting various European Commission Directorates General and the Standing Committee on Human Medicinal Products.

Data Exclusivity

In the European Union, marketing authorization applications for generic medicinal products do not need to include the results of pre-clinical and clinical trials, but instead can refer to the data included in the marketing authorization of a reference product for which regulatory data exclusivity has expired. If a marketing authorization is granted for a medicinal product containing a new active substance, that product benefits from eight years of data exclusivity, during which generic marketing authorization applications referring to the data of that product may not be accepted by the regulatory authorities, and a further two years of market exclusivity, during which such generic products may not be placed on the market. The two-year period may be extended to three years if during the first eight years a new therapeutic indication with significant clinical benefit over existing therapies is approved.

Orphan Medicinal Products

The EMA's Committee for Orphan Medicinal Products ("COMP") may recommend orphan medicinal product designation to promote the development of products that are intended for the diagnosis, prevention or treatment of life-threatening or chronically debilitating conditions affecting not more than 5 in 10,000 persons in the European Union. Additionally, designation is granted for products intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition and when, without incentives, it is unlikely that sales of the product in the European Union would be sufficient to justify the necessary investment in developing the medicinal product. The COMP may only recommend orphan medicinal product designation when the product in question offers a significant clinical benefit over existing approved products for the relevant indication. Following a positive opinion by the COMP, the European Commission adopts a decision granting orphan status. The COMP will reassess orphan status in parallel with EMA review of a marketing authorization application and orphan status may be withdrawn at that stage if it no longer fulfills the orphan criteria (for instance because in the meantime a new product was approved for the indication and no convincing data are available to demonstrate a significant benefit over that product). Orphan medicinal product designation entitles a party to financial incentives such as reduction of fees or fee waivers and ten years of market exclusivity is granted following marketing authorization. During this period, the competent authorities may not accept or approve any similar medicinal product, unless it offers a significant clinical benefit. This period may be reduced to six years if the orphan medicinal product designation criteria are no longer met, including where it is shown that the product is sufficiently profitable not to justify maintenance of market exclusivity.

Pediatric Development

In the European Union, companies developing a new medicinal product must agree to a Pediatric Investigation Plan, or "PIP", with the EMA and must conduct pediatric clinical trials in accordance with that PIP unless a waiver applies, for example, because the relevant disease or condition occurs only in adults. The marketing authorization application for the product must include the results of pediatric clinical trials conducted in accordance with the PIP, unless a waiver applies, or a deferral has been granted, in which case the pediatric clinical trials must be completed at a later date. Products that are granted a marketing authorization on the basis of the pediatric clinical trials conducted in accordance with the PIP are eligible for a six-month extension of the protection under a supplementary protection certificate (if the product covered by it qualifies for one at the time of approval). This pediatric reward is subject to specific conditions and is not automatically available when data in compliance with the PIP are developed and submitted.

If we fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension of clinical trials, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

In addition, most countries are parties to the Single Convention on Narcotic Drugs 1961, which governs international trade and domestic control of narcotic substances, including cannabis extracts. Countries may interpret and implement their treaty obligations in a way that creates a legal obstacle to us obtaining marketing approval for our product candidates in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit our product candidates to be marketed, or achieving such amendments to the laws and regulations may take a prolonged period of time. In that case, we would be unable to market our product candidates in those countries in the near future or perhaps at all.

Employees

We continue to build on our leadership expertise. We employ 25 full-time employees and 1 part-time employee. We also work with scientific advisors, consultants and service providers, mainly through academic institutions and contract research organizations.

We have never had a work stoppage and none of its employees are covered by collective bargaining agreements or represented by a labor union. We believe that we have good relationships with our employees.

Item 1A. Risk factors

Risks Related to Our Business and Financial Condition

Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern as of December 31, 2022. We will be unable to continue to operate for the foreseeable future without additional capital.

Our independent registered public accounting firm issued a report dated March 31, 2023 in connection with the audit of our consolidated financial statements as of December 31, 2022, which included an explanatory paragraph describing the existence of conditions that raise substantial doubt about our ability to continue as a going concern including our recurring losses, cash used in operations, and need to raise additional funds to meet our obligations and sustain our operations. In addition, the notes to our financial statements for the year ended December 31, 2022, included in this Annual Report on Form 10-K, contain a disclosure describing the existence of conditions that raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to obtain substantial additional funding in connection with our continuing operations. Adequate additional financing may not be available to us in the necessary timeframe, in the amounts we require, on terms that acceptable to us, or at all. If we are unable to raise additional capital our business, prospectus, financial condition and results of operations will be materially and adversely affected and we may be unable to continue as a going concern. For example, we anticipate that our existing cash will enable us to maintain our current operations through December 31, 2023, but not beyond. If we are not able to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements and/or seek protection under federal bankruptcy law, and it is likely that holders of our common stock and holders of securities convertible into our common stock will lose all of their investment. If we seek additional financing to fund our business activities in the future and there remains substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding on commercially reasonable terms or at all.

As such, there is uncertainty regarding our ability to maintain liquidity sufficient to operate our business effectively, which raises substantial doubt about our ability to continue as a going concern.

We are dependent on the success of our prospective product candidates, which are in early stages of development, and there can be no assurances that any such prospects will reach a particular stage in development, receive regulatory approval or be successfully commercialized.

Our success will depend on our ability to successfully develop and commercialize our prospective product candidates through our development programs. We intend to develop at least two product candidates by undergoing the long, costly clinical-trial process for each candidate under an IND application and, eventually, obtaining FDA approval under an NDA before proceeding to market. In order to proceed with development of our pharmaceutical product candidates under the NDA pathway, we must obtain the FDA's approval of our IND application and conduct preclinical and clinical trials in compliance with the applicable IND regulations, clinical-study protocols, and other applicable regulations and related requirements. We may never be able to develop products which are commercially viable or receive regulatory approval in the U.S. or elsewhere. There can be no assurance that the FDA or any other regulatory authority will approve of our current or future product candidates.

In the United States, the FDA regulates drugs under the Federal Food, Drug and Cosmetic Act, or "FDCA," and implementing regulations. Drugs are also subject to other federal, state and local statutes and regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. The process required by the FDA before a new drug or biological product may be marketed in the United States generally involves the following:

- Completion of preclinical laboratory tests, animal studies, and formulation studies according to Good Laboratory Practices and other applicable regulations;
- Submission to the FDA of an IND application, which must become effective before human clinical trials may begin in the United States;
- Performance of adequate and well-controlled human clinical trials according to the FDA's current good clinical practices, or GCPs, which sufficiently demonstrate the safety and efficacy of the proposed drug or biologic for its intended uses;
- Submission to the FDA of a New Drug Application, or an NDA, for a new drug product;

- Satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the drug or biologic is to be produced to assess compliance with the FDA's current good manufacturing practice standards, or cGMP, to assure that the facilities, methods and controls are adequate to preserve the drug's or biologic's identity, strength, quality and purity;
- Potential FDA audit of the nonclinical and clinical trial sites that generated the data in support of the NDA or biologics license application; and
- FDA review and, potentially, approval of the NDA.

The lengthy process of seeking required approvals and the continuing need for compliance with applicable statutes and regulations require the expenditure of substantial resources. There can be no certainty that approvals will be granted.

We may encounter difficulties that may delay, suspend or scale back our efforts to advance additional early research programs through preclinical development and IND application filings and into clinical development.

We intend to advance early research programs through preclinical development and to file an IND application for human clinical trials evaluating the prospective product candidates in our pipeline. The preparation and submission of IND applications requires rigorous and time-consuming preclinical testing, the results of which must be sufficiently documented to establish, among other things, the toxicity, safety, manufacturing, chemistry and clinical protocol of the product candidates. We may experience unforeseen difficulties that could delay or otherwise prevent us from successfully executing our current development strategy. In addition, our ability to complete and file certain IND applications may depend on the support of our partners and the timely performance of their obligations under relevant collaboration agreements. If our relevant partners are not able to perform such obligations, or if they otherwise delay the progress, we may not be able to prepare and file the intended IND applications on a timely basis or at all. Any delay, suspension or reduction of our efforts to pursue our preclinical and IND strategy could have a material adverse effect on our business and cause our share price to decline.

The novel coronavirus could adversely impact our business, including our current plans for product development, as well as any currently ongoing preclinical studies and clinical trials and any future studies or other development or commercialization activities.

Since COVID-19 was initially reported to have surfaced in Wuhan, China in December 2019, it has spread globally, including to countries in which we are currently, or have plans to, conduct preclinical or clinical studies or other development activities. There is significant uncertainty as to the likely effects of this pandemic. As the COVID-19 pandemic continues, we will likely experience disruptions that could severely impact our business, including, but not limited to, our current or future preclinical studies, clinical trials, regulatory progress, or any other development or commercialization activities, including (among others):

- delays or difficulties in enrolling patients in clinical trials, specifically since many of the patients are considered immunocompromised;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others;
- limitations in employee resources that would otherwise be focused on the conduct of our clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people;
- delays in receiving approval from local regulatory authorities to initiate our planned clinical trials;
- delays in clinical sites receiving the supplies and materials needed to conduct our clinical trials;
- interruption in global shipping that may affect the transport of clinical trial materials, such as investigational drug product used in our clinical trials

- changes in local regulations as part of a response to the COVID-19 outbreak which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or to discontinue the clinical trials altogether;
- delays in necessary interactions with local regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees;
- delay in the timing of interactions with the FDA due to absenteeism by federal employees or by the diversion of their efforts and attention to approval of other therapeutics or other activities related to COVID-19; and
- refusal of the FDA to accept data from clinical trials in affected geographies outside the United States.

In addition, the COVID-19 pandemic could disrupt our operations due to absenteeism by infected or ill members of management or other employees, or absenteeism by members of management and other employees who elect not to come to work due to the illness affecting others in our office or laboratory facilities, or due to quarantines. COVID-19 could also impact members of our board of directors, resulting in absenteeism from meetings of the directors or committees of directors, and making it more difficult to convene the quorums of the full board of directors or our committees needed to conduct meetings for the management of our affairs.

The global COVID-19 pandemic continues to rapidly evolve. The extent to which COVID-19 may impact our business, preclinical studies and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the pandemic, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

We have significant and increasing liquidity needs and may require additional funding.

Research and development, management and administrative expenses and cash used for operations will continue to be significant and may increase substantially in the future in connection with new and continued research and development initiatives and our pursuit of IND authorization(s) for some or all of our product candidates, as is required to initiate clinical trials in human subjects in the United States. We will need to raise additional capital to fund our operations, continue to conduct clinical trials to support potential regulatory approval of marketing applications, and to fund commercialization of our current and future product candidates.

The amount and timing of our future funding requirements will depend on many factors, including, but not limited to:

- the scope, number, initiation, progress, timing, costs, design, duration, delays (if any), and results of preclinical and clinical studies for our current or future product candidates;
- the outcome, timing and cost of regulatory reviews, approvals or other actions to meet regulatory requirements established by the FDA, and comparable foreign regulatory authorities;
- the timing and amount of revenue generated or received, including any revenue from grants or other sources;
- the rate of progress and cost of our clinical trials and other product development programs;
- costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights associated with our current and future product candidates;
- the effect of competing technological and market developments;
- personnel, facilities and equipment requirements; and
- the terms and timing of any additional collaborative, licensing, co-promotion or other arrangements that we may establish.

While we expect to fund our future capital requirements from financing arrangements, we cannot assure you that any such financing arrangements will be available to it on favorable terms, or at all. The global spread of COVID-19 has created significant volatility and uncertainty in global financial markets and may reduce our ability to access capital and negatively affect our liquidity. Further, even if we can raise funds from financing arrangements, the amounts raised may not be sufficient to meet our future capital requirements. Additionally, the Company does not have sufficient unreserved, authorized shares to secure an equity investment of a sufficient amount, based on the Company's currently traded price per share, and the Company will require shareholder approval to increase the amount of authorized shares. If we are not able to raise capital, we could be required to postpone, scale back or eliminate some, or all, of our development objectives or commercialization efforts.

We depend on our current key personnel and our ability to attract and retain employees.

Our future growth and success depends on our ability to recruit, retain, manage and motivate our employees. We are highly dependent on our current management and scientific personnel, including Joseph Tucker, Avani Kanubaddi, and Dr. Bob Dagher. The inability to hire or retain experienced management personnel could adversely affect our ability to execute our business plan and harm our operating results. Due to the specialized scientific and managerial nature of our business, we rely heavily on our ability to attract and retain qualified scientific, technical and managerial personnel. The competition for qualified personnel in the pharmaceutical field is intense and we may be unable to continue to attract and retain qualified personnel necessary for the development of our business or to recruit suitable replacement personnel.

There has been limited study on the effects of medical cannabinoids and psychedelics, and future clinical research studies may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabinoids and psychedelics.

Research relating to the medical benefits, viability, safety, efficacy, and dosing of cannabinoids and psychedelics remains in relatively early stages. There have been few clinical trials on the benefits of cannabinoids and psychedelics conducted by us or by others. Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies we have relied on, or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to cannabinoids and psychedelics, which could adversely affect social acceptance of cannabinoids and psychedelics and the demand for our product candidates.

Our limited resources may lead us to pursue a particular candidate and fail to capitalize on product candidates that may be more profitable or for which there is a greater likelihood of medical and commercial success.

As result of our limited financial, managerial and scientific leadership resources we focus on developing product candidates that we have identified as most likely to succeed. As such, we may have to forego or delay the development of other candidates that may prove to have greater potential. Our resource allocation decisions may cause us to fail to capitalize on viable medical solutions, therapeutic enhancements and commercial potentials for viable markets when our spending on our current and future defined candidates with the indications specified therein may not yield any commercially viable products. Inaccurate evaluation of potential may result in relinquishment of valuable product candidate opportunity.

We expect to face intense competition, often from companies with greater resources and experience than us.

The pharmaceutical industry is highly competitive, with an emphasis on proprietary products and subject to rapid change. The industry continues to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of these competitors and potential competitors have substantially greater financial, technological, managerial and research and development resources and experience than us. Some of these competitors and potential competitors have more experience than us in the development of pharmaceutical products, including validation procedures and regulatory matters. In addition, our future product candidates, if successfully developed, will compete with product offerings from large and well-established companies that have greater marketing and sales experience and capabilities than us or our collaboration partners have. Other companies with greater resources than we may announce similar plans in the future. In addition, there are other non-FDA approved CBD preparations being made available from other companies, which might attempt to compete with our future product candidates. In addition, small or early stage companies may prove to be competitors, particularly through collaborative arrangements with large and established companies. If we are unable to compete successfully, our commercial opportunities will be reduced and our business, results of operations and financial conditions may be materially harmed. In addition, we compete with these companies in recruiting and retaining scientific personnel as well as establishing clinical trial sites and patient registration for clinical trials.

Our current and future preclinical and clinical studies may be conducted outside the United States, and the FDA may not accept data from such studies to support any NDAs we may submit after completing the applicable developmental and regulatory prerequisites.

We are conducting, or may conduct, preclinical and/or clinical studies outside the United States. For example, we have conducted preclinical studies in Israel, and plan to conduct clinical studies for one or more product candidates in Israel or other non-U.S. countries. To the extent we do not conduct these clinical trials in accordance with an IND application, the FDA may not accept data from such trials. Although the FDA may accept data from clinical trials conducted outside the United States that are not conducted under an IND application, the FDA's acceptance of the data is subject to certain conditions. For example, the clinical trial must be well designed and conducted and performed by qualified investigators in accordance with ethical principles and all applicable FDA regulations. The trial population must also adequately represent the intended U.S. population, and the data must be applicable to the U.S. population and U.S. medical practice in ways that the FDA deems clinically meaningful. In general, the patient population for any clinical trials conducted outside of the United States must be representative of the population for whom we intend to market the product candidate in the United States, if approved. In addition, while these clinical trials are subject to the applicable local laws, FDA acceptance of the data will be dependent upon our ability to verify the data and our determination that the trials also complied with all applicable U.S. laws and regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state and foreign statutes and regulations requires the expenditure of substantial time and financial resources.

We cannot guarantee that the FDA will accept data from trials conducted outside of the United States. If the FDA does not accept the data from such clinical trials, we would likely result in the need for additional trials and the completion of additional regulatory steps, which would be costly and time-consuming and could delay or permanently halt our development of our product candidates.

Because the results of preclinical studies and earlier clinical trials are not necessarily predictive of future results, we may not have favorable results in our planned and future clinical trials.

Successful development of therapeutic products is highly uncertain and is dependent on numerous factors, many of which are beyond our control. Drug development involves long lead times and involves many variables of uncertainty. Product candidates that appear promising in the early phases of development may fail to reach the market for several reasons including, without limitation:

- preclinical study results that may show the product to be less effective than desired (e.g., the study failed to meet our primary objectives) or to have harmful or problematic side effects;
- failure to receive the necessary regulatory approvals or a delay in receiving such approvals. Among other things, such delays may be caused by slow enrollment in clinical studies, length of time to achieve study endpoints, additional time requirements for data analysis or an IND and later NDA, preparation, discussions with the FDA, an FDA request for additional preclinical or clinical data or unexpected safety or manufacturing issues;
- manufacturing costs, pricing, or reimbursement issues or other factors that make the product not economical; and
- the proprietary rights of others and their competing products and technologies that may prevent the product from being commercialized.

Any positive results from our preclinical testing of our prospective product candidates may not necessarily be predictive of the results from planned or future clinical trials for such product candidates. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in clinical trials after achieving positive results in preclinical and early clinical development, and we cannot be certain that we will not face similar setbacks. These setbacks have been caused by, among other things, preclinical findings while clinical trials were underway or safety or efficacy observations in clinical trials, including adverse events. Moreover, our interpretation of clinical data or our conclusions based on the preclinical in vitro and in vivo models may prove inaccurate, as preclinical and clinical data can be susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials nonetheless failed to obtain FDA or other regulatory approvals. Similarly, undesirable side effects caused by our product candidates could cause us or regulatory authorities to limit dosage in development or interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign authorities. Restrictive label applications may include but are not limited to a Boxed Warning, Risk Evaluation and Mitigation Strategies, or REMS, or other limitations of use. Drug-related side effects during one clinical trial furthermore could affect patient recruitment or the ability of enrolled patients to complete the trial, result in potential product liability claims or our ability to ensure enrollment for future trials. Any of these occurrences may harm our business, financial condition and prospects significantly.

Regulatory approval is limited by the FDA to those specific indications and conditions for which clinical safety and efficacy have been demonstrated, and we may be subject to fines, penalties or injunctions if we are determined to be promoting the use of our products for unapproved or “off-label” uses.

When the FDA or comparable foreign regulatory authorities issue regulatory approval for a product candidate, the regulatory approval is limited to those specific indications for which a product is approved. If we are not able to obtain FDA approval for any desired future indications for our products and product candidates, our ability to effectively market and sell our products may be reduced and our business may be adversely affected. While physicians may choose to prescribe drugs for uses that are not described in the product’s labeling and for uses that differ from those tested in clinical studies and approved by the regulatory authorities, we are prohibited from marketing and promoting the products for indications that are not specifically approved by the FDA.

These “off-label” uses are common across medical specialties and may constitute an appropriate treatment for some patients in varied circumstances. Regulatory authorities in the United States generally do not restrict or regulate the behavior of physicians in their choice of treatment within the practice of medicine. Regulatory authorities do, however, restrict communications by pharmaceutical companies on off-label use. If the FDA determines that our promotional activities constitute promotion of an off-label use, it could request that we modify our promotional materials or subject us to regulatory or enforcement actions by other agencies, including issuance of warning letters, suspension or withdraw an approved product from the market, additional reporting requirements and/or oversight if we become subject to a corporate integrity agreement or similar agreement, any of which could significantly harm our business.

Business interruptions could delay us in the process of developing our product candidates.

Loss of our stored materials or facilities through fire, theft, or other causes could have an adverse effect on our ability to continue product development activities and to conduct our business. Even if we obtain insurance coverage to compensate us for such business interruptions, such coverage may prove insufficient to fully compensate us for the damage to our business resulting from any significant property or casualty loss.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and legal requirements.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA, SEC or Office of Inspector General regulations, or regulations of any other applicable regulatory authority, failure to provide accurate information to the FDA or the SEC, comply with applicable manufacturing standards, other federal, state or foreign laws and regulations, report information or data accurately or disclose unauthorized activities. Employee misconduct could also involve the improper use of confidential or protected information, including information obtained in the course of clinical trials, or illegal pre-approval promotion of drug candidates, which could result in government investigations, enforcement actions and serious harm to our reputation. We have adopted a Corporate Code of Conduct and Ethics and Whistleblower Policy, but employee misconduct is not always possible to identify and deter.

The precautions we take to detect and prevent these prohibited activities may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending our Company or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Our proprietary information, or that of our customers, suppliers and business partners, may be lost or we may suffer security breaches.

In the ordinary course of our business, we expect to collect and store sensitive data, including valuable and commercially sensitive intellectual property, clinical trial data, our proprietary business information and that of our future customers, suppliers and business partners, and personally identifiable information of our customers, clinical trial subjects and employees, patients, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions.

Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt our operations, damage our reputation, and cause a loss of confidence in our products and our ability to conduct clinical trials, which could adversely affect our business and reputation and lead to delays in gaining regulatory approvals for our future product candidates. Although we may obtain business interruption insurance coverage in the future, our insurance might not cover all losses from any future breaches of our systems.

Failure of our information technology systems, including cybersecurity attacks or other data security incidents, could significantly disrupt the operation of our business.

Our business depends on the use of information technologies. Our ability to execute our business plan and to comply with regulators' requirements with respect to data control and data integrity, depends, in part, on the uninterrupted performance of our information technology systems, or IT systems and the IT systems supplied by third-party service providers. Our IT systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious human acts, natural disasters and more sophisticated and targeted cyber-related attacks that pose a risk to the security of our information systems and networks and the confidentiality, availability and integrity of data and information. A successful cybersecurity attack or other data security incident could result in the misappropriation and/or loss of confidential or personal information, create system interruptions, or deploy malicious software that attacks our systems. It is also possible that a cybersecurity attack might not be noticed for some period of time. In addition, sustained or repeated system failures or problems arising during the upgrade of any of our IT systems that interrupt our ability to generate and maintain data could adversely affect our ability to operate our business. The occurrence of a cybersecurity attack or incident could result in business interruptions from the disruption of our IT systems, or negative publicity resulting in reputational damage with our shareholders and other stakeholders and/or increased costs to prevent, respond to or mitigate cybersecurity events. In addition, the unauthorized dissemination of sensitive personal information or proprietary or confidential information could expose us or other third-parties to regulatory fines or penalties, litigation and potential liability, or otherwise harm our business.

Security breaches, loss of data and other disruptions could compromise sensitive information related to our business, prevent it from accessing critical information or expose it to liability, which could adversely affect our business and its reputation.

In the ordinary course of our business, we expect to collect and store sensitive data, including legally protected patient health information, credit card information, personally identifiable information about our employees, intellectual property, and proprietary business information. We expect to manage and maintain this data utilizing on-site systems. This data includes a wide variety of business-critical information including research and development information, commercial information and business and financial information.

The secure processing, storage, maintenance and transmission of this critical information is vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive information from unauthorized access or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers, or viruses, breaches or interruptions due to employee error, malfeasance or other disruptions, or lapses in compliance with privacy and security mandates. Any such virus, breach or interruption could compromise our networks and the information stored there could be accessed by unauthorized parties, publicly disclosed, lost or stolen. In the future, any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, such as the Health Insurance Portability and Accountability Act and European Union General Data Protection Regulation, government enforcement actions and regulatory penalties. Unauthorized access, loss or dissemination could also disrupt our operations, including our ability to process samples, provide test results, share and monitor safety data, bill payors or patients, provide customer support services, conduct research and development activities, process and prepare company financial information, manage various general and administrative aspects of our business and may damage our reputation, any of which could adversely affect our business, financial condition and results of operations.

Our operating results may vary significantly in future periods.

We are in the early stages of product development and expect to focus substantial efforts for, at least, the next several years on preclinical and clinical trials and other research and development activities. We have not obtained regulatory approval for any product candidates. Our revenues, expenses and operating results are likely to fluctuate significantly in the future. We expect to incur substantial additional operating expenses over the next several years as our research, development, and preclinical and clinical study activities increase. Our financial results are unpredictable and may fluctuate, for among other reasons, due to:

- the scope, number, progress, duration, endpoints, cost, results, and timing of our preclinical testing and clinical studies of current or potential future product candidates;
- our ability to obtain additional funding to develop product candidates; and
- delays in the commencement, enrollment and timing of clinical studies.

A high portion of our costs are predetermined on an annual basis, due in part to our significant research and development costs. Thus, small declines in revenue could disproportionately affect financial results in a quarter.

Significant ongoing costs and obligations

As a neuro-pharmaceutical drug discovery and development platform company, the Company expects to spend substantial funds on the research, development and testing of psychedelic molecular derivatives. In addition, the Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. The Company will also require significant additional funds if it expands the scope of current plans for research and development or if it were to acquire any other assets and advance their development. It is possible that future financing will not be available or, if available, may not be on favorable terms. The availability of financing will be affected by the achievement of the Company's corporate goals, the results of scientific and clinical research, the need and ability to obtain regulatory approvals and the state of the capital markets generally. If adequate funding is not available, the Company may be required to delay, reduce or eliminate one or more of its research and development programs, or obtain funds through corporate partners or others who may require the Company to relinquish significant rights to its Psychedelic Derivatives or compounds or obtain funds on less favorable terms than the Company would otherwise accept. To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Company's intangible assets and its ability to continue its business plans may become impaired, and the Company's assets, liabilities, business, financial condition and results of operations may be materially or adversely affected.

In addition, future changes in regulations, changes in legal status of psychedelic products, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than expected.

We may rely on third parties to plan and conduct preclinical and clinical trials

We may rely on third parties to conduct preclinical development activities and intends to partner with third parties who may conduct clinical development activities with our Psychedelic Derivatives and other product candidates. Preclinical activities include "in vivo" studies providing access to specific disease models, pharmacology and toxicology studies, and assay development. Clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in its relationship with third parties, or if such third parties are unable to provide quality services in a timely manner and at a feasible cost, or if such third parties fail to meet certain development milestones, our active development programs may face delays.

Further, if any of these third parties fails to perform as we expect or if their work fails to meet regulatory requirements, the testing and eventual development of viable Psychedelic Derivative drug candidates could be delayed, cancelled or rendered ineffective.

Our reliance on third party contract manufacturers

Upon our completion of the “in vitro” portion of the preclinical testing we intend to conduct, when only lab-grade and lab-scale psychedelic molecules are required, we intend to manufacture the required psychedelic molecules at our facilities in Calgary. However, when larger quantities and higher quality psychedelic molecules are required (e.g., for animal model testing), we intend to contract with appropriate third party contract manufacturing organizations (“CMOs”) to, among other things, supply the active pharmaceutical ingredients (“API”) used in its Psychedelic Derivatives over which we may have limited control. We intend to rely on CMOs to supply APIs in compliance with local GMP regulations applicable to its Psychedelic Derivatives.

All applicable jurisdictions, including Health Canada, and the FDA, ensure the quality of drug products by carefully monitoring drug manufacturers’ compliance with GMP regulations. The GMP regulations for drugs contain minimum requirements for the methods, facilities and controls used in manufacturing, processing and packing of a drug product. There can be no assurances that CMOs will be able to meet our timetable and requirements or carry out their contractual obligations in accordance with the applicable regulations. In addition, the API they supply to us may not meet our specifications and quality policies and procedures or they may not be able to supply the API in commercial quantities. If we are unable to arrange for alternative third-party supply sources on commercially reasonable terms or in a timely manner, it may delay the development of its Psychedelic Derivatives and could have a material adverse effect on our business operations and financial condition.

Further, the failure of CMOs to operate in compliance with GMP regulations could result in, among other things, certain product liability claims in the event such failure to comply results in defective products (containing our Psychedelic Derivatives) that caused injury or harm. In general, our dependence upon third parties for the supply of our APIs may adversely affect profit margins and our ability to develop and deliver viable Psychedelic Derivatives on a timely and competitive basis.

Termination or non-renewal of key licenses and agreements

Our business is highly dependent on a number of key licenses and agreements which expire in a short time period. Specifically, in conducting research and preclinical studies in compliance with current legislation, we substantially rely on: (i) the Facchini Drug License which expires on December 31, 2023; and (ii) the two material contracts with the Governors of the University of Calgary, which expire on November 30, 2023 and December 31, 2022 (the “Calgary Agreements”). Health Canada renews drug licenses annually and Dr. Facchini has held the Facchini Drug License since October 5, 1995 and it has been renewed each year without issue. Until MagicMed obtains its own Dealer’s License or Section 56 Exemption necessary for its business, the termination, non-renewal or hinderance of use, as applicable of the Facchini Drug License or the Calgary Agreements would have a material adverse effect on MagicMed’s ability to develop Psychedelic Derivatives, conduct research or operate its business as it currently does. This could have a material adverse impact on MagicMed’s financial condition.

Negative results from clinical trials or studies of others and adverse safety events involving our Psychedelic Derivatives

From time to time, studies or clinical trials on various aspects of biopharmaceutical or natural health products (“NHPs”) are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical or NHP that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to the psychedelic compounds used by us in the development of our Psychedelic Derivatives, or the therapeutic areas in which our Psychedelic Derivatives compete, could adversely affect our share price and our ability to finance future development of our Psychedelic Derivatives, and our business and financial results could be materially and adversely affected.

Clinical trials of our Psychedelic Derivatives may fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or not otherwise produce positive results

Before third parties are able to obtain marketing approval from regulatory authorities for the sale of products containing our Psychedelic Derivatives, the completion of preclinical studies in animals and extensive clinical trials in humans to demonstrate the safety and efficacy of the Psychedelic Derivatives will be required. Clinical testing is expensive and difficult to design and implement, can take many years to complete and has uncertain outcomes. The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical, NHP and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. We do not know whether the clinical trials that third parties may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any products containing our Psychedelic Derivatives in any jurisdiction. A product/compound candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk we face is the possibility that none of the products containing our Psychedelic Derivatives will successfully gain market approval from Health Canada, the FDA or other regulatory authorities, resulting in our inability to derive any royalty-based revenue from them.

Raw materials requiring regulatory approval

Some raw materials used by us will require regulatory approval by Health Canada and the FDA because the plant or fungi may contain a controlled substance. While we believe that we can acquire, or indirectly make use of, the requisite licenses to conduct our intended research and development activities, there is a risk that Health Canada and the FDA can either reject or require further action to approve the requisite licenses which would cause delays or result in losses for us and could result in the abandonment of a specific research programs. Raw materials and supplies are generally available in quantities to meet the needs of our business. An inability to obtain raw materials or product supply could have a material adverse impact on our business, financial condition, and results of operations.

Possible increase in costs beyond what is currently expected as a result of regulatory review

Health Canada and the FDA have not yet determined whether our Psychedelic Derivatives will be scheduled as controlled substances. In the event Health Canada or the FDA determine that these products are controlled substances and therefore, require regulatory approval, (a) our licensees will be required to obtain such approval; and (b) to the extent that we produce Psychedelic Derivatives, we will require similar regulatory approval. Such additional regulatory requirements may increase our costs and cause a delay in our operations. Further, if Health Canada or the FDA require that we perform additional preclinical studies, or if we determine that additional preclinical studies are required for our Psychedelic Derivatives, our expenses would further increase beyond what is currently expected and the anticipated timing of any potential approval of our Psychedelic Derivatives or licensing out agreements would likely be delayed.

We have never been profitable, have no products approved for commercial sale, and to date have not generated any revenue

We have never been profitable and we do not expect to be profitable in the foreseeable future. Neither us, nor any third-party partner, have submitted any products containing our products for approval by regulatory authorities in Canada, the United States or elsewhere. Since inception, we have an accumulated deficit of \$79.2 million and accumulated other comprehensive losses of \$0.5 million. To date, we have devoted most of our financial resources to research and development, including drug discovery research, preclinical development activities, patent application filing and media relation efforts, as well as corporate overhead.

We have not generated any revenues since inception, we expect to continue to incur losses for the foreseeable future, and expect these losses to increase as we continue our product development activities. If our Psychedelic Derivatives and other products developed do not achieve market acceptance, we may never become profitable. As a result of the foregoing, we expect to continue to experience net losses and negative cash flows for the foreseeable future. These net losses and negative cash flows have had, and will continue to have, an adverse effect on our stockholders' equity and working capital.

Because of the numerous risks and uncertainties associated with drug development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. In addition, our expenses could increase if we are required by the FDA or Health Canada to perform preclinical studies or trials in addition to those currently expected, or if there are any delays in completing our preclinical studies or the development of any of our Psychedelic Derivatives or other products. The amount of future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenues.

We have no licensing, marketing or distribution experience and will have to invest significant resources to develop those capabilities or enter into acceptable third-party sales and marketing transactions

We have no licensing, marketing or distribution experience. To develop licensing, distribution and marketing capabilities, we will have to invest significant amounts of financial and management resources, some of which will need to be committed prior to any confirmation that our Psychedelic Derivatives will be approved by the FDA and Health Canada for Psychedelic Derivatives where we decide to perform licensing, marketing and distribution functions itself or through third parties, we could face a number of additional risks, including that we or our third-party collaborators may not be able to build and maintain an effective marketing or sales force. If we use third parties to market and license our Psychedelic Derivatives, we may have limited or no control over our licensing, marketing and distribution activities on which our future revenues may depend.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights

We may from time to time seek to enforce our intellectual property rights against infringers when we determine that a successful outcome is probable and may lead to an increase in the value of the intellectual property. If we choose to enforce our patent rights against a party, then that individual or company has the right to ask the court to rule that such patents are invalid or should not be enforced. Additionally, the validity of our patents and the patents we have licensed may be challenged if a petition for post grant proceedings such as inter-partes review and post grant review is filed within the statutorily applicable time with the Canadian Intellectual Property Office or the United States Patent and Trademark Office. These lawsuits and proceedings are expensive and would consume time and resources and divert the attention of managerial and scientific personnel even if we were successful in stopping the infringement of such patents.

In addition, there is a risk that the court will decide that such patents are not valid and that we do not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of such patents is upheld, the court will refuse to stop the other party on the ground that such other party's activities do not infringe our intellectual property rights.

Changes in patent law and its interpretation could diminish the value of patents in general, thereby impairing our ability to protect our Psychedelic Derivatives

As is the case with other NHP, biotechnology and pharmaceutical companies, our success is heavily dependent on intellectual property rights, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves technological and legal complexity, and obtaining and enforcing biopharmaceutical patents is costly, time consuming and inherently uncertain. The Supreme Court of Canada and the U.S. Supreme Court have ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the Canadian House of Representative, the Federal Court of Canada, the Canadian Intellectual Property Office, U.S. Congress, the federal courts, and the U.S. Patent and Trademark Office and international treaties entered into by these nations, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain patents or to enforce patents we may obtain in the future.

Failure to manage growth

As we advance our Psychedelic Derivatives through preclinical studies and seek business arrangements and partnerships with third parties to advance our Psychedelic Derivatives through clinical development, we will need to increase our preclinical development, scientific, management and administrative headcount to manage these programs and negotiate these arrangements. In addition, to meet obligations as a public company, we may need to increase our general and administrative capabilities and improve our operational and financial controls and reporting procedures. Our management, personnel and systems currently in place may not be adequate to support this future growth. In managing our growing operations, we are also subject to the risks of over-hiring and/or overcompensating our employees and over-expanding our operating infrastructure. As a result, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses.

Insurance and uninsured risks

Our business is subject to a number of risks and hazards generally, including adverse preclinical trial results, accidents, labor disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Our insurance may not cover all the potential risks associated with our operations. We may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in our operations is not generally available on acceptable terms. We might also become subject to liability for pollution or other hazards which may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events or any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our financial position and results of operations.

Litigation

We may become party to litigation from time to time in the ordinary course of business which could adversely affect our business. Should any litigation in which we become involved be determined against us such a decision could adversely affect our ability to continue operating and the market price for our shares and could use significant resources. Even if we are involved in litigation and win, litigation can redirect significant company resources.

Conflicts of interest

Certain of our directors and officers do not devote their full time to the affairs of the Company and certain of our directors and officers are also directors, officers and shareholders of other biotechnology and research and development companies or other public companies in general, and as a result they may find themselves in a position where their duty to another company conflicts with their duty to the Company. There is no assurance that any such conflicts will be resolved in favor of the Company. If any such conflicts are not resolved in our favor we may be adversely affected.

The psychedelic therapy industry and market are relatively new and this industry and market may not continue to exist or grow as anticipated

We operate our business in a relatively new industry and market. In addition to being subject to general business risks, we must continue to build brand awareness in this industry and market through significant investments in our strategy, our operational capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the psychedelic therapy industry and market could have a material adverse effect on our business, financial conditions and results of operations.

The psychedelic medicine market will face specific marketing challenges given the products' status as a controlled substance which resulted in past and current public perception that the products have negative health and lifestyle effects and have the potential to cause physical and social harm due to psychoactive and potentially addictive effects. Any marketing efforts by us would need to overcome this perception to build consumer confidence, brand recognition and goodwill.

The psychedelics industry and market are relatively new, and the industry may not succeed in the long term.

We operate our business in a relatively new industry and market. The use of psychedelics for medicinal purposes has shown promise in various studies and we believe that both regulators and the public have an increasing awareness and acceptance of this promising field. Nevertheless, psychedelics remain a controlled substance in the United States, Canada, and most other jurisdictions and their use for research and therapeutic purposes remains highly regulated and narrow in scope. There is no assurance that the industry and market will continue to grow as currently estimated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the psychedelic manufacturing and medicines industry and market could have a material adverse effect on our business, financial condition and results of operations. We have committed and expect to continue committing significant resources and capital to the development of psychedelic products for therapeutic uses. As a category of products, medical-grade psychedelics raw materials and psychedelic-derived APIs, and research into such substances, represent relatively untested offerings in the marketplace, and we cannot provide assurance that psychedelics as a category, or that our prospective products, in particular, will achieve market acceptance. Moreover, as a relatively new industry, there are not many established players in the psychedelic-based medicines industry whose business model we can emulate. Similarly, there is little information about comparable companies available for potential investors to review in making a decision about whether to invest in our common shares.

Our psychedelic product candidates may generate public controversy. Adverse publicity or public perception regarding the psychedelic APIs we intend to utilize may negatively influence our success and that of our prospective investigational therapies.

Our ability to establish and grow our business is substantially dependent on the success of the emerging market for psychedelics-based medicines, which will depend upon, among other matters, pronounced and rapidly changing public preferences, factors which are difficult to predict and over which we have little, if any, control. We and our clients will be highly dependent upon consumer perception of psychedelic-based therapies and other products.

Therapies containing controlled substances may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for any future therapeutic candidates we may develop. Opponents of these therapies may seek restrictions on marketing and withdrawal of any regulatory approvals. In addition, these opponents may seek to generate negative publicity in an effort to persuade the medical community to reject these therapies. For example, we may face media-communicated criticism directed at our clinical development program. Adverse publicity from psilocybin misuse may adversely affect the commercial success or market penetration achievable by our product candidates. Anti-psychedelic protests have historically occurred and may occur in the future and generate media coverage. Political pressures and adverse publicity could lead to delays in, and increased expenses for, and limit or restrict the introduction and marketing of any future therapeutic candidates.

The expansion of the use of psychedelics in the medical industry may require new clinical research into effective medical therapies

Research in United States and internationally regarding the medical benefits, viability, safety, efficacy, addictiveness, dosing and social acceptance of psychedelic and psychoactive products remains in early stages. There have been relatively few clinical trials on the benefits of such products. Although we believe that the articles, reports and studies support our beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of psychedelic and psychoactive products, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, psychedelic and psychoactive products. Given these risks, uncertainties and assumptions, readers should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this Annual Report on Form 10-K or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to psychedelic and psychoactive products, which could have a material adverse effect on the demand for our Psychedelic Derivatives with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

The psychedelic therapy industry is difficult to quantify and investors will be reliant on their own estimates of the accuracy of market data

Because the psychedelic therapy industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in us and, few, if any, established companies whose business model we can follow or upon whose success we can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in us. There can be no assurance that our estimates are accurate or that the market size is sufficiently large for our business to grow as projected, which may negatively impact our financial results.

The psychedelic therapy and biotechnology industries are experiencing rapid growth and increased competition

The psychedelic therapy and biotechnology industries are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm us in a number of ways, including, without limitation, by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing us to expend greater resources to meet new or additional competitive threats, all of which could harm our operating results.

Additionally, the biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. We have competitors in Canada, the United States, Europe and other jurisdictions, including, without limitation, major multinational pharmaceutical companies, established biotechnology companies, specialty pharmaceutical and generic drug companies and universities and other research institutions. Many of our competitors have greater financial and other resources, such as larger research and development staff and more experienced marketing and manufacturing organizations than we do. Large pharmaceutical companies, in particular, have extensive experience in, and substantial capital resources for, conducting research, molecular derivative development, obtaining regulatory approvals, obtaining intellectual property protection and establishing key relationships. These companies also have significantly greater sales and marketing capabilities and experience in completing collaborative transactions in our target markets with leading companies and research institutions.

Our competitors may introduce new Psychedelic Derivatives or develop technological advances that compete with us. We cannot predict the timing or impact of competitors introducing new Psychedelic Derivatives or technological advances. Such competing Psychedelic Derivatives may be safer, more effective, more effectively marketed, licensed or sold or have lower prices or superior performance features than our Psychedelic Derivatives, and this could negatively impact our business and results of operations. Established pharmaceutical companies may also invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make the Psychedelic Derivatives that we develop obsolete. As a result of all of these factors, our competitors may succeed in obtaining patent protection or discovering, developing and commercializing Psychedelic Derivatives before we do or may develop Psychedelic Derivatives that are deemed to be more effective or gain greater market acceptance than those of the Company.

Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative transactions with large, established companies. In addition, many universities and private and public research institutes may become active in the development of novel compounds. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis, technologies and Psychedelic Derivatives that are more effective or less costly than any of the Psychedelic Derivatives that we are currently developing or that we may develop, which could render our Psychedelic Derivatives obsolete or non-competitive. If our competitors market Psychedelic Derivatives that are more effective, safer or less expensive or that reach the market sooner than our Psychedelic Derivatives, if any, we may not achieve commercial success. In addition, because of our limited resources, it may be difficult for us to stay abreast of the rapid changes in each technology. If we fail to stay at the forefront of technological change, we may be unable to compete effectively. Technological advances or products developed by our competitors may render our technologies or Psychedelic Derivatives obsolete, less competitive or not economical.

Changes in legislation, regulations and guidelines

Our operations are subject to various laws, regulations and guidelines relating to, among other things, drug research, development, marketing practices, health and safety, the conduct of operations and preclinical trials. In addition to FDA and Health Canada restrictions on the marketing of pharmaceutical products, several other types of state and federal laws have been applied to restrict certain marketing practices in the pharmaceutical and medical industries in recent years, as well as consulting or other service agreements with physicians or other potential referral sources. While to the knowledge of management, we are currently in compliance with all such laws, changes to applicable laws, regulations and guidelines may cause adverse effects to its operations. The risks to the business of the Company represented by this or similar risks are that they could significantly reduce the addressable market for our Psychedelic Derivatives and could materially and adversely affect the business, financial condition and results of our operations.

Risks Related to Regulatory Matters

Our current and prospective product candidates, and the development thereof, are or will be subject to the various federal and state laws and regulations relating to the safety and efficacy of health products, such as drugs and medical devices.

We are in the process of developing investigational new drugs for which we intend to pursue FDA approval via the NDA process. In these product candidates, cannabinoid(s) and synthetic molecules based on psychedelics, such as psilocybin, N,N-dimethyltryptamine (DMT), mescaline and MDMA, will be the active pharmaceutical ingredients.

In connection with our development and future commercialization (if applicable) of our prospective products, we, and each contemplated product candidate, are subject to the Federal Food Drug and Cosmetic Act (FDCA). The FDCA is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative, and not deceptive. The FDCA and the U.S. Food and Drug Administration (FDA) regulations define the term “drug,” in part, by reference to its intended use, as “articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease” and “articles (other than food) intended to affect the structure or any function of the body of man or other animals.” The definition also includes components of drugs, such as active pharmaceutical ingredients. To be lawfully marketed in the United States, drugs must generally either receive premarket approval by FDA through the NDA process or conform to a “monograph” for a particular drug category, as established by FDA’s Over-the-Counter (OTC) Drug Review. If the FDA does not award premarket approval for our product candidates through the NDA process, this will have a material adverse effect on our business, financial condition and results of operations.

Additionally, the nature of the active ingredients we intend to utilize in our product candidates subjects us and our development and future commercialization (as applicable) activities to additional regulatory scrutiny and oversight. In connection with our development and future commercialization (if applicable) of psychedelic-based product candidates, we and each contemplated product candidate will be subject to the federal Controlled Substances Act (CSA) and the Controlled Substances Import and Export Act in the United States and analogous state and foreign laws. Additionally, with regard to our cannabinoid pipeline, one or more product candidates will be developed using synthetic cannabidiol (CBD), which may subject such product candidates to increased regulatory scrutiny or uncertainty. While we currently believe that our candidates containing (or that will be developed using) synthetic CBD are not subject to the CSA because they are THC-free, this is an evolving regulatory area that is subject to uncertainty. The DEA may change its position or disagree with ours and classify any synthetic-CBD product candidates that we may develop as Schedule I controlled substances, in which case, additional regulatory authorizations may be needed (such as, for example, DEA registrations for facilities testing or otherwise handling Schedule I controlled substances), and there may be increased expenses and/or challenges in connection therewith.

There is no guarantee that any of our investigational drugs will ever be approved as medicines in any jurisdiction in which the Company operates, as there are currently very few FDA-approved drugs containing the psychedelic ingredients we intend to utilize as active ingredients and only one FDA-approved drug containing CBD as the active ingredient (and three containing synthetic cannabinoids). And, the laws and regulations generally applicable to the industry in which the Company is involved are subject to constant evolution and may change in ways currently unforeseen. Any amendment to or replacement of existing laws or regulations, including the re-classification of the substances the Company is developing or with which it is working, which are matters beyond the Company's control, may cause the Company's business, financial condition, results of operations and prospects to be adversely affected or may cause the Company to incur significant costs in complying with such changes or it may be unable to comply therewith. A violation of any applicable laws and regulations of the jurisdictions in which the Company operates could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which the Company operates, or private citizens or criminal charges.

The psychedelic-derived therapeutic candidates we are developing or may develop in the future are subject to controlled substance laws and regulations in the United States and other countries where the product will be marketed, 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 and our financial condition.

In the United States, psychedelics, such as psilocybin (and its active metabolite, psilocin), DMT, mescaline and MDMA, are classified by the DEA as a Schedule I substances under the CSA. The DEA regulates chemical compounds as Schedule I, II, III, IV or V substances. Schedule I substances by-definition have a high potential for abuse, have no currently accepted medical use in the United States, lack accepted safety for use under medical supervision, and may not be prescribed marketed or sold in the United States. Pharmaceutical products approved for use in the United States may be listed as Schedule II, III, IV or V, with Schedule II substances considered to present the highest potential for abuse or dependence and Schedule V substances the lowest relative risk of abuse among such substances. Schedule I and II substances are subject to the strictest controls under the CSA, including manufacturing and procurement quotas, security requirements and criteria for importation. In addition, dispensing of Schedule II substances is further restricted. For example, they may not be refilled without a new prescription and may have a black box warning. Further, most, if not all, state laws in the United States classify the psychedelic active ingredients we intend to utilize as Schedule I controlled substances. For any product containing active ingredients that are Schedule I controlled substances to be available for commercial marketing in the United States, the product must be scheduled by the DEA to Schedule II, III, IV or V, which requires scheduling-related legislative or administrative action, which can further delay the path to market. There can be no assurance that the DEA will make a favorable scheduling decision. Even assuming categorization as a Schedule II or lower controlled substance (i.e., Schedule III, IV or V), at the federal level, such substances would also require scheduling determinations under state laws and regulations.

FDA approval is also a prerequisite to commercialization, and the controlled-substance status of our psychedelic APIs may negatively impact the FDA's decision regarding whether to approve the applicable product candidates.

During the pre-market review process, the FDA may determine that additional data is needed for one or more of our psychedelic candidates, either from non-clinical or clinical studies, including with respect to whether, or to what extent, the substance has abuse potential. This may introduce a delay into the approval and any potential rescheduling process.

In addition, therapeutic candidates containing controlled substances are subject to DEA regulations relating to manufacturing, storage, distribution and physician prescription procedures, including:

- DEA registration and inspection of facilities. Facilities conducting research, manufacturing, distributing, importing or exporting, or dispensing controlled substances must be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. All these facilities must renew their registrations annually, except dispensing facilities, which must renew every three years. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Obtaining and maintaining the necessary registrations may result in delay of the importation, manufacturing or distribution of product candidates. Furthermore, failure to maintain compliance with the CSA, particularly non-compliance resulting in loss or diversion, can result in regulatory action that could have a material adverse effect on our business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.
- State controlled-substances laws. Individual U.S. states have also established controlled substance laws and regulations. Though state-controlled substances laws often mirror federal law, because the states are separate jurisdictions, they may separately schedule product candidates. While some states automatically schedule a drug based on federal action, other states schedule drugs through rule making or a legislative action. State scheduling may delay commercial sale of any product for which we obtain federal regulatory approval and adverse scheduling could have a material adverse effect on the commercial attractiveness of such product. We or any partners must also obtain separate state registrations, permits or licenses in order to be able to obtain, handle, and distribute controlled substances for clinical trials or commercial sale, and failure to meet applicable regulatory requirements could lead to enforcement and sanctions by the states in addition to those from the DEA or otherwise arising under federal law.
- Clinical trials. Because some of our current and future product candidates contain Schedule I controlled substances, to conduct clinical trials in the United States prior to approval, each of our research sites must submit a research protocol to the DEA and obtain and maintain a DEA researcher registration that will allow those sites to handle and dispense such product candidates and to obtain the product from our importer. If the DEA delays or denies the grant of a researcher registration to one or more research sites, the clinical trial could be significantly delayed, and we could lose clinical trial sites.
- Importation. If any of our product candidates is approved and classified as a Schedule II, III or IV substance, an importer can only import it for commercial purposes if it obtains an importer registration and files an application for an import permit for each import. The DEA provides annual assessments/estimates to the International Narcotics Control Board, which guides the DEA in the amounts of controlled substances that the DEA authorizes to be imported. The failure to identify an importer or obtain the necessary import authority, including specific quantities, could affect the availability of our product candidates and have a material adverse effect on our business, results of operations and financial condition. In addition, an application for a Schedule II importer registration must be published in the Federal Register, and there is a waiting period for third-party comments to be submitted. It is always possible that adverse comments may delay the grant of an importer registration.
- Manufacture. If, because of a Schedule II classification or voluntarily, we were to conduct manufacturing or repackaging/relabeling in the United States, our contract manufacturers would be subject to the DEA's annual manufacturing and procurement quota requirements.
- Distribution. If any of our product candidates is approved for marketing and scheduled under Schedule II, III or IV, we would also need to identify wholesale distributors with the appropriate DEA registrations and authority to possess and distribute or dispense such products.

The psychedelic APIs we intend to utilize are listed as Schedule I controlled substances under the CSA in the United States and under similar controlled-substance legislation in other countries, and any significant violations of these laws and regulations, or changes in the laws and regulations, may result in interruptions to our development activity or business continuity.

The psychedelic APIs we intend to utilize are categorized as Schedule I controlled substances under the CSA and are similarly categorized by most states and foreign governments. Even assuming any future therapeutic candidates containing such APIs are approved and scheduled by regulatory authorities to allow their commercial marketing, the ingredients in such therapeutic candidates will likely continue to be listed under Schedule I, or the state or foreign equivalent and, thus, illegal without the requisite regulatory authorizations (e.g., to allow for the use of such substances in clinical trials under an IND and in compliance with all applicable FDA, DEA, and other regulatory requirements). Violations of any federal, state or foreign laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges and penalties, including, but not limited to, disgorgement of profits, cessation of business activities, divestiture or prison time. This could have a material adverse effect on us, including on our reputation and ability to conduct business, our financial position, operating results, profitability or liquidity, the potential listing of our shares or the market price of our shares. In addition, it is difficult for us to estimate the time or resources that would be needed for the investigation or defense of any such matters or our final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. It is also illegal to aid or abet such activities or to conspire or attempt to engage in such activities. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including, but not limited to, forfeiture of his, her or its entire investment, fines and/or imprisonment.

Various federal, state, provincial and local laws govern our business in any jurisdictions in which we may operate, and to which we may export our products, including laws relating to health and safety, the conduct of our operations, and the production, storage, sale and distribution of our products. Complying with these laws requires that we comply concurrently with complex federal, state, provincial and/or local laws. These laws change frequently and may be difficult to interpret and apply. To ensure our compliance with these laws, we will need to invest significant financial and managerial resources. It is impossible for us to predict the cost of such laws or the effect they may have on our future operations. A failure to comply with these laws could negatively affect our business and harm our reputation. Changes to these laws could negatively affect our competitive position and the markets in which we operate, and there is no assurance that various levels of government in the jurisdictions in which we operate will not pass legislation or regulation that adversely impacts our business.

In addition, even if we or third parties were to conduct activities in compliance with U.S. state or local laws or the laws of other countries and regions in which we conduct activities, potential enforcement proceedings could involve significant restrictions being imposed upon us or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on our business, revenue, operating results and financial condition as well as on our reputation and prospects, even if such proceedings conclude successfully in our favor. In the extreme case, such proceedings could ultimately involve the criminal prosecution of our key executives, the seizure of corporate assets, and consequently, our inability to continue business operations. Strict compliance with state and local laws with respect to psilocybin and psilocin does not absolve us of potential liability under U.S. federal law, the Canadian law or EU law, nor provide a defense to any proceeding which may be brought against us. Any such proceedings brought against us may adversely affect our operations and financial performance.

Our prospective products will be subject to the various federal and state laws and regulations relating to health and safety.

We are in the process of developing investigational new drugs for which we intend to pursue FDA approval via the NDA process. In these product candidates, cannabinoid(s) will be the active pharmaceutical ingredient.

In connection with our development and future commercialization (if applicable) of the above-described prospective products, we and each contemplated product candidate are subject to the Federal Food Drug and Cosmetic Act (FDCA). The FDCA is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative, and not deceptive. The FDCA and FDA regulations define the term “drug,” in part, by reference to its intended use, as “articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease” and “articles (other than food) intended to affect the structure or any function of the body of man or other animals.” Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet websites, promotional pamphlets, and other marketing material), that is claimed to be beneficial for such uses will be regulated by FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. Drugs must generally either receive premarket approval by FDA through the NDA process or conform to a “monograph” for a particular drug category, as established by FDA’s Over-the-Counter (OTC) Drug Review. If the FDA does not award premarket approval for our product candidates through the NDA process, this could have a material adverse effect on our business, financial condition and results of operations.

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 currently have two product candidates that are in preclinical development for indications such as Radiation Dermatitis and other side-effects of cancer, including anxiety. We intend to develop additional drug candidates targeting other indications, including, for example, pain and post-traumatic-stress disorder (PTSD). After completing the requisite preclinical testing, submissions to FDA (namely IND applications), internal review board (“IRB”) review, and any other applicable obligations that must be completed before clinical testing may begin in the United States, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates. Clinical testing is expensive, time consuming, and uncertain as to outcome. We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, or at all. Failures in connection with one or more clinical trials can occur at any stage of testing.

The FDA and other applicable regulatory agencies may analyze or interpret the results of clinical trials differently than us. Even if the results of our clinical trials are favorable, the clinical trials for a number of our product candidates are expected to continue for several years and may take significantly longer to complete. Events that may prevent successful or timely completion of clinical development include (without limitation):

- delays in reaching a consensus with regulatory authorities on trial design;
- delays in reaching agreement on acceptable terms with prospective contract research organization (“CRO”) and clinical trial sites;
- delays in sourcing materials and research animals for preclinical testing and correlated testing windows at the appropriate CRO facilities;
- delays in opening clinical trial sites or obtaining required IRB or independent ethics committee approval at each clinical trial site;
- actual or perceived lack of effectiveness of any product candidate during clinical trials;
- discovery of serious or unexpected toxicities or side effects experienced by trial participants or other safety issues, such as drug interactions, including those which cause confounding changes to the levels of other concomitant medications;
- slower than expected rates of subject recruitment and enrollment rates in clinical trials;
- difficulty in retaining subjects for the entire duration of applicable clinical studies (as study subjects may withdraw at any time due to adverse side effects from the therapy, insufficient efficacy, fatigue with the clinical trial process or for any other reason);
- delays or inability in manufacturing or obtaining sufficient quantities of materials for use in clinical trials due to regulatory and manufacturing constraints;
- inadequacy of or changes in our manufacturing process or product candidate formulation;
- delays in obtaining regulatory authorizations, such as INDs and any others that must be obtained, maintained, and/or satisfied to commence a clinical trial, including “clinical holds” or delays requiring suspension or termination of a trial by a regulatory agency, such as the FDA, before or after a trial is commenced;

- changes in applicable regulatory policies and regulation, including changes to requirements imposed on the extent, nature or timing of studies;
- delays or failure in reaching agreement on acceptable terms in clinical trial contracts or protocols with prospective clinical trial sites;
- uncertainty regarding proper dosing;
- delay or failure to supply product for use in clinical trials which conforms to regulatory specification;
- unfavorable results from ongoing preclinical studies and clinical trials;
- failure of our CROs, or other third-party contractors to comply with all contractual requirements or to perform their services in a timely or acceptable manner;
- failure by us, our employees, our CROs or their employees to comply with all applicable FDA or other regulatory requirements relating to the conduct of clinical trials;
- scheduling conflicts with participating clinicians and clinical institutions;
- failure to design appropriate clinical trial protocols;
- regulatory concerns with cannabinoid products or psychedelics, generally, and the potential for abuse;
- insufficient data to support regulatory approval;
- inability or unwillingness of medical investigators to follow our clinical protocols;
- difficulty in maintaining contact with patients during or after treatment, which may result in incomplete data;
- any clinical holds placed on company by regulatory agencies during review process;
- delay or failure to supply psychedelic product for use in clinical trials due to cross-border or inter-continental shipment or customs handling and processing of controlled substances; or
- difficulty finding clinical trials sites whose investigators possess the requisite credentials to oversee clinical trials involving a Schedule I substance.

Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Certain third-parties we rely on to conduct our operations are subject to regulatory requirements

We rely on third parties to conduct our preclinical studies and expect to use clinical studies in the future. We rely on CROs and clinical data management organizations to design, conduct, supervise and monitor our preclinical studies and clinical trials. We and our CROs are required to comply with various regulations, including GCP, which are enforced by regulatory agencies, to ensure that the health, safety and rights of patients are protected in clinical development and clinical trials, and that trial data integrity is assured. Regulatory authorities ensure compliance with these requirements through periodic inspections of trial sponsors, principal investigators and trial sites. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. If we or any of our CROs fail to comply with applicable requirements, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or other comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. Because we rely on third parties, our internal capacity to perform these functions is limited. Outsourcing these functions involves risk that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all.

We rely on third parties to supply the materials for, and manufacture, our research and development, and preclinical and clinical trial supplies and APIs, and we expect to continue to rely on third-party manufacturers if we receive regulatory approval for any product candidate. To the extent that we have existing, or enter into future, manufacturing arrangements with third parties, we will depend on these third parties to perform their obligations in a timely manner consistent with contractual and regulatory requirements, including those related to quality control and assurance.

Difficulty or delays in enrolling patients in clinical trials may result in delay or prevention of necessary regulatory approvals.

If we are unable to locate and enroll a sufficient number of eligible patients to participate in our clinical trials for our product candidates as required by the FDA or similar regulatory authorities outside the United States, we may not be able to initiate or conduct our trials. Our inability to enroll a sufficient number of patients for our trials would result in significant delays could require us to postpone or abandon clinical trials. Enrollment delays may result in increased development costs for our product candidates.

Any failure by us to comply with existing regulations could harm our reputation and operating results.

We are subject to extensive regulation by U.S. federal and state and foreign governments in each of the U.S., European and Canadian markets, in which we plan to sell our product candidates. We must adhere to all regulatory requirements, including FDA's Good Laboratory Practice ("GLP"), GCP, and GMP requirements, pharmacovigilance requirements, advertising and promotion restrictions, reporting and recordkeeping requirements, and their European equivalents. If we or our suppliers fail to comply with applicable regulations, including FDA pre-or post-approval requirements, then the FDA or other foreign regulatory authorities could sanction our Company. Even if a drug is approved by the FDA or other competent authorities, regulatory authorities may impose significant restrictions on a product's indicated uses or marketing or impose ongoing requirements for potentially costly post-marketing trials.

Any of our product candidates which may be approved in the U.S. will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, distribution, import, export, advertising, promotion, sampling, recordkeeping and submission of safety and other post-market information, including both federal and state requirements. In addition, manufacturers and manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to GMP. As such, we and our contract manufacturers (in the event contract manufacturers are appointed in the future) are subject to continual review and periodic inspections to assess compliance with GMP. Accordingly, we and others with whom we work will have to spend time, money and effort in all areas of regulatory compliance, including manufacturing, production, quality control and quality assurance. We will also be required to report certain adverse reactions and production problems, if any, to the FDA, and to comply with requirements concerning advertising and promotion for our products. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved label. Similar restrictions and requirements exist in the European Union and other markets where we operate.

If a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, or disagrees with the promotion, marketing or labeling of the product, it may impose restrictions on that product or on us, including requiring withdrawal of the product from the market. If we fail to comply with applicable regulatory requirements, a regulatory agency or enforcement authority may:

- issue warning letters;
- impose civil or criminal penalties;
- suspend regulatory approval;
- suspend any of our ongoing clinical trials;
- refuse to approve pending applications or supplements to approved applications submitted by us;
- impose restrictions on our operations, including by requiring us to enter in to a Corporate Integrity Agreement or closing our contract manufacturers' facilities, if any; or
- seize or detain products or require a product recall.

We may be 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.

If we successfully complete the requisite preclinical and clinical testing, make the required regulatory submissions and obtain any corresponding authorizations or licenses (as applicable), fulfill all other applicable development-related regulatory obligations, and, eventually, obtain FDA approval to market one or more of our current or future product candidates in the United States, we may be subject to certain healthcare laws and regulations. In both the U.S. and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could impact our ability to sell our future product candidates. If we are found to be in violation of any of these laws or any other federal, state or foreign regulations, we may be subject to administrative, civil and/or criminal penalties, damages, fines, individual imprisonment, exclusion from federal health care programs and the restructuring of our operations. Any of these could have a material adverse effect on our business and financial results. Since many of these laws have not been fully interpreted by the courts, there is an increased risk that we may be found in violation of one or more of their provisions. Any action against us for violation of these laws, even if we are ultimately successful in our defense, will cause us to incur significant legal expenses and divert our management's attention away from the operation of our business. In addition, in many foreign countries, particularly the countries of the European Union, the pricing of prescription drugs is subject to government control.

In some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, some European Union jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines but monitor and control company profits. Such differences in national pricing regimes may create price differentials between European Union member states. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our products.

Historically, products launched in the European Union do not follow price structures of the U.S.. In the European Union, the downward pressure on healthcare costs in general, particularly prescription medicines, has become intense. As a result, barriers to entry of new products are becoming increasingly high and patients are unlikely to use a drug product that is not reimbursed by their government.

We may face competition from lower-priced products in foreign countries that have placed price controls on pharmaceutical products. In addition, the importation of foreign products may compete with any future product that we may market, which could negatively impact our profitability.

Specifically in the U.S., we expect that the 2010 Affordable Care Act ("ACA"), as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we may receive for any approved product. There have been judicial challenges to certain aspects of the ACA and numerous legislative attempts to repeal and/or replace the ACA in whole or in part, and we expect there will be additional challenges and amendments to the ACA in the future. At this time, the full effect that the ACA will have on our business in the future remains unclear. An expansion in the government's role in the U.S. healthcare industry may cause general downward pressure on the prices of prescription drug products, lower reimbursements or any other product for which we obtain regulatory approval, reduce product utilization and adversely affect our business and results of operations. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. Several states have adopted or are considering adopting laws that require pharmaceutical companies to provide notice prior to raising prices and to justify price increases. We expect that additional healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, and in turn could significantly reduce the projected value of certain development projects and reduce our profitability. The implementation of such cost containment measures and other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize any of our future product candidates for which we may receive regulatory approval.

There is a high rate of failure for drug candidates proceeding through clinical trials.

We have no products on the market, and our new potential cannabinoid-based drug product candidates are currently either in preclinical development or the research and discovery phase. Accordingly, none of our prospective products or investigational candidates have ever been tested in a human subject. Our ability to achieve and sustain profitability with respect to our product candidates in which cannabinoids are featured as the active pharmaceutical ingredient depends on obtaining regulatory approvals for and, if approved, successfully commercializing our product candidates, either alone or with third parties. Before obtaining regulatory approval for the commercial distribution of our product candidates, we or an existing or future collaborator must conduct extensive preclinical tests and clinical trials to demonstrate the safety, purity and potency of our product candidates.

Generally, there is a high rate of failure for drug candidates proceeding through clinical trials. We may suffer significant setbacks in our clinical trials similar to the experience of a number of other companies in the pharmaceutical and biotechnology industries, even after receiving promising results in earlier trials. Further, even if we view the results of a clinical trial to be positive, the FDA or other regulatory authorities may disagree with our interpretation of the data. In the event that we obtain negative results from clinical trials for product candidates or other problems related to potential chemistry, manufacturing and control issues or other hurdles occur and our future product candidates are not approved, we may not be able to generate sufficient revenue or obtain financing to continue our operations, our ability to execute on our current business plan may be materially impaired, and our reputation in the industry and in the investment community might be significantly damaged. In addition, our inability to properly design, commence and complete clinical trials may negatively impact the timing and results of our clinical trials and ability to seek approvals for our drug candidates.

The testing, marketing and manufacturing of any new drug product for use in the United States will require approval from the FDA. We cannot predict with any certainty the amount of time necessary to obtain such FDA approval and whether any such approval will ultimately be granted. Preclinical and clinical trials may reveal that one or more products are ineffective or unsafe, in which event further development of such products could be seriously delayed or terminated. Moreover, obtaining approval for certain products may require testing on human subjects of substances whose effects on humans are not fully understood or documented. Delays in obtaining FDA or any other necessary regulatory approvals of any proposed drug and failure to receive such approvals would have an adverse effect on the drug's potential commercial success and on our business, prospects, financial condition and results of operations. In addition, it is possible that a proposed drug may be found to be ineffective or unsafe due to conditions or facts that arise after development has been completed and regulatory approvals have been obtained. In this event, we may be required to withdraw such proposed drug from the market. To the extent that our success will depend on any regulatory approvals from government authorities outside of the United States that perform roles similar to that of the FDA, uncertainties similar to those stated above will also exist.

Serious adverse events or other safety risks could require us to abandon development and preclude, delay or limit approval of our prospective products or current or future product candidates, limit the scope of any approved label or market acceptance, or cause the recall or loss of marketing approval of products that are already marketed.

If any of our prospective products or current or future product candidates, prior to or after any approval for commercial sale, cause serious or unexpected side effects, or are associated with other safety risks such as misuse, abuse or diversion, a number of potentially significant negative consequences could result, including:

- regulatory authorities may interrupt, delay or halt clinical trials;
- regulatory authorities may deny regulatory approval of our future product candidates;
- regulatory authorities may require certain labeling statements, such as warnings or contraindications or limitations on the indications for use, and/or impose restrictions on distribution in the form of a Risk Evaluation and Mitigation Strategy (“REMS”) in connection with approval or post-approval;
- regulatory authorities may withdraw their approval, require more onerous labeling statements, impose a more restrictive REMS, or require it to recall any product that is approved;
- we may be required to change the way the product is administered or conduct additional clinical trials;
- our relationships with our collaboration partners may suffer;
- we could be sued and held liable for harm caused to patients; or
- our reputation may suffer. The reputational risk is heightened with respect to those of our future product candidates that are being developed for pediatric indications.

We may voluntarily suspend or terminate our clinical trials if at any time we believe that the product candidates present an unacceptable risk to participants, or if preliminary data demonstrates that our future product candidates are unlikely to receive regulatory approval or unlikely to be successfully commercialized.

After completing preclinical testing and obtaining the requisite regulatory authorizations, as applicable, we may voluntarily suspend or terminate our clinical trials for any number of reasons, including if we believe that a product's use, or a person's exposure to it, may cause adverse health consequences or death. In addition, regulatory agencies, IRBs or data safety monitoring boards may at any time recommend the temporary or permanent discontinuation of our clinical trials or request that we cease using investigators in the clinical trials if they believe that the clinical trials are not being conducted in accordance with applicable regulatory requirements, or that they present an unacceptable safety risk to participants. Although we have never been asked by a regulatory agency, IRB or data safety monitoring board to temporarily or permanently discontinue a clinical trial, if we elect or are forced to suspend or terminate a clinical trial of any of our future product candidates, the commercial prospects for that product will be harmed and our ability to generate product revenue from that product may be delayed or eliminated. Furthermore, any of these events may result in labeling statements such as warnings or contraindications.

In addition, such events or labeling could prevent us or our partners from achieving or maintaining market acceptance of the affected product and could substantially increase the costs of commercializing our future product candidates and impair our ability to generate revenue from the commercialization of these products either by us or by our collaboration partners.

The success of our prospective product candidates and any naturally derived or synthetic cannabinoid-containing candidates we may develop or approved products we may market, if any, in the future, is subject to a number of constantly-evolving state and federal laws, regulations, and enforcement policies pertaining to CBD, THC, and/or cannabis more generally.

The Agriculture Improvement Act of 2018, or the "2018 Farm Bill," was signed into law on December 20, 2018. This 2018 Farm Bill expressly excluded "hemp" from the federal CSA's definition of marijuana and, accordingly, declassified substances derived from or containing any part(s) of the cannabis plant containing not more than 0.3% THC on a dry-weight basis from Schedule I. In effect, the 2018 Farm Bill legalized the cultivation and commercial sale of hemp in the United States, subject to applicable state laws and regulations and applicable FDCA provisions and regulations interpreted and enforced by the FDA.

Notwithstanding the removal of hemp from Schedule I of the CSA, the 2018 Farm Bill did not alter the FDA's authority to regulate products containing cannabis or cannabis-derived compounds under the FDCA. Currently, any therapeutic product containing cannabidiol or other cannabinoids must demonstrate safety and efficacy for the applicable intended use(s) via the FDA's new-drug approval process to be lawfully marketed in the United States. We currently intend to pursue FDA approval via the NDA pathway for all cannabinoid candidates we may develop. To date, the FDA has only approved one drug with a naturally derived cannabinoid as the active ingredient and three drugs containing synthetic cannabinoids. There can be no assurance that our product candidates containing cannabinoids (as the active drug ingredient(s)) will be similarly approved for commercialization in the United States at any time in the near or distant future.

State and federal laws pertaining to cannabis, including those relating to hemp and CBD, as well as those governing marijuana for medical and/or recreational uses, as applicable, are broad in scope and subject to evolving interpretations, and we could ultimately incur substantial costs in connection with determining the applicability of the various, overlapping laws and regulations in this area and compliance. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to our current or future cannabinoid-related operations. We cannot predict the nature of any future laws, regulations, interpretations, or applications, pertaining to any cannabinoids with which we may work in connection with the development and/or marketing of any drug products we may develop and/or market.

While we believe that the 2018 Farm Bill and analogous state legislation has reduced the amount of DEA oversight of hemp-derived cannabinoids, this is a rapidly evolving area of U.S. law and substantial uncertainty remains as to the future of federal and state regulation of cannabinoid products. Any regulations the FDA issues relating to the sale, marketing, and/or other activities involving cannabinoid or certain cannabinoid-containing products could have a material adverse effect on our business, financial condition, and results of operations.

Costs associated with compliance with numerous laws and regulations could impact our financial results. In addition, we could become subject to increased enforcement and/or litigation risks associated with the CBD industry.

The manufacture, labeling and distribution of products containing CBD or other cannabinoids is governed by various federal, state and local agencies. To the extent we are able to successfully commercialize any of our currently contemplated product candidates via the FDA's NDA approval pathway, the presence of cannabinoids as active or inactive ingredients, as applicable, may give rise to heightened regulatory scrutiny and greater risk of consumer litigation, either of which could further restrict the permissible scope of our marketing claims about such products or our ability to sell them in the United States at all. The shifting compliance environment and the need to build and maintain robust systems to comply with different hemp or CBD-related regulations in jurisdictions may increase costs and/or the risk that we may violate one or more applicable regulatory requirements. If our operations, or any of our activities or prospective products, are found to be in violation of any such laws or any other governmental regulations that apply to the manufacture, distribution, or sale of prescription drug products, generally, and to products containing hemp or CBD, we may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business or our financial results.

Failure to comply with any applicable FDA requirements, relating to CBD or otherwise, may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. Our advertising is also subject to regulation by the Federal Trade Commission (the "FTC") under the Federal Trade Commission Act. Additionally, analogous state advertising and labeling laws are often enforced by state attorneys general, and any state or federal enforcement action based on potentially misleading or deceptive advertising is often followed by costly class-action complaints under state consumer-protection laws.

The FDA, on its own and in collaboration with the FTC, has issued numerous warning letters to companies offering for sale of topical, oral, and other types of products containing CBD, which were not approved under the FDA's NDA process, in response to their making unsubstantiated claims on product webpages, online stores, and social media websites about the products' purported therapeutic or other drug-like benefits in connection with CBD or other cannabinoids. The FDA deemed that companies "used these online platforms to make unfounded, egregious claims about their products' ability to limit, treat or cure cancer, neurodegenerative conditions, autoimmune diseases, opioid use disorder, and other serious diseases, without sufficient evidence and the legally required FDA approval."

The FDA has continuously demonstrated its commitment to taking action against companies making medical claims about products containing CBD (as the active ingredient), as selling unapproved products with unsubstantiated therapeutic claims can put patients and consumers at risk. The FDA does not believe CBD has been shown to be safe and effective for any therapeutic use, except as used in Epidiolex, the only new drug containing CBD that has been approved by FDA under the NDA process, which was approved for the treatment of seizures associated with Lennox-Gastaut syndrome or Dravet syndrome in patients 2 years of age and older. The agency's principal concern with CBD products on the market that are unlawfully claiming to treat serious medical conditions is that deceptive marketing of unproven treatments may keep some patients from accessing appropriate, recognized therapies to treat serious and even fatal diseases. Additionally, because they are not evaluated by the FDA, there may be other ingredients that are not disclosed, which may be harmful.

The FDA has pledged to continue to monitor the marketplace and take enforcement action as-needed to protect the public against companies illegally selling products containing CBD as the active ingredient, claiming to prevent, diagnose, treat, or cure serious diseases, such as cancer, Alzheimer's disease, psychiatric disorders and diabetes; illegally selling cannabis and cannabis-derived products that can put consumers at risk; and marketing and distributing such products in violation of the FDA's authorities.

Negative public perception of hemp and cannabinoid-related businesses, misconceptions about the nature of our business and regulatory uncertainties could have a material adverse effect on our business, financial condition, and results of operations.

We believe the cannabinoid industry is highly dependent upon consumer perception regarding the safety, efficacy, quality, and legality of cannabinoid, whether derived from hemp or marijuana. Consumer perception of cannabinoid products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of cannabinoid products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favorable to the cannabinoid market or any particular product, or consistent with earlier publicity. Our dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention, or other publicity relating to cannabinoid products, generally or any particular cannabinoid products or derivatives, in particular, regardless of merit or accuracy, could have a material adverse effect on our business, the demand for our product candidates or any products for which we obtain regulatory approval in the future. Such adverse publicity or other negative media attention could arise even if the adverse effects reportedly associated with such products resulted from consumers' failure to consume such products appropriately or as directed. Any adverse publicity or other similar occurrences affecting consumer perception may have a material adverse impact on our reputation, perception of our product candidates, our ability to obtain the necessary regulatory approvals for our product candidates, and the commercial viability of the products for which regulatory approval is obtained in the future, if any.

Regulatory risks related to Psychedelic Derivatives

Successful execution of our strategy is contingent, in part, upon compliance with regulatory requirements from time to time enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the development and license of our Psychedelic Derivatives. Health Canada and the FDA have not yet determined whether our Psychedelic Derivatives will be scheduled as controlled substances. The psychedelic therapy industry is a new and emerging industry with ambiguous existing regulations and uncertainty as to future regulations; We cannot predict the impact of the ever-evolving compliance regime in respect of this industry. In the event Health Canada or the FDA determine that our Psychedelic Derivatives are controlled substances and therefore, require regulatory approval, to the extent that we produce Psychedelic Derivatives, we will be required to obtain such regulatory approval.

Further, we may not be able to predict the time required to secure all appropriate regulatory approvals for our Psychedelic Derivatives, or the extent of testing and documentation that may, from time to time, be required by governmental authorities. The impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, our business and Psychedelic Derivatives, and licensing initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

We will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or result in restrictions on our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

Our management will be required to devote a substantial time to comply with public company regulations.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as rules implemented by the SEC and Nasdaq, impose various requirements on public companies, including those related to corporate governance practices. Our management and other personnel must devote a substantial amount of time to these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time consuming and costly.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with these requirements will require that we incur substantial accounting and related expenses and expend significant management efforts. We will likely need to hire additional accounting and financial staff to satisfy the ongoing requirements of Section 404 of the Sarbanes-Oxley Act. The costs of hiring such staff may be material and there can be no assurance that such staff will be immediately available to us. Moreover, if we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act, or if we identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, investors could lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities, which could require additional financial and management resources.

We have identified a material weakness in our internal control over financial reporting. If we are unable to remediate the material weakness, or if we experience additional material weaknesses in the future, our business may be harmed.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on the effectiveness of our system of internal control. Internal control over financial reporting is a process used to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles in the United States. As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. In particular, we are required to certify our compliance with Section 404 of the Sarbanes-Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting.

Our management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2022 and concluded our internal control over financial reporting was not effective as of December 31, 2022 due to the material weakness related to segregation of duties. As of December 31, 2022, there were control deficiencies which constituted a material weakness in our internal control over financial reporting. Management has taken, and is taking steps to strengthen our internal control over financial reporting: we have conducted evaluation of the material weakness to determine the appropriate remedy and have established procedures for documenting disclosures and disclosure controls.

Due to the small size of our Company, we do not maintain sufficient segregation of duties to ensure the processing, review and authorization of all transactions including non-routine transactions. While we have taken certain actions to address the material weaknesses identified, additional measures may be necessary as we work to improve the overall effectiveness of our internal controls over financial reporting.

Remediation efforts place a significant burden on management and add increased pressure to our financial resources and processes. If we are unable to successfully remediate our existing material weakness or any additional material weaknesses in our internal control over financial reporting that may be identified in the future in a timely manner, the accuracy and timing of our financial reporting may be adversely affected; our liquidity, our access to capital markets, the perceptions of our creditworthiness may be adversely affected; we may be unable to maintain or regain compliance with applicable securities laws, the listing requirements of the Nasdaq Stock Market; we may be subject to regulatory investigations and penalties; investors may lose confidence in our financial reporting; our reputation may be harmed; and our stock price may decline.

Tax risk

We are subject to various taxes in either the United States or Canada or both, including, without limitation, the following: income taxes, payroll taxes, workers compensation, goods and services tax, sales tax, and land transfer tax. Our tax filings will be subject to audit by various taxation authorities. While we intend to base its tax filings and compliance on the advice of our tax advisors, there can be no assurance that our tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

Risks Related to Our Intellectual Property

We may not be able to adequately protect or enforce our intellectual property rights, which could harm our competitive position.

We currently hold full or limited rights to several patents as an in-licensee covering the use of CBD including with current cancer treatments, both broadly, as well as for specific cancer types. Our success will depend, in part, on our ability to obtain additional patents, protect our trade secrets and operate without infringing on the proprietary rights of others. We rely upon a combination of patents, trade secret protection (i.e., know-how), and confidentiality agreements to protect the intellectual property of our future product candidates. The strengths of patents in the pharmaceutical field involve complex legal and scientific questions and can be uncertain. Where appropriate, we seek patent protection for certain aspects of our products and technology. Filing, prosecuting and defending patents globally can be prohibitively expensive.

Our policy is to look to patent technologies with commercial potential in jurisdictions with significant commercial opportunities. However, patent protection may not be available for some of the products or technology we are developing. If we must spend significant time and money protecting, defending or enforcing our patents, designing around patents held by others or licensing, potentially for large fees, patents or other proprietary rights held by others, our business, results of operations and financial condition may be harmed. We may not develop additional proprietary products that are patentable.

The patent positions of pharmaceutical products are complex and uncertain. The scope and extent of patent protection for our future product candidates are particularly uncertain. Our future product candidates will be based on medicinal chemistry instead of cannabis plants. While we have sought patent protection, where appropriate, directed to, among other things, composition-of-matter for our specific formulations, their methods of use, and methods of manufacture, we do not have and will not be able to obtain composition of matter protection on these previously known CBD derivatives per se. Although we have sought, and will continue to seek, patent protection in the U.S., Europe and other countries for our proprietary technologies, future product candidates, their methods of use, and methods of manufacture, any or all of them may not be subject to effective patent protection. If any of our products is approved and marketed for an indication for which we do not have an issued patent, our ability to use our patents to prevent a competitor from commercializing a non-branded version of our commercial products for that non-patented indication could be significantly impaired or even eliminated.

Publication of information related to our future product candidates by us or others may prevent us from obtaining or enforcing patents relating to these products and product candidates. Furthermore, others may independently develop similar products, may duplicate our products, or may design around our patent rights. In addition, any of our issued patents may be opposed and/or declared invalid or unenforceable. If we fail to adequately protect our intellectual property, we may face competition from companies who attempt to create a generic product to compete with our future product candidates. We may also face competition from companies who develop a substantially similar product to our future product candidates that is not covered by any of our patents.

Many companies have encountered significant problems in protecting, defending and enforcing intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property rights, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

Our success depends on our ability to obtain additional intellectual property and operate without infringing the proprietary rights of others. Infringement claims by third parties may result in liability for damages or prevent or delay our developmental and commercialization efforts.

Our success and ability to compete depend in part on our ability to obtain additional patents, protect our trade secrets, and operate without infringing on the proprietary rights of others. If we fail to adequately protect our intellectual property, we may face competition from companies who develop a substantially similar product to our future product candidates that is not covered by any of our intellectual property. Many companies have encountered significant problems in protecting, defending, and enforcing intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property rights, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of our intellectual property and other proprietary rights. There is also a substantial amount of litigation, both within and outside the U.S., involving patent and other intellectual property rights in the pharmaceutical industry. We may, from time to time, be notified of claims that we are infringing upon the proprietary rights of third parties, and we cannot provide assurances that other companies will not, in the future, pursue such infringement claims against it, our commercial partners, or any third-party proprietary technologies we have licensed.

We may be unsuccessful in licensing additional intellectual property to develop new product candidates.

We may in the future seek to in-license additional intellectual property that we believe could complement or expand our product candidates or otherwise offer growth opportunities. The pursuit of such licenses may cause us to incur various expenses in identifying, investigating and pursuing suitable intellectual property. If we acquire additional intellectual property to develop new therapeutic product candidates, we may not be able to realize anticipated cost savings or synergies.

If third parties claim that intellectual property used by us infringes upon their intellectual property, our operating profits could be adversely affected.

There is a substantial amount of litigation, both within and outside the U.S., involving patent and other intellectual property rights in the pharmaceutical industry. We may, from time to time, be notified of claims that we are infringing upon patents, trademarks, copyrights or other intellectual property rights owned by third parties, and we cannot provide assurances that other companies will not, in the future, pursue such infringement claims against us, our commercial partners or any third-party proprietary technologies we have licensed. If we were found to infringe upon a patent or other intellectual property right, or if we failed to obtain or renew a license under a patent or other intellectual property right from a third party, or if a third party that we were licensing technologies from was found to infringe upon a patent or other intellectual property rights of another third party, we may be required to pay damages, including damages of up to three times the damages found or assessed, if the infringement is found to be willful, suspend the manufacture of certain products or reengineer or rebrand our products, if feasible, or we may be unable to enter certain new product markets. Any such claims could also be expensive and time-consuming to defend and divert management's attention and resources. Our competitive position could suffer as a result. In addition, if we have declined or failed to enter into a valid non-disclosure or assignment agreement for any reason, we may not own the invention or our intellectual property, and our products may not be adequately protected. Thus, we cannot guarantee that any of our future product candidates, or our commercialization thereof, does not and will not infringe any third party's intellectual property.

If we are not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of our technology and products could be significantly diminished.

We rely on trade secrets to protect our proprietary technologies, especially where it does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our current and former employees, consultants, outside scientific collaborators, sponsored researchers, contract manufacturers, vendors and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, we cannot guarantee that we have executed these agreements with each party that may have or have had access to our trade secrets. Any party with whom we or they have executed such an agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches.

Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they disclose such trade secrets, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor or other third-party, our competitive position would be harmed.

We may not be able to protect our intellectual property rights effectively outside of the United States.

Filing, prosecuting and defending patents on all of our product candidates throughout the world would be prohibitively expensive. Therefore, we choose to file applications and/or obtained patents only in key markets. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may be able to export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as that in the United States. These products may compete with our products in jurisdictions where we do not have any issued patents and/or our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to pharmaceuticals, which could make it difficult to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in certain foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business and could be unsuccessful.

Our financial condition would be adversely impacted if our intangible assets become impaired

Intangibles are evaluated quarterly and are tested for impairment at least annually or when events or changes in circumstances indicate the carrying value of each segment, and collectively the Company taken as a whole, might exceed its fair value. If we determine that the value of our intangible assets is less than the amounts reflected on our balance sheet, we will be required to reflect an impairment of our intangible assets in the period in which such determination is made. An impairment of our intangible assets would result in our recognizing an expense in the amount of the impairment in the relevant period, which would also result in the reduction of our intangible assets and a corresponding reduction in our stockholders' equity in the relevant period.

Risks Related to the Ownership of Our Common Stock

The market price of our common stock may be subject to significant fluctuations and volatility, and our stockholders may be unable to resell their shares at a profit and incur losses.

The market price our common stock could be subject to significant fluctuation. Market prices for securities of life sciences and biopharma companies in particular have historically been particularly volatile and have shown extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors, as well as general economic, political and market conditions such as recessions or interest rate changes, may seriously affect the market price of our common stock, regardless of our actual operating performance. Some of the factors that may cause the market price of our common stock to fluctuate include, without limitation,:

- investors react negatively to the effect on our business and prospects;
- the announcement of new products, new developments, services or technological innovations by us or our competitors;
- actual or anticipated quarterly increases or decreases in revenue, gross margin or earnings, and changes in our business, operations or prospects;
- announcements relating to strategic relationships, mergers, acquisitions, partnerships, collaborations, joint ventures, capital commitments, or other events by us or our competitors;
- conditions or trends in the life sciences and biopharma industries;
- changes in the economic performance or market valuations of other life sciences and biopharma companies;
- general market conditions or domestic or international macroeconomic and geopolitical factors unrelated to our performance or financial condition;
- sale of our common stock by stockholders, including executives and directors;
- volatility and limitations in trading volumes of our common stock;
- volatility in the market prices and trading volumes of companies in the life sciences and biopharma industries;
- our ability to finance our business;
- ability to secure resources and the necessary personnel to pursue our plans;
- failures to meet external expectations or management guidance;
- changes in our capital structure or dividend policy, future issuances of securities, sales or distributions of large blocks of common stock by stockholders;
- our cash position;
- announcements and events surrounding financing efforts, including debt and equity securities;
- analyst research reports, recommendation and changes in recommendations, price targets, and withdrawals of coverage;

- departures and additions of key personnel;
- disputes and litigation related to intellectual properties, proprietary rights, and contractual obligations;
- investigations by regulators into our operations or those of our competitors;
- changes in applicable laws, rules, regulations, or accounting practices and other dynamics; and
- other events or factors, many of which may be out of our control.

In the past, following periods of volatility in the overall market and the market prices of particular companies' securities, securities class action litigations have often been instituted against these companies. Litigation of this type, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources. Any adverse determination in any such litigation or any amounts paid to settle any such actual or threatened litigation could require that we make significant payments.

Moreover, the COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent months. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on our ability to access capital, on our business, results of operations and financial condition, and on the market price of our common stock.

We may issue additional equity securities in the future, which may result in dilution to existing investors.

To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may, from time to time, sell additional equity securities in one or more transactions at prices and in a manner we determine. If we sell additional equity securities, existing stockholders may be materially diluted. New investors could gain rights superior to existing stockholders, such as liquidation and other preferences. In addition, the number of shares available for future grant under our equity compensation plans may be increased in the future. Also, the exercise or conversion of outstanding options or warrants to purchase shares of capital stock may result in dilution to our stockholders upon any such exercise or conversion.

Certain stockholders could attempt to influence changes within our Company which could adversely affect our operations, financial condition and the value of our common stock.

Our stockholders may from time to time seek to acquire a controlling stake in our Company, engage in proxy solicitations, advance stockholder proposals or otherwise attempt to effect changes. Campaigns by stockholders to effect changes at publicly-traded companies are sometimes led by investors seeking to increase short-term stockholder value through actions such as financial restructuring, increased debt, special dividends, stock repurchases or sales of assets or the entire company. Responding to proxy contests and other actions by activist stockholders can be costly and time-consuming and could disrupt our operations and divert the attention of our board of directors and senior management from the operation of our business. These actions could adversely affect our operations, financial condition and the value of our common stock.

If securities analysts do not publish research or reports about our business, or if they publish negative evaluations, the price of our common stock could decline.

The trading market for our common stock will rely in part on the availability of research and reports that third-party industry or financial analysts publish about our Company. There are many large, publicly traded companies active in the life sciences and biopharma industries, which may mean it will be less likely that we receive widespread analyst coverage. Furthermore, if one or more of the analysts who do cover us downgrade our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our Company, we could lose visibility in the market, which in turn could cause our stock price to decline.

We may be required to take write-downs or write-offs, restructuring and impairment or other charges in connection with the Offer that could have a significant negative effect on our financial condition, results of operations and stock price, which could cause you to lose some or all of your investment.

Although Ameri and Jay Pharma conducted due diligence on each other prior to the completion of the Offer, there can be no assurances that their diligence revealed all material issues that may be present in the other company's business, that all material issues through a customary amount of due diligence will be uncovered, or that factors outside of our control will not later arise. As a result, we may be forced to write-down or write-off assets, restructure operations, or incur impairment or other charges that could result in losses. Even if due diligence successfully identifies certain risks, unexpected risks may arise, and previously known risks may materialize in a manner not consistent with each company's preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about our securities. In addition, charges of this nature may make future financing difficult to obtain on favorable terms or at all.

Anti-takeover provisions under Delaware corporate law may make it difficult for our stockholders to replace or remove our board of directors and could deter or delay third parties from acquiring our Company, which may be beneficial to our stockholders.

Under our Amended and Restated Certificate of Incorporation, we are subject to the anti-takeover provisions of the Delaware General Corporation Law ("DGCL"), including Section 203 of the DGCL. Under these provisions, if anyone becomes an "interested stockholder," we may not enter into a "business combination" with that person for three (3) years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203 of the DGCL, "interested stockholder" means, generally, someone owning fifteen percent (15%) or more of our outstanding voting stock or an affiliate of ours that owned fifteen percent (15%) or more of our outstanding voting stock during the past three (3) years, subject to certain exceptions as described in Section 203 of the DGCL.

We do not anticipate paying any cash dividends in the foreseeable future.

The current expectation is that we will retain our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be our stockholders' sole source of gain, if any, for the foreseeable future.

In the event that we fail to satisfy any of the listing requirements of Nasdaq, our common stock may be delisted, which could affect our market price and liquidity.

Our common stock is listed on Nasdaq. For continued listing on Nasdaq, we will be required to comply with the continued listing requirements, including the minimum market capitalization standard, the corporate governance requirements and the minimum closing bid price requirement, among other requirements. On February 18, 2022, we received a letter from the Listing Qualifications Department of Nasdaq indicating that, based upon the closing bid price of the Company's common stock for the 30 consecutive business day period between January 5, 2022, through February 17, 2022, the Company did not meet the minimum bid price of \$1.00 per share required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). On July 29, 2022, we received a letter from the Nasdaq staff stating that for the last 10 consecutive business days, from July 15 to July 28, 2022, the closing bid price of our common stock had been at \$1.00 per share or greater. Accordingly, we regained compliance with Listing Rule 5550(a)(2).

In the event that we fail to satisfy any of the listing requirements of Nasdaq, our common stock may be delisted. If we are unable to list on Nasdaq, we would likely be more difficult to trade in or obtain accurate quotations as to the market price of our common stock. If our common stock is delisted from trading on Nasdaq, and we are not able to list our common stock on another exchange or to have it quoted on Nasdaq, our securities could be quoted on the OTC Bulletin Board or on the "pink sheets." As a result, we could face significant adverse consequences including, without limitation,:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage for our Company; and
- a decreased ability to issue additional securities (including pursuant to short-form registration statements on Form S-3 or obtain additional financing in the future).

We may not be able to maintain an active trading market for our common stock.

The listing of our common stock on Nasdaq does not assure that a meaningful, consistent and liquid trading market exists. If an active market for our common stock does continue, it may be difficult for investors to sell their shares without depressing the market price for the shares or at all.

We maintain our cash at financial institutions, often in balances that exceed federally insured limits.

The majority of our cash is held in accounts at U.S. banking institutions that we believe are of high quality. Cash held in non-interest-bearing and interest-bearing operating accounts may exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. If such banking institutions were to fail, we could lose all or a portion of those amounts held in excess of such insurance limitations. While the FDIC took control of one such banking institution, Silicon Valley Bank (“SVB”), on March 10, 2023, and the FDIC also took control of Signature Bank (“Signature Bank”) on March 12, 2023, we did not have any accounts with SVB or Signature Bank and therefore did not experience any specific risk of loss. The FDIC also announced that account holders would be made whole. Thus, we do not view the risk as material to our financial condition. However, as the FDIC continues to address the situation with SVB, Signature Bank and other similarly situated banking institutions, the risk of loss in excess of insurance limitations has generally increased. Any material loss that we may experience in the future could have an adverse effect on our ability to pay our operational expenses or make other payments and may require us to move our accounts to other banks, which could cause a temporary delay in making payments to our vendors and employees and cause other operational inconveniences.

There are risks associated with the completion of the planned spin-off of our cannabinoid clinical development business.

As previously announced, we plan to conduct a Spin-Off of our cannabinoid clinical development business into Akos Biosciences, Inc., which will operate independently as a publicly listed company. There is no assurance we will be able to successfully complete the Spin-Off. In the event the Company does not complete the Spin-Off, it could incur write-offs related to the legal, tax and regulatory costs of the transaction.

The put right we granted to the investor in Akos if the spin-off has not occurred by May 5, 2023 may have an adverse impact on us.

On May 5, 2022, Akos issued 1,000 shares of Series A Preferred Stock to an investor. The Akos Series A Preferred Certificate of Designations provides that upon the earlier of (i) the one-year anniversary of May 5, 2022, and only in the event that the Spin-Off has not occurred; or (ii) such time that Akos and the Company have abandoned the Spin-Off or the Company is no longer pursuing the Spin-Off in good faith, the holder of the Akos Series A Preferred Stock shall have the right (the “Put Right”), but not the obligation, to cause Akos to purchase all or a portion of the Akos Series A Preferred Stock for a purchase price equal to \$1,000 per share, subject to certain adjustments as set forth in the Akos Series A Preferred Certificate of Designations, plus all the accrued but unpaid dividends per share. Pursuant to the Akos Purchase Agreement, the Company has guaranteed the payment of the purchase price for the shares purchased under the Put Right.

If the Spin-Off does not occur by May 5, 2023, the Put Right will be in effect and if exercised, it could adversely impact our liquidity and capital resources.

We may acquire businesses or products, or form strategic alliances, in the future, and may not realize the benefits of such acquisitions.

We may acquire additional businesses or products, form strategic alliances, or create joint ventures with third parties that we believe will complement or augment our existing business. If we acquire businesses with promising markets or technologies, we may not be able to realize the benefit of acquiring such businesses if we are unable to successfully integrate them with our existing operations and company culture. We may encounter numerous difficulties in developing, manufacturing, and marketing any new products resulting from a strategic alliance or acquisition that delay or prevent us from realizing their expected benefits or enhancing our business. There is no assurance that, following any such acquisition, we will achieve the synergies expected in order to justify the transaction, which could result in a material adverse effect on our business and prospects.

The Reverse Stock Split may decrease the liquidity of the shares of our common stock.

The liquidity of the shares of our common stock may be affected adversely by the Reverse Stock Split given the reduced number of shares that are outstanding following the Reverse Stock Split. In addition, the Reverse Stock Split would have increased the number of stockholders who own odd lots (less than 100 shares) of our common stock, creating the potential for such stockholders to experience an increase in the cost of selling their shares and greater difficulty effecting such sales.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our principal corporate office is located at 4851 Tamiami Trail N, Suite 200 Naples, FL 34103 and our Canadian office is located at 3655 36 Street NW Calgary, Alberta T2L1Y8. The Company believes our offices are in good condition and are sufficient to conduct our operations. Our principal corporate office is held under a month-to-month operating lease. Our Canadian office is held under an operating lease set to expire in July 2023.

Item 3. Legal proceedings

The Company is periodically involved in legal proceedings, legal actions and claims arising in the ordinary course of business. We do not have any pending litigation that, separately or in the aggregate, would, in the opinion of management, have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine safety disclosures

Not applicable.

PART II. OTHER INFORMATION

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

Market Information

Our common stock is traded on the Nasdaq Capital Markets under the symbol "ENVB".

Holders

On March 29, 2023 the Company had approximately 164 stockholders of record.

Dividends

The Company has never declared or paid cash dividends on its common stock and has no intention to do so in the foreseeable future.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 6. [Reserved]

Item 7. Management's discussion and analysis of financial condition and results of operations

References to the "Company," "our," "us," or "we" in this section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations of Enveric" refer to Enveric Biosciences, Inc. The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements involving risks and uncertainties and should be read together with the "Risk Factors" and the "Cautionary Statement Regarding Forward-Looking Statements" sections of this Annual Report on Form 10-K. Such risks and uncertainties could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Business Overview

We are a biotechnology company dedicated to the development of novel small-molecule therapeutics for the treatment of anxiety, depression, and addiction disorders. We seek to improve the lives of patients suffering from cancer, initially by developing palliative and supportive care products for people suffering from certain side effects of cancer and cancer treatment such as pain or skin irritation. We currently intend to offer such palliative and supportive care products in the United States, following approval through established regulatory pathways.

Psychedelics

Following our amalgamation with MagicMed completed in September 2021 (the "Amalgamation"), we have continued to pursue the development of MagicMed's proprietary psychedelic derivatives library, the Psybrary™ which we believe will help us to identify and develop the right drug candidates needed to address mental health challenges, including anxiety. We synthesize novel versions of classic psychedelics, such as psilocybin, N-dimethyltryptamine (DMT), mescaline and MDMA, using a mixture of chemistry and synthetic biology, resulting in the expansion of the Psybrary™, which includes 15 patent families with over a million potential variations and hundreds of synthesized molecules. Within the Psybrary™ we have three different types of molecules, Generation 1 (classic psychedelics), Generation 2 (pro-drugs), and Generation 3 (new chemical entities). The Company is working to add novel psychedelic molecular compounds and derivatives ("Psychedelic Derivatives") on a regular basis through our work at Enveric Labs in Calgary, Alberta, Canada, where we have a team of PhD scientists with expertise in synthetic biology and chemistry. To date we have created over 500 molecules that are housed in the Psybrary™.

We screen newly synthesized molecules in the Psybrary™ through PsyAI™, a proprietary artificial intelligence (AI) tool. Leveraging AI systems is expected to reduce the time and cost of pre-clinical, clinical, and commercial development. We believe it streamlines pharmaceutical design by predicting ideal binding structures of molecules, manufacturing capabilities, and pharmacological effects to help determine ideal drug candidates, tailored to each indication. Each of these molecules that we believe are patentable can then be further screened to see how changes to its makeup alter its effects in order to synthesize additional new molecules. New compounds of sufficient purity are undergoing pharmacological screening, including non-clinical (receptors/cell lines), preclinical (animal), and ultimately clinical (human) evaluations. We intend to utilize our Psybrary™ and the AI tool to categorize and characterize the Psybrary™ substituents to focus on bringing more psychedelics-inspired molecules from discovery to the clinical phase.

Cannabinoids

We aim to advance a pipeline of novel cannabinoid combination therapies for the side effects of cancer treatments, such as chemotherapy and radiotherapy.

We intend to bring together leading oncology clinicians, researchers, academic and industry partners to develop both external proprietary products and a robust internal pipeline of product candidates aimed at improving quality of life and outcomes for cancer patients. We intend to evaluate options to out-license our proprietary technology as it moves along the regulatory pathway.

In developing our product candidates, we intend to focus on cannabinoids derived from non-hemp botanical sources, and synthetic materials containing no tetrahydrocannabinol (THC) in order to comply with U.S. federal regulations. Of the potential cannabinoids to be used in therapeutic formulations, THC, which is responsible for the psychoactive properties of marijuana, can result in undesirable mood effects. Selected cannabidiol (CBD) and cannabigerol (CBG) candidates, on the other hand, have amounts of THC well below 0.1% and are not psychotropic and therefore more attractive candidates for translation into therapeutic practice. Drugs with less than 0.1% THC have a history, when approved as drugs by FDA, of being able to be rescheduled by DEA from Schedule I to Schedule V, as in the case of Epidiolex and Marinol. In the future, we may utilize cannabinoids that are derived from cannabis plants, which may contain higher amounts of THC; however, we only intend to do so in jurisdictions where THC is legal. However, synthetic THC is a Schedule I controlled substance; so, the use of any APIs (Active Pharmaceutical Ingredients) containing synthetic THC (or naturally derived THC in concentrations greater than 0.3%) may increase regulatory scrutiny and require additional expenses and authorizations. All current and future product candidates that we are developing or may develop will be tested for safety and efficacy under an IND application and subject to the Food and Drug Administration (“FDA”) pre-market approval process for new drugs.

While we continue to pursue the development of our cannabinoid-based product candidates, our principal focus is on the development of psychedelic-based treatments.

On May 11, 2022, the Company announced plans to transfer and spin-off its cannabinoid clinical development pipeline assets (the “Spin-Off”) to Akos Biosciences, Inc. (formerly known as Acanna Therapeutics, Inc.), a majority owned subsidiary of the Company (“Akos”). In connection with the Spin-Off, the Company would transfer its cannabinoid clinical development pipeline assets to Akos, while retaining its psychedelics clinical development pipeline assets.

Recent Developments

Reverse Stock Split

On July 14, 2022, the Company filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation (the “Certificate of Amendment”) with the Secretary of State of Delaware to effect a 1-for-50 reverse stock split of the shares of the Company’s common stock, par value \$0.01 per share (the “Common Stock”), either issued and outstanding or held by the Company as treasury stock, effective as of 4:05 p.m. (New York time) on July 14, 2022 (the “Reverse Stock Split”). The Company held a special meeting of stockholders (the “Special Meeting”), during which the Company’s stockholders approved the amendment to the Company’s Amended and Restated Certificate of Incorporation, as amended (the “Certificate of Incorporation”), to effect a reverse stock split of the Company’s common stock at a ratio in the range of 1-for-10 to 1-for-100, with such ratio to be determined by the Company’s board of directors (the “Board”) and included in a public announcement. Following the meeting, the Board determined to effect the Reverse Stock Split at a ratio of 1-for-50 and approved the corresponding final form of the Certificate of Amendment.

As a result of the Reverse Stock Split, every 50 shares of issued and outstanding Common Stock were automatically combined into one issued and outstanding share of Common Stock, without any change in the par value per share. No fractional shares were issued as a result of the Reverse Stock Split. Any fractional shares that would otherwise have resulted from the Reverse Stock Split were rounded up to the next whole number. The Reverse Stock Split reduced the number of shares of Common Stock outstanding from 52,684,548 shares to 1,054,043 shares. The number of authorized shares of Common Stock under the Certificate of Incorporation remained unchanged at 100,000,000 shares. All historical share and per share amounts reflected throughout this report have been adjusted to reflect the Reverse Stock Split described above.

Proportionate adjustments were made to the per share exercise price and the number of shares of Common Stock that may be purchased upon exercise of outstanding stock options granted by the Company, and the number of shares of Common Stock reserved for future issuance under the Company's 2020 Long-Term Incentive Plan.

February 2022 Offering

On February 15, 2022, we completed a public offering of 400,000 shares of Common Stock and warrants to purchase up to 400,000 shares of Common Stock for gross proceeds of approximately \$10 million, before deducting underwriting discounts and commissions and other offering expenses. A.G.P./Alliance Global Partners acted as sole book-running manager for the offering. In addition, we granted the underwriter a 45-day option to purchase up to an additional 60,000 shares of Common Stock and/or warrants to purchase up to an additional 60,000 shares of Common Stock at the public offering price, which the underwriter has partially exercised for warrants to purchase up to 60,000 shares of Common Stock. All the securities being sold in the offering were offered by Enveric. At closing, we received net proceeds from the offering of approximately \$9.1 million, after deducting underwriting discounts and commissions and estimated offering expenses with \$5.8 million allocated to equity, \$3.6 million to warrant liability and \$0.3 million recorded as an expense.

Series C Preferred Shares

On May 3, 2022, the Board of Directors (the "Board") declared a dividend of one one-thousandth of a share of the Company's Series C Preferred Stock ("Series C Preferred Stock") for each outstanding share of Common Stock held of record as of 5:00 p.m. Eastern Time on May 13, 2022 (the "Record Date"). This dividend was based on the number of outstanding shares of Common Stock prior to the Reverse Stock Split. The outstanding shares of Series C Preferred Stock were entitled to vote together with the outstanding shares of the Company's Common Stock, as a single class, exclusively with respect to a proposal giving the Board the authority, as it determines appropriate, to implement a reverse stock split within twelve months following the approval of such proposal by the Company's stockholders (the "Reverse Stock Split Proposal"), as well as any proposal to adjourn any meeting of stockholders called for the purpose of voting on the Reverse Stock Split Proposal (the "Adjournment Proposal").

The Company held a special meeting of stockholders on July 14, 2022 (the "Special Meeting") for the purpose of voting on, among other proposals, a Reverse Stock Split Proposal and an Adjournment Proposal. All shares of Series C Preferred Stock that were not present in person or by proxy at the Special Meeting were automatically redeemed by the Company immediately prior to the opening of the polls at Special Meeting (the "Initial Redemption"). All shares that were not redeemed pursuant to the Initial Redemption were redeemed automatically upon the approval by the Company's stockholders of the Reverse Stock Split Proposal at the Special Meeting (the "Subsequent Redemption" and, together with the Initial Redemption, the "Redemption"). Each share of Series C Preferred Stock was entitled to receive \$0.10 in cash for each 10 whole shares of Series C Preferred Stock immediately prior to the Redemption. As of August 12, 2022, both the Initial Redemption and the Subsequent Redemption occurred. As a result, as of December 31, 2022, no shares of Series C Preferred Stock remain outstanding.

The Company was not solely in control of redemption of the shares since the holders had the option of deciding whether to return a proxy card for the Special Meeting, which determine whether a given holder's shares of Series C Preferred Stock were redeemed in the Initial Redemption or the Subsequent Redemption. Since the redemption of the Series C Preferred Stock was not solely in the control of the Company, the preferred shares are classified within temporary equity in the Company's consolidated balance sheets. The preferred shares were initially measured at redemption value. As of December 31, 2022, no shares of Series C Preferred Stock are outstanding.

Spin-Off and Related Private Placement

In connection with the planned Spin-Off, on May 5, 2022, Akos and the Company entered into a Securities Purchase Agreement (the “Akos Purchase Agreement”) with an accredited investor (the “Akos Investor”), pursuant to which Akos agreed to sell up to an aggregate of 5,000 shares of Akos’ Series A Convertible Preferred Stock, par value \$0.01 per share (the “Akos Series A Preferred Stock”), at price of \$1,000 per share, and warrants (the “Akos Warrants”) to purchase shares of Akos’ common stock, par value \$0.01 per share (the “Akos Common Stock”), for an aggregate purchase price of up to \$5,000,000 (the “Akos Private Placement”). The Akos Purchase Agreement is guaranteed by the Company. Pursuant to the Akos Purchase Agreement, Akos has issued 1,000 shares of the Akos Series A Preferred Stock to the Akos Investor in exchange for \$1,000,000 on May 5, 2022. The additional \$4,000,000 will be received on or immediately prior to the Spin-Off. The issuance of the Akos Series A Preferred Stock results in a non-controlling interest (“NCI”) (see Note 2). Palladium Capital Advisors, LLC (“Palladium”) acted as placement agent for the Private Placement. Pursuant to the Akos Purchase Agreement, Akos has agreed to pay Palladium a fee equal to 9% of the aggregate gross proceeds raised from the sale of the shares of the Akos Series A Preferred Stock and a non-accountable expense allowance of 1% of the aggregate gross proceeds raised the sale of the Akos Series A Preferred Stock in the Akos Private Placement. The fee due in connection with the Akos Private Placement shall be paid to Palladium in the form of convertible preferred stock and warrants on similar terms to the securities issued in the Akos Private Placement. As of December 31, 2022, there have been no accruals recorded for the fees or warrants since the closing of the spin-off is not probable. Palladium is also entitled to warrants to purchase Akos Common Stock in an amount up to 8% of the number of shares of Akos Common Stock underlying the shares issuable upon conversion of the Akos Series A Preferred Stock.

Under the Certificate of the Designations, Preferences and Rights of Series A Convertible Preferred Stock of Akos (the “Akos Series A Preferred Certificate of Designations”), on or immediately prior to the completion of the Spin-Off, the outstanding Akos Series A Preferred Stock will be automatically converted into a number of shares of Akos Common Stock equal to 25% of the then issued and outstanding Akos Common Stock, subject to the Beneficial Ownership Limitation (as defined below).

The Akos Series A Preferred Certificate of Designations provides that upon the earlier of (i) the one-year anniversary of May 5, 2022, and only in the event that the Spin-Off has not occurred; or (ii) such time that Akos and the Company have abandoned the Spin-Off or the Company is no longer pursuing the Spin-Off in good faith, the holders of the Akos Series A Preferred Stock shall have the right (the “Put Right”), but not the obligation, to cause Akos to purchase all or a portion of the Akos Series A Preferred Stock for a purchase price equal to \$1,000 per share, subject to certain adjustments as set forth in the Akos Series A Preferred Certificate of Designations (the “Stated Value”), plus all the accrued but unpaid dividends per share. Pursuant to the Akos Purchase Agreement, the Company has guaranteed the payment of the purchase price for the shares purchased under the Put Right. In addition, after the one-year anniversary of May 5, 2022, and only in the event that the Spin-Off has not occurred and Akos is not in material default of any of the transaction documents, Akos may, at its option, at any time and from time to time, redeem the outstanding shares of Akos Series A Preferred Stock, in whole or in part, for a purchase price equal to the aggregate Stated Value of the shares of Akos Series A Preferred Stock being redeemed and the accrued and unpaid dividends on such shares. The Akos Series A Preferred Certificate of Designations contains limitations that prevent the holder thereof from acquiring shares of Akos Common Stock upon conversion of the Akos Series A Preferred Stock that would result in the number of shares of Akos Common Stock beneficially owned by such holder and its affiliates exceeding 9.99% of the total number of shares of Akos Common Stock outstanding immediately after giving effect to the conversion (the “Beneficial Ownership Limitation”), except that upon notice from the holder to Akos, the holder may increase or decrease the limit of the amount of ownership of outstanding shares of Akos Common Stock after converting the holder’s shares of Akos Series A Preferred Stock, provided that any change in the Beneficial Ownership Limitation shall not be effective until 61 days following notice to Akos.

In connection with the Spin-Off, the Company would transfer its cannabinoid clinical development pipeline assets to Akos, while retaining its psychedelics clinical development pipeline assets. As of December 31, 2022, there is no accrual recorded since the closing of the spin-off is not probable.

Amendment to 2020 Long-Term Incentive Plan

On May 3, 2022, our Board adopted the First Amendment (the “Plan Amendment”) to the Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan (the “Incentive Plan”) to (i) increase the aggregate number of shares available for the grant of awards by 146,083 shares to a total of 200,000 shares, and (ii) add an “evergreen” provision whereby the number of shares authorized for issuance pursuant to awards under the Incentive Plan will be automatically increased on the first trading date immediately following the date the Company issues any share of Common Stock (defined below) to any person or entity, to the extent necessary so that the number of shares of the Company’s Common Stock authorized for issuance under the Incentive Plan will equal the greater of (x) 200,000 shares, and (y) 15% of the total number of shares of the Company’s Common Stock outstanding as of such issuance date. The Plan Amendment was approved by the Company’s stockholders at a special meeting of the Company’s stockholders held on July 14, 2022.

July 2022 Offerings

On July 22, 2022, the Company entered into a securities purchase agreement (the “Registered Direct Securities Purchase Agreement”) with an institutional investor for the purchase and sale of 116,500 shares of Common Stock, pre-funded warrants to purchase up to 258,500 shares of common stock, and unregistered preferred investment options (the “RD Preferred Investment Options”) to purchase up to 375,000 shares of Common Stock (the “RD Offering”). The gross proceeds from the RD Offering were approximately \$3,000,000. Shares of Common Stock and RD Pre-Funded Warrants issued in the RD Offering were offered pursuant to a “shelf” registration statement on Form S-3 previously filed with the SEC on July 2, 2021. Subject to certain ownership limitations, the PIPE Pre-Funded Warrants became immediately exercisable at an exercise price equal to \$0.0001 per share of Common Stock. There is not expected to be any trading market for the common warrants issued in the RD Offering. On August 3, 2022, all of the issued RD Pre-Funded Warrants were exercised. Subject to certain ownership limitations, the RD Preferred Investment Options became immediately exercisable at an exercise price equal to \$7.78 per share of common stock. The RD Preferred Investment Options are exercisable for five and one-half years from the date of issuance.

Concurrently with the RD Offering, the Company entered into a securities purchase agreement (the “PIPE Securities Purchase Agreement”) with institutional investors for the purchase and sale of 116,000 shares of common stock, pre-funded warrants to purchase up to 509,000 shares of Common Stock, and preferred investment options (the “PIPE Preferred Investment Options”) to purchase up to 625,000 shares of the common stock in a private placement (the “PIPE Offering”). The gross proceeds from the PIPE Offering were approximately \$5,000,000. Subject to certain ownership limitations, the PIPE Pre-Funded Warrants became immediately exercisable at an exercise price equal to \$0.0001 per share of Common Stock. There is not expected to be any trading market for the common warrants issued in the PIPE Offering. All of the issued PIPE Pre-Funded Warrants were exercised on various dates prior to August 18, 2022. Subject to certain ownership limitations, PIPE Preferred Investment Options became immediately exercisable at an exercise price equal to \$7.78 per share of common stock. The PIPE Preferred Investment Options are exercisable for five and one-half years from the date of issuance.

The RD offering and PIPE Offering closed on July 26, 2022, with aggregate gross proceeds of approximately \$8 million. The aggregate net proceeds from the offerings, after deducting the placement agent fees and other estimated offering expenses, were approximately \$7.1 million.

On July 26, 2022, in connection with the RD Offering and PIPE Offering, the Company issued preferred investment options (the “Placement Agent Preferred Investment Options”) to an entity to purchase up to 70,000 shares of Common Stock for acting as a placement agent. The Placement Agent Preferred Investment Options have substantially the same terms as the RD Preferred Investment Options and the PIPE Preferred Investments Options, except the Placement Agent Preferred Investment Options have an exercise price of \$10.00 per share. The Placement Agent Preferred Investment Options are exercisable for five years from the date of issuance.

In connection with the RD Offering and the PIPE, the Company entered into Warrant Amendment Agreements (the “Warrant Amendments”) with the investors in both offerings to amend certain existing warrants to purchase up to an aggregate of 122,000 shares of Common Stock that were previously issued to the investors on February 15, 2022, with an exercise price of \$27.50 per share and expiration date of February 15, 2027. Pursuant to the Warrant Amendments, the previously issued warrants were amended, effective upon the closing of the offerings, so that the amended warrants have a reduced exercise price of \$7.78 per share and expire five and one-half years following the closing of the offerings. The Company determined the fair value of the February 2022 Warrants immediately prior to the Warrant Amendment and the fair value of the amended warrants immediately after the Warrant Amendment. The incremental change in fair value was deemed to be \$251,357, which was included as equity issuance costs related to the RD and PIPE financing transactions.

Financial Overview

We are a pre-revenue biotech company that has to date, not generated any revenues. During the year ended December 31, 2022, we raised approximately \$18.2 million from the sales of Common Stock, warrants, preferred investment options, and redeemable non-controlling interest, and from proceeds realized from the exercise of cash warrants. These amounts were the primary source of funds upon which our operations were financed.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for the research and development of our preclinical product candidates, and include, without limitation:

- employee-related expenses, including salaries, benefits and share-based compensation expense;
- expenses incurred under agreements with contract research organizations, contract manufacturing organizations, and consultants and other entities engaged to support our product research and development activities;
- the cost of acquiring, developing and manufacturing materials and lab supplies used in research and development activities;
- facility, equipment, depreciation and other expenses, which include, without limitation direct and allocated expenses for rent, maintenance of our facilities and equipment, insurance and other supplies;
- costs associated with preclinical activities and regulatory operations, including, without limitation, patent related costs;
- consulting and professional fees associated with research and development activities.

We expense research and development costs to operations as incurred. Research and development activities are central to our business model. We utilize a combination of internal and external efforts to advance product development from early-stage work to future clinical trial manufacturing and clinical trial support. External efforts include work with consultants and increasingly substantial work at CROs and CMOs. We support an internal research and development team and our facility in Calgary, Alberta, Canada. To move these programs forward along our development timelines, a large portion (approximately 75%) of our staff are research and development employees. Because of the numerous risks and uncertainties associated with product development, however, we cannot determine with certainty the duration and completion costs of these or other current or future preclinical studies and clinical trials. The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors, including the uncertainties of future clinical and preclinical studies, uncertainties in clinical trial enrollment rates and significant and changing government regulation. In addition, the probability of success for each product candidate will depend on numerous factors, including competition, manufacturing capability and commercial viability.

General and Administrative Expenses

General and administrative expenses consist principally of salaries, benefits and related costs such as share-based compensation for personnel and consultants in executive, finance, business development, corporate communications and human resource functions, facility costs not otherwise included in research and development expenses, accounting and audit costs, tax compliance costs, SEC compliance costs, investor relation costs, training and conference costs, insurance costs and legal fees.

We anticipate that our general and administrative expenses will increase in the future as they relate to audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and Securities and Exchange Commission requirements, director and officer liability insurance, investor relations costs and other costs associated with being a public company.

Impairment of Intangible Assets and Goodwill

Intangible assets consist of the Psybrary™ and Patent Applications, In Process Research and Development (“IPR&D”) and license agreements. Psybrary™ and Patent Applications intangible assets are valued using the relief from royalty method. The cost of license agreements is amortized over the economic life of the license. The Company assesses the carrying value of its intangible assets for impairment each year. During the year ended December 31, 2021, the Company acquired intangible assets, valued at approximately \$35.5 million relating to the Psybrary™ and Patent Applications and IPR&D.

Goodwill consists of the excess fair value after the allocation to the identifiable net assets. During the years ended December 31, 2022 and 2021, the Company recorded goodwill in aggregate of approximately \$— and \$9.8 million, consisting of \$— and \$9.1 million being specifically attributable to the deferred tax liabilities incurred and \$— and \$0.8 million relating to the residual intangible asset that generates earnings in excess of a normal return on all other tangible and intangible asset, respectively.

The Company performs an annual impairment test of intangible assets and goodwill as of December 31 of each fiscal year. As of December 31, 2022, the Company qualitatively assessed whether it is more likely than not that the respective fair value of the Company's intangible assets and goodwill is less than its carrying amount. Beginning in the fourth quarter of 2021 and throughout 2022, the Company experienced a sustained decline in the quoted market price of its Common Stock and as a result the Company determined that as of December 31, 2022 and 2021 it was more likely than not that the carrying value of these acquired intangibles exceeded their estimated fair value. Accordingly, the Company performed an impairment analysis as of December 31, 2022 and 2021 using the income approach. This analysis required significant judgments, including primarily the estimation of future development costs, the probability of success in various phases of its development programs, potential post launch cash flows and a risk-adjusted weighted average cost of capital. Pursuant to Accounting Standard Update ("ASU") 2017-04, the Company recorded an impairment of intangible assets of approximately \$6.0 million and \$30.5 million, and an impairment of goodwill of approximately \$1.5 million and \$8.2 million for the years ended December 31, 2022 and 2021, respectively.

Stock-Based Compensation

A significant portion of our operating expenses is related to stock-based compensation costs. Stock based compensation costs were approximately \$2.6 million and \$12.6 million for the years ended December 31, 2022 and 2021, respectively.

Stock based compensation consists of restricted stock units ("RSU"), restricted stock awards ("RSA") and options to purchase shares of the Company's common stock. The Company follows Accounting Standards Codification ("ASC") 718, Compensation - Stock Compensation, which addresses the accounting for stock-based payment transactions, requiring such transactions to be accounted for using the fair value method. The fair value of RSU or RSA awards is determined by the closing price per share of the Company's common stock on the date of the award. The Company uses the Black-Scholes option pricing model to determine the grant date fair value of options issued.

RSU's and RSA's may contain vesting conditions that include, without limitation, any or all of the following: immediate vesting, vesting over a defined time period, vesting based on specific volume weighted average price levels being achieved by the Company's common stock as publicly traded within specified measurement periods, and vesting based on the achievement of specific performance milestones. Options contain vesting conditions that provide for vesting over a defined time period.

The fair value of RSU's, RSA's and options, is charged to expense, on a straight line basis over the vesting periods defined in the award agreements, except for the fair value which is attributable to achievement a specific performance milestones, which are charged to expense upon achievement of such milestones.

Change in fair value of warrant liabilities, investment options and derivative liabilities

The Company evaluates all of its financial instruments, including issued stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480, "Distinguishing Liabilities from Equity" ("ASC 480") and ASC Topic 815, "Derivatives and Hedging" ("ASC 815"). The Company accounts for warrants for shares of the Company's common stock that are not indexed to its own stock as derivative liabilities at fair value on the consolidated balance sheet. The Company adjusts this derivative liability at each reporting period, with the liability recorded on the balance sheet being equal to fair value of such liability on the relevant balance sheet date.

Fair value of derivative liabilities is determined in accordance with ASC 820-10 "Fair Value Measurement". As of December 31, 2022 and 2021, the fair value of the embedded derivative liabilities was determined using weighted-average scenario analysis and the fair value of warrant liabilities was determined using the Black-Scholes valuation model, both of which are level 3 methods, as defined in ASC 820-10.

Derivative liabilities with an initial fair value of approximately \$8.3 million and \$10.0 million were recorded during the years ended December 31, 2022 and 2021, respectively, which were attributable to certain warrants issued as part the Company's sales of common stock and warrants in February 2022, embedded derivatives issued as part of the Company's convertible preferred stock issuance in May 2022, and investment options issued in July 2022. All of the derivative liabilities recorded during 2021 were attributable to certain warrants issued as part of the Company's sales of common stock and warrants in January and February 2021. During the years ended December 31, 2022 and 2021, an aggregate increase in value of derivative liabilities of approximately \$7.5 million and \$9.3 million, respectively, was recorded, resulting in other income equal to such amount. The fair value of these derivative liabilities has a strong correlation to the price per share of the Company's common stock as publicly traded. Increases in the Company's price per share will result in increased derivative liabilities, with a corresponding other expense being recorded in the other income (expense) section of the statement of operations and comprehensive loss. Decreases in the Company's price per share will result in decreased derivative liabilities, with a corresponding other income being recorded in the other income (expense) section of the statement of operations and comprehensive loss.

Key Components of Our Results of Operations

Operating Expenses

Our operating expenses include, without limitation, research and development, employee compensation and payroll taxes, employee benefits, insurance costs, facility costs, laboratory supplies, office expenses, conference and meeting costs, travel expenses, cyber costs, financial statement preparation services, tax compliance, various consulting and director fees, legal services, auditing fees, stock-based compensation, impairment of intangible assets, depreciation of equipment and amortization of intangible assets. These expenses have increased in connection with the Company's expanded product development activities which significantly increased as a result of the Amalgamation Agreement in 2021 and the Company's management expects these expenses to continue at current or increased levels as the Company continues to execute its product development plans. Since the Amalgamation occurred during 2021, the Company incurred a full year of product development activities related to MagicMed during the year ended December 31, 2022.

Results of Operations

The following table sets forth information comparing the components of net loss for the years ended December 31, 2022 and 2021:

	For the Years Ended December 31,	
	2022	2021
Operating expenses		
General and administrative	\$ 11,605,761	\$ 20,499,052
Research and development	8,027,773	4,788,807
Impairment of intangible assets and goodwill	7,453,662	38,678,918
Depreciation and amortization.....	327,910	656,643
Total operating expenses	27,415,106	64,623,420
Loss from operations	(27,415,106)	(64,623,420)
Other income (expense)		
Inducement expense.....	—	(1,125,291)
Change in fair value of warrant liabilities.....	4,315,236	9,327,326
Change in fair value of investment option liability.....	3,472,726	—
Change in fair value of derivative liability	(325,000)	—
Interest expense	(5,249)	(10,316)
Total other income	7,457,713	8,191,719
Net loss before income taxes	\$ (19,957,393)	\$ (56,431,701)
Income tax benefit	1,486,060	7,454,805
Net loss	(18,471,333)	(48,976,896)
Less preferred dividends attributable to non-controlling interest	33,014	—
Less deemed dividends attributable to accretion of embedded derivative at redemption value.....	295,976	—
Net loss attributable to shareholders	(18,800,323)	(48,976,896)
Other comprehensive loss		
Foreign currency translation	(505,932)	150,475
Comprehensive loss	\$ (19,306,255)	\$ (48,826,421)
Net loss per share - basic and diluted.....	\$ (13.00)	\$ (103.69)
Weighted average shares outstanding, basic and diluted	1,446,007	472,343

Known Trends or Uncertainties

The current inflationary trend existing in the North American economic environment is considered by Management to be reasonably likely to have a material unfavorable impact on results of continuing operations. Higher rates of price inflation, as compared to recent prior levels of price inflation have caused a general increase the cost of labor and materials. In addition, there is an increased risk of the Company experiencing labor shortages as a result of a potential inability to attract and retain human resources due to increased labor costs resulting from the current inflationary environment.

General and Administrative Expenses

Our general and administrative expenses decreased to \$11,605,761 for the year ended December 31, 2022 from \$20,499,052 for the year ended December 31, 2021, a decrease of \$8,893,291, or 43%. This change was primarily driven by a decrease in stock-based compensation of \$10,162,593, a decrease in legal fees of \$1,676,798, and other general and administrative expenses of \$16,683. This is slightly offset by an increase in professional fees, which consist of audit, accounting, and director fees, of \$1,076,415, an increase in transaction expenses related to capital raises of \$735,044, an increase in salaries and wages of \$379,119, and an increase in marketing expenses of \$309,142. The decrease in stock-based compensation is due to two employees who received approximately \$10,000,000 in share-based compensation during the year ended December 31, 2021, whose RSU shares were fully vested and expensed during 2021 and received no share-based compensation during the year ended December 31, 2022. The decrease in legal fees is due to the Company incurring a significant amount of legal fees related to the Amalgamation of MagicMed in 2021, which were not incurred during the year ended December 31, 2022. The increase in salaries and wages is due to MagicMed employees earning salaries for a full year during 2022, compared with approximately 3.5 months in 2021 after the Amalgamation of MagicMed occurred.

Research and Development Expenses

Our research and development expense for the year ended December 31, 2022 was \$8,027,773 as compared to \$4,788,807 for the year ended December 31, 2021 with an increase of \$3,238,966, or approximately 68%. This increase was primarily driven by increased product development activities during the current year, as compared to the prior year, in particular, research relating to psychedelic molecules, activities which the Company was not engaged in during the prior year. In addition, \$1,026,907 of stock-based compensation expense was allocated to research and development for the year ended December 31, 2022, compared to \$840,644 for the year ended December 31, 2021.

Depreciation and Amortization Expense

Depreciation and amortization expense for the year ended December 31, 2022 was \$327,910 as compared to \$656,643 for the year ended December 31, 2021, with a decrease of \$328,733, or approximately 50%. The decrease in amortization is due to amortization of approximately \$525,476 recorded for the Skincare license during the year ended December 31, 2021. The Skincare license was subsequently fully impaired in the fourth quarter of 2021, resulting in no amortization of the Skincare license during 2022. This decrease was offset by an increase in amortization of the Diverse Bio license of \$28,125 during the year ended December 31, 2022 as compared to the year ended December 31, 2021. Since the Diverse Bio license was acquired during 2021, it received a partial year of amortization during the year ended December 31, 2021, compared to a full year of amortization during the year ended December 31, 2022.

Change in Fair Value of Warrant Liabilities

Change in fair value of warrant liabilities for the year ended December 31, 2022 resulted in income of \$4,315,236 as compared to \$9,327,326 for the year ended December 31, 2021. The change in fair value of warrant liabilities is significantly influenced by the change in the closing price of Common Stock at the end of each period, as compared to the closing price of Common Stock at the beginning of each period with a strong inverse relationship between changes in fair value of warrant liabilities and the trading price of Common Stock. The stock price of the Company was \$2.08 as of December 31, 2022, \$46.50 as of December 31, 2021, and \$213.00 as of December 31, 2020. The stock price of the Company decreased approximately 96% during the year ended December 31, 2022 compared to a decrease of approximately 78% during the year ended December 31, 2021. The significant change in the Company's stock price during the year ended December 31, 2022 compared to the year ended December 31, 2021, resulted in the significant decrease to the change in fair value of warrant liabilities.

Change in Fair Value of Investment Option Liability

Change in fair value of investment option liability for the year ended December 31, 2022 resulted in income of \$3,472,726. The Company did not have any outstanding investment option liabilities during the year ended December 31, 2021. The change in fair value is due to the significant decrease in the Company's stock price between the issuance of the investment option liability and December 31, 2022. The Company's stock price was \$6.33 on July 26, 2022 (the date of issuance) and \$2.08 on December 31, 2022, a decrease of approximately 67% during that time.

Change in Fair Value of Derivative Liability

The Company's change in fair value of derivative liability increased by \$325,000 for the year ended December 31, 2022, due primarily to the announcement of the planned spin-off of Akos and greater probability of completion at December 31, 2022.

Inducement Expense

Inducement expense was \$0 for the year ended December 31, 2022 as compared to \$1,125,291 for the year ended December 31, 2021. The expenses recorded in 2021 were related to inducement incurred related to the conversion of warrants and options. The Company did not incur such expenses in the current period.

Foreign Currency Translation

Our foreign currency translation loss for the year ended December 31, 2022 was \$505,932 as compared to a gain of \$150,475 for the year ended December 31, 2021. Gains and losses on foreign currency translation result from financial transactions of the Company's two subsidiaries in Canada being recorded in their functional currency of Canadian dollars and then translated to United States dollars at period end for consolidated reporting by the parent company.

Going Concern, Liquidity and Capital Resources

The Company has incurred a loss since inception resulting in an accumulated deficit of \$79,207,786 as of December 31, 2022 and further losses are anticipated in the development of its business. Further, the Company has operating cash outflows of \$17,146,723 for the year ended December 31, 2022. For the year ended December 31, 2022, the Company had a loss from operations of \$27,415,106. Since inception, being a research and development company, the Company has not yet generated revenue and the Company has incurred continuing losses from its operations. The Company's operations have been funded principally through the issuance of debt and equity. These factors raise substantial doubt about the Company's ability to continue as a going concern for a period of one year from the issuance of these financial statements.

In assessing the Company's ability to continue as a going concern, the Company monitors and analyzes its cash and its ability to generate sufficient cash flow in the future to support its operating and capital expenditure commitments. At December 31, 2022, the Company had cash of \$17,723,884 and working capital of \$14,435,964. The Company's current cash on hand is not sufficient enough to satisfy its operating cash needs for the 12 months from the filing of this Annual Report on Form 10-K. The Company believes that it has adequate cash on hand to cover anticipated outlays through December 31, 2023. These conditions raise substantial doubt regarding the Company's ability to continue as a going concern for a period of one year after the date the financial statements are issued. Management's plan to alleviate the conditions that raise substantial doubt include raising additional working capital through public or private equity or debt financings or other sources, which may include collaborations with third parties as well as disciplined cash spending. Adequate additional financing may not be available to us on acceptable terms, or at all. Should the Company be unable to raise sufficient additional capital, the Company may be required to undertake cost-cutting measures including delaying or discontinuing certain operating activities.

As a result of these factors, management has concluded that there is substantial doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Amalgamation with MagicMed (Item 1. Business)

On May 24, 2021, the Company entered into the Amalgamation Agreement with Holdco and Purchaser and MagicMed, pursuant to which, among other things, the Company, indirectly through Purchaser, acquired all of the outstanding securities of MagicMed in exchange for securities of the Company by way of an amalgamation under the British Columbia Business Corporations Act, upon the terms and conditions set forth in the Amalgamation Agreement, such that, upon completion of the Amalgamation (as defined herein), Amalco will be an indirect wholly-owned subsidiary of the Company. The Amalgamation was completed on September 16, 2021.

At the Effective Time, holders of the MagicMed Shares received such number of shares of Common Stock representing, together with the Common Stock issuable upon exercise of the Warrants and the Converted Options (each as defined herein), approximately 36.6% of the issued and outstanding Common Stock (on a fully diluted basis). The MagicMed Shares were initially converted into Amalco Redeemable Preferred Shares (as defined in the Amalgamation Agreement), which immediately following the Amalgamation were redeemed for 0.000001 of a share of Common Stock. Following such redemption, the shareholders of MagicMed received additional Common Stock equal to the product of the Exchange Ratio (as defined in the Amalgamation Agreement) multiplied by the number of MagicMed Shares held by each such shareholder. Additionally, following the Effective Time (i) each outstanding MagicMed stock option was converted into and became an option to purchase (the “Converted Options”) the number of shares of Common Stock equal to the Exchange Ratio multiplied by the number of MagicMed Shares subject to such MagicMed stock option, and (ii) each holder of an outstanding MagicMed warrant (including Company Broker Warrants (as defined in the Amalgamation Agreement), the “Warrants”) received upon exercise of such Warrant that number of Company Shares which the holder would have been entitled to receive as a result of the Amalgamation if, immediately prior to the date of the Amalgamation (the “Effective Date”), such holder had been the registered holder of the number of MagicMed Shares to which such holder would have been entitled if such holder had exercised such holder’s Warrants immediately prior to the Effective Time (the foregoing collectively, the “Amalgamation”). In aggregate, holders of MagicMed Shares received 199,025 shares of Common Stock representing approximately 31.7% of the Common Stock following the consummation of the Amalgamation. The maximum number of shares of Common Stock to be issued by the Company as in respect of the Warrants and Converted Options shall not exceed 148,083 shares of Common Stock.

The aggregate number of shares of Common Stock that the Company issued in connection with the Amalgamation (collectively, the “Share Consideration”) was in excess of 20% of the Company’s pre-transaction outstanding Common Stock. Accordingly, the Company sought and received stockholder approval of the issuance of the Share Consideration in the Amalgamation in accordance with the NASDAQ Listing Rules.

Pursuant to the terms of the Amalgamation Agreement, the Company appointed, effective as of the Effective Time two individuals selected by MagicMed to the Company Board of Directors, Dr. Joseph Tucker and Dr. Brad Thompson.

The Amalgamation Agreement contained representations and warranties, closing deliveries and indemnification provisions customary for a transaction of this nature. The closing of the Amalgamation occurred on September 16, 2021. This transaction was cash accretive to the Company, with an aggregate of \$3,055,328 in cash being included in the net assets acquired.

Cash Flows

Since inception, we have primarily used our available cash to fund our product development and operations expenditures.

Cash Flows for the Years Ended December 31, 2022 and 2021

The following table sets forth a summary of cash flows for the years presented:

	For the Years Ended December 31,	
	2022	2021
Net cash used in operating activities.....	\$ (17,146,723)	\$ (11,457,671)
Net cash (used in) provided by investing activities	(584,165)	2,190,609
Net cash provided by financing activities.....	18,180,137	24,899,659
Effect of foreign exchange rate on cash.....	(81,364)	144,942
Net increase in cash	<u>\$ 367,885</u>	<u>\$ 15,777,539</u>

Operating Activities

Net cash used in operating activities was \$17,146,723 during the year ended December 31, 2022, which consisted primarily of a net loss of \$18,471,333, non-cash income related to change in fair value of warrant liabilities of \$4,315,236, change in fair value of investment option liability of \$3,472,726, non-cash income tax benefit of \$1,504,302, offset by adjustments to reconcile net loss to cash used in operating activities, which include, without limitation, impairment of intangible assets and goodwill of \$7,453,662, stock-based compensation of \$2,620,671, change in fair value of derivative liabilities \$325,000, amortization of intangible assets of \$168,750, depreciation expense of \$159,160, and amortization of right-of-use asset of \$107,291, and changes in operating assets consisting of decreases in accounts payable and accrued liabilities of \$263,686 and right-of-use liability of \$107,288 and an increase in prepaid expenses of \$374,058.

Net cash used in operating activities was \$11,457,671 during the year ended December 31, 2021, which consisted primarily of a net loss of \$48,976,896, non-cash income related to change in fair value of warrant liability of \$9,327,326, and non-cash income tax benefits of \$7,454,805, offset by adjustments to reconcile net loss to cash used in operating activities, which include, without limitation, impairment of intangible assets of \$38,678,918, stock and options based compensation of \$12,597,001, amortization of intangible assets of \$643,333 and inducement expense of \$1,125,291 and changes in operating assets consisting of decreases in prepaid expenses and other current assets of \$826,837 and increases in accounts payable and accrued liabilities of \$383,199.

Investing Activities

Net cash used in investing activities was \$584,165 during the year ended December 31, 2022, which consisted of the purchase of property and equipment.

Net cash provided by investing activities was \$2,190,609 during the year ended December 31, 2021, which consisted of cash accretive acquisition of MagicMed of \$3,055,328, offset by the acquisition of intellectual property from Diverse Biotech, Inc. of \$675,000 and \$189,719 cash used in property and equipment purchases.

Financing Activities

Net cash provided by financing activities was \$18,180,137 during the year ended December 31, 2022, which consisted of \$17,222,099 in net proceeds from the sale of Common Stock and warrants and warrant exercises, net of fees, and proceeds from the sale of redeemable non-controlling interest, net of offering costs, of \$958,038.

Net cash provided by financing activities was \$24,899,659 during the year ended December 31, 2021, which consisted of \$21,614,488 in cash provided from the sales of Common Stock and \$3,285,171 in cash provided by the exercise of cash warrants.

Critical Accounting Policies and Significant Judgments and Estimates

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of our consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, costs and expenses and related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. Accordingly, we evaluate our estimates and assumptions on an ongoing basis.

Our most significant estimates include determining the fair value of transactions involving common stock and the valuation of stock-based compensation, accruals associated with third party providers supporting research and development efforts, estimated fair values of long lives assets used to record impairment charges related to intangible assets, acquired in-process research and development ("IPR&D") and goodwill, accounting for preferred stock derivatives and non-controlling interest, and allocation of purchase price in business acquisitions. Our actual results may differ from these estimates under different assumptions and conditions.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, may exceed the federal depository insurance coverage of \$250,000 in the United States and \$100,000 in Canada. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts. As of December 31, 2022, the Company had greater than \$250,000 and \$100,000 at US and Canadian financial institutions, respectively.

Warrant Liability and Preferred Investment Options

The Company accounts for warrants and preferred investment options for shares of the Company's common stock that are not indexed to its own stock as liabilities at fair value on the balance sheet. Such warrants and preferred investment options are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of other expense on the statement of operations and comprehensive loss. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of such common stock warrants and preferred investment options. At that time, the portion of the liability related to such common stock warrants and preferred investment options will be reclassified to additional paid-in capital.

Redeemable Non-controlling Interest

Applicable accounting guidance requires an equity instrument that is redeemable for cash or other assets to be classified outside of permanent equity if it is redeemable (a) at a fixed or determinable price on a fixed or determinable date, (b) at the option of the holder, or (c) upon the occurrence of an event that is not solely within the control of the issuer. As a result of this feature, the Company recorded the non-controlling interests as redeemable non-controlling interests and classified them in temporary equity within its consolidated balance sheet initially at its acquisition-date estimated redemption value or fair value. In addition, the Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument by accreting the embedded derivative at each reporting period over 12 months.

Impairment of Intangible Assets

The Company tests its intangible assets for impairment at least annually and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others and without limitation: a significant decline in the Company's expected future cash flows; a sustained, significant decline in the Company's stock price and market capitalization; a significant adverse change in legal factors or in the business climate of the Company's segments; unanticipated competition; and slower growth rates. If the fair value determined is less than the carrying amount, an impairment loss is recognized in operating results.

Impairment of Goodwill

The Company tests goodwill for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that the reporting unit is the entire company, due to the integration of all of the Company's activities. In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

The information required by this Item 8 is included at the end of this Annual Report on Form 10-K beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure 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 under the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer (our principal executive) and Chief Financial Officer (our principal financial officer and principal accounting officer) carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2022. Based on this evaluation, and in light of the material weaknesses found in our internal controls over financial reporting, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in paragraph (e) of Rules 13a-15 and 15d-15 under the Exchange Act) were not effective as of December 31, 2022.

Limitations on Internal Control over Financial Reporting

An internal control system over financial reporting has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process used to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles in the United States. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles in the United States, and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer and principal accounting officer), we performed an assessment of the Company's significant processes and key controls. Based on this assessment, management concluded that our internal control over financial reporting was not effective as of December 31, 2022 due to the material weaknesses described below.

A material weakness in internal control over financial reporting is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. We determined that our internal control over financial reporting had the following material weaknesses:

- We were unable to document, formalize, implement and revise where necessary controls, policies and procedure documentation to evidence a system of controls, including testing of such controls that is consistent with our current personnel and available resources;
- We failed to document, maintain and test effective control activities over our control environment, risk assessment, information technology and monitoring components;
- We had insufficient segregation of duties, oversight of work performed and lack of compensating controls in our finance and accounting functions, including, without limitation, the processing, review and authorization of all routine and non-routine transactions, due to limited personnel and resources.

The Company is evaluating these weaknesses to determine the appropriate remedy. Because disclosure controls and procedures include those components of internal control over financial reporting that provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, management also determined that its disclosure controls and procedures were not effective as a result of the foregoing material weaknesses in its internal control over financial reporting.

Changes in Internal Control over Financial Reporting

As of December 31, 2022, the Company is in process of remediating its material weaknesses and designing an effective internal control environment, however it has not yet remediated its material weaknesses.

Remediation efforts to address material weaknesses in internal controls

- We engaged third party subject matter experts to assist in the design and documentation of an internal control environment meeting those requirements and criteria established in the COSO 2013 Internal Control Integrated Framework;
- We engaged information technology experts who designed and implemented a secure, cloud based, server and IT environment with controlled access, monitoring, help desk and a user training protocol;
- We installed and implemented third party software that provides improved control, approvals and segregation of duties over the purchase to pay operation cycle;
- We engaged third party subject matter experts who are providing independent supervision of accounting staff, transaction processing, reconciliations and financial statement preparation, resulting in improved segregation of duties;
- We engaged third party subject matter experts who are assisting in the financial reporting function, with such activities, including, without limitation, preparation, review and reconciliation of financial reports, research of technical accounting issues/transactions, performing various checklists to ensure compliance with GAAP and SEC requirements, with all such activities resulting in improved segregation of duties.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth information regarding the members of our board of directors (the “Board”) and our executive officers.

Name	Age	Position(s)	Term of Office
<i>Executive Officers and Directors</i>			
Joseph Tucker, Ph.D.	54	Chief Executive Officer and Director	Since September 2021
Avani Kanubaddi	52	President and Chief Operating Officer	Since December 2020
Dr. Bob Dagher	54	Chief Medical Officer	Since December 2021
Peter Facchini, Ph.D.	59	Chief Innovation Officer	Since September 2021
Kevin Coveney	57	Chief Financial Officer	Since March 2023
<i>Non-Employee Directors</i>			
Michael Webb	64	Chair of the Board of Directors	Since June 2022
George Kegler	67	Director and Chair of the Audit Committee	Since December 2020
Dr. Douglas Lind	63	Director and Chair of the Nominating and Corporate Governance Committee	Since March 2021 ¹
Dr. Marcus Schabacker	58	Director	Since December 2020
Frank Pasqualone	67	Director and Chair of the Compensation Committee	Since July 2022 ²
Bevin O’Neil	45	Director	Since June 2022

Executive Officers and Directors

Dr. Joseph. Tucker has served as our President and Director since September 16, 2021. Prior to joining Enveric, Dr. Tucker was the Chief Executive Officer, President and Director of MagicMed Industries, from its founding in May 2020 to September 2021. Dr. Tucker was the Executive Chairman of Willow Biosciences Inc. from March 2014 to March 2020. Dr. Tucker was a founder and Chief Executive Officer of Stem Cell Therapeutics, which he took public on the TSX (TSX: SSS). Trillium Therapeutics (Nasdaq: TRIL, TSX: TRIL) acquired Stem Cell Therapeutics in 2013. Dr. Tucker has also held the position of Co-Founder and Chief Executive Officer of Epimeron Inc., a University of Calgary start-up acquired in the creation of Willow Biosciences Inc. (TSX: WLLW). At Willow, Dr. Tucker served as Executive Chairman and Chief Operating Officer. Prior to founding companies, Dr. Tucker was a healthcare analyst with two investment banks and has also worked in technology commercialization for a university technology transfer office. Dr. Tucker received his Ph.D. in Biochemistry and Molecular Biology from the University of Calgary.

Avani Kanubaddi has served as our President since October 2021 and Chief Operating Officer since December 30, 2020. Mr. Kanubaddi is an entrepreneur and business leader who has a passion for health and healing. From September 2019 through December 2020, Mr. Kanubaddi was the President & Chief Operating Officer of NEXGEL, Inc. (“NEXGEL”), an FDA registered, ISO certified advanced hydrogel manufacturer serving the OTC, cosmetic and medical device markets around the world. At NEXGEL, Mr. Kanubaddi led the rebranding, repositioning and overall strategy for the company to accelerate growth and drive innovation. This included rebranding the company as NEXGEL, branding the company’s unique hydrogels, developing a robust white label catalog, architecting an innovation engine to fill the pipeline with new concepts and guiding the company’s first-ever branded product launches. In addition to NEXGEL, since August 2018, Mr. Kanubaddi has also served as the Senior Partner at IQ/EQ Brand Strategy, where he assists companies in developing “go to market” strategies, branding and naming exercises and new product innovation for consumer, medical device and prescription companies. Prior to his consulting career, from February 2007 to September 2019, Mr. Kanubaddi was the Founder and Chief Executive Officer of Welmedix Healthcare, where he developed innovative skin and wound care solutions to improve health and healing with an eye towards whole person wellness. During his tenure, he led the company to develop three unique brands with patented solutions, gaining distribution in over 20,000 retail outlets, including Walmart, Walgreens, CVS and others. After building some of the fastest growing brands in their respective categories, Welmedix sold its leading brands to a private-equity backed healthcare company. Before his entrepreneurial venture, Mr. Kanubaddi began his 25+ year career in the healthcare industry at two leading companies – Wyeth (now Pfizer) and Bristol Myers Squibb’s ConvaTec Division. While working with market leading brands like Centrum, Advil and Chapstick; medical devices and hospital businesses including Aloe Vesta, DuoDerm and Sur-Fit Natura, Mr. Kanubaddi held positions of increasing responsibility across the functional areas of brand management, sales, new product development and new ventures. Mr. Kanubaddi holds an MBA from Columbia Business School and BS in Marketing from Miami University. Mr. Kanubaddi also served on the Board of Directors for the Consumer Healthcare Products Association (CHPA), the leading industry trade group for consumer healthcare in the United States.

¹ Dr. Lind was appointed Chairman of the Nominating and Corporate Governance Committee in November 2022.

² Mr. Pasqualone was appointed Chairman of the Compensation Committee in November 2022.

Dr. Bob Dagher has served as our Chief Medical Officer since December 2021. Dr. Dagher has over twenty years of experience in clinical development in the pharmaceutical industry and as a past board-certified physician from the American Board of neurology and psychiatry. He has an extensive therapeutic background concentrated in the neuroscience space which includes a focus on psychotic, affective and anxiety disorders, as well as neuroimmunology, neurodegeneration and movement disorders. Furthermore, Dr. Dagher has supported and driven successful drug development programs from preclinical stages through Phase 4 clinical trials. Following his early experience treating patients in academic and private practice settings, Dr. Dagher started his career in the pharmaceutical industry at GlaxoSmithKline, followed by Sanofi/Genzyme working on neurology, psychiatry, and urology indications. Prior to joining Enveric, Dr. Dagher served as the Chief Medical Officer at WCG MedAvante-ProPhase from December 2019 to December 2021 and Cadent Therapeutics from January 2018 to June 2019. Prior to that, he was Senior Medical Director at LabCorp-Covance from October 2013 to January 2018. In both these organizations, he Dr. Dagher helped forge and develop compelling scientific solutions to match industry challenges and developed innovative programs targeting movement and cognitive disorders. Dr. Dagher brings extensive experience working in the pharmaceutical industry with a focus and passion for drug development for neurological and mental health indications.

Dr. Peter Facchini has served as our Chief Innovation Officer since joining the Company in September 2021. Dr. Facchini has been a Professor of Plant Biochemistry in the Department of Biological Sciences at the University of Calgary since 1995, during which he held the Canada Research Chair in Plant Metabolic Processes Biotechnology, was a Parex Resources Innovation Fellow, and received the 2021 Faculty of Science Innovation Excellence Award. Dr. Facchini co-founded and was the Chief Scientific Officer of Willow Biosciences Inc. and Epimeron Inc. Dr. Facchini was the Chief Scientific Officer at MagicMed Industries Inc. from May 2020 to September 2021. Prior to that, Dr. Facchini was the Chief Scientific Officer of Willow Biosciences from 2014 to 2020. Dr. Facchini has published over 165 scientific papers and co-invented over 45 patents. Dr. Facchini is an international leader in the biochemistry and biotechnology fields of natural product metabolism.

Kevin Coveney has served as our Chief Financial Officer since March 13, 2023. Mr. Coveney brings to the Company years of experience in biotechnology finance and accounting. Mr. Coveney provided fractional CFO services to Progressive Therapeutics, Inc. and Power of Patients, LLC, from June 2022 to July 2022 to August 2022, respectively. Mr. Coveney previously held the position of a chief financial officer at Memgen, Inc. from November 2021 to June 2022 and at Q-State Biosciences, Inc. from April 2020 to April 2021. Prior to his chief financial officer position, Mr. Coveney served as Senior Vice President of Finance, HR & IT of Vedanta Biosciences, Inc. from November 2018 to February 2020. He held various senior positions at Berg Health LLC from September 2015 to November 2018. Mr. Coveney was an Audit Partner at Braver PC (now Marcum) from July 2007 through October 2012. Mr. Coveney holds a Bachelor of Science degree in Management with a Concentration in Accounting from the University of Massachusetts and served as a non-commissioned officer in the United States Coast Guard.

Non-Employee Directors

Michael D. Webb has served as a non-employee director of the Company since June 13, 2022. Mr. Webb is the President and CEO of CXL Ophthalmics, LLC and a member of its board of directors, positions he has held since 2017. He has served as a director at iQure Pharma Inc. since 2022, at GMDx Genomics since 2021, at RIFFIT, Inc. since 2019, at Videokawa since 2018, and at DeuteRx, LLC since 2012. Mr. Webb is also a Principal and IntrinsicBio Life Sciences Consulting LLC, a position he has held since 2016. He has been a founder and CEO of biotechnology companies, taking them from seed round funding through venture financing and NASDAQ IPO. Mr. Webb began his career in Booz, Allen & Hamilton's Chicago office, specializing in healthcare and life sciences and subsequently at CIBA-Geigy (now Novartis) where he was last a senior vice president. Mr. Webb holds Bachelor's degrees in Biochemistry and Economics from the University of Kansas, summa cum laude and an MA in International Relations from Sussex University in the UK. In addition, he holds an MBA degree from Kellogg with a concentration in healthcare management. He is a past Chairman of the Massachusetts Biotechnology Council. Mr. Webb's relevant industry experience qualifies him to be a director of the Company.

George Kegler has served as a non-employee director of the Company since December 30, 2020. Mr. Kegler was employed by Mallinckrodt Pharmaceuticals from January 2013 to June 2019, serving as the Executive Vice President and Chief Financial Officer, Interim from December 2018 to May 2019, where he had responsibility for the global finance function and was a member of the executive committee, Vice President Finance from November 2016 to November 2018, President Specialty Generics (Interim) and Vice President Finance from July 2016 to October 2016, and Vice President, Finance from January 2013 to June 2016. He has served in various consulting roles since June 2019, which ended in March 2020. Mr. Kegler has 40 years of experience in financial planning and analysis, corporate finance, controllership and business development. Previously Mr. Kegler served as the vice president of commercial finance for various businesses within Mallinckrodt and was also interim president of the company's specialty generics business. Prior to joining Mallinckrodt, he was the chief financial officer for Convatec a private equity-owned company that was purchased from Bristol-Myers Squibb. He worked in various finance roles within Bristol-Myers Squibb including commercial, International, technical operations, research & development as well as the assistant controller of internal controls. Mr. Kegler holds a bachelor's degree in accounting from the University of Missouri, an MBA from Saint Louis University and completed the Certified Public Accountant exam in Missouri. Mr. Kegler's experience as an officer at several companies and extensive knowledge of corporate finance qualify him to be a director of the Company.

Dr. Douglas Lind has served as a non-employee director of the Company since March 17, 2021. Dr. Lind is a co-founder and Managing Partner, since 2013 at Biomark Capital, a Greenwich, CT-based healthcare venture firm. There, his investment focus has included cellular therapy, medical imaging, peripheral vascular disease, and oncology. Dr. Lind has more than 30 years of experience in a variety of life science related professions, ranging from former practicing physician to senior Wall Street equity research analyst at Morgan Stanley. Dr. Lind is a graduate of the University of Iowa, College of Medicine. He was a practicing physician in Brookline, Massachusetts. He served as an attending physician at St. Elizabeth's Hospital in Boston, a major teaching affiliate of Tufts University School of Medicine, where he completed his residency training in Internal Medicine. Dr. Lind's medical background and relevant industry experience qualify him to be a director of the Company.

Dr. Marcus Schabacker, PhD has served as a non-employee director of the Company since December 30, 2020. Since January 2018, Dr. Schabacker has served as president and chief executive officer of the ECRI Institute, a non-profit organization with 500 employees and an operating budget of \$80 million focusing on advancing evidenced-based, effective healthcare globally. Prior to joining ECRI, Dr. Schabacker worked at Baxter Healthcare Corporation, serving as corporate vice president and chief scientific officer from July 2015 to May 2017, chairman of the executive quality council from March 2014 to May 2017, Chief Scientific Officer, Medical Products from July 2014 to July 2015, and Vice President, R&D, Medical Products from March 2011 to July 2014. During his clinical years, and his time as an industry thought leader, Dr. Schabacker was focused on patient safety and enhancing patient care. For over a decade Dr. Schabacker has served on numerous boards of small and midsize companies and organizations, providing management with guidance and expertise to strategically accelerate growth and to build successful and sustainable high performing management teams. Dr. Schabacker's medical background and relevant research and development experience qualify him to be a director of the Company.

Frank Pasqualone has served as a non-employee director of the Company since July 13, 2022. Mr. Pasqualone has served as Senior Vice President, Chief Business Officer of Theravance Biopharma, Inc. since November 2020 and joined Theravance Biopharma as Senior Vice President, Operations in June 2014 in connection with its spin-off from Innoviva. Mr. Pasqualone held the position of Senior Vice President, Operations at Innoviva since January 2014. From 2010 to 2012, he served as President of Intercontinental Region: Latin America, Middle East and Africa and also as President of Southern Europe from 2009 to 2010, at Bristol-Myers Squibb (BMS). Over a 25-year period with BMS, Mr. Pasqualone held senior management positions in the U.S. and globally. In the U.S., he was responsible for the Oncology/Virology business and led the marketing group in the Diabetes business. After leaving Bristol-Myers Squibb and prior to joining Theravance, Mr. Pasqualone was self-employed as a part-time consultant. Mr. Pasqualone holds an M.B.A. from University of Dayton and a B.S. in Marketing from Bowling Green State University in Ohio. Mr. Pasqualone's relevant industry experience as an officer at several companies qualifies him to be a director of the Company.

Bevin O'Neil has served as a non-employee director of the Company since June 13, 2022. Ms. O'Neil has served at ECRI, a nonprofit organization focused on advancing effective, evidenced-based healthcare globally since 2021, first as VP, Strategy and currently as Chief Strategy Officer. Prior to ECRI, O'Neil was the founder and managing partner of Incline GEP from 2014 until 2021. From 2011 to 2013, O'Neil served on the drug access team of Clinton Health Access Initiative (CHAI), responsible for improving sustainable access to pediatric HIV drugs and diagnostics for the developing world utilizing a market-based approach. Earlier in her career, O'Neil was a Principal at Avista Capital Partners, founded by former DLJ Merchant Banking partners. At Avista, O'Neil launched the consumer silo and executed five private equity investments and related tack-on acquisitions in healthcare and consumer, four of which were corporate carve-outs requiring intense operational and infrastructure building. Prior to Avista, O'Neil was a senior manager in business development at Tumi, an Oaktree Capital Management portfolio company. In addition, O'Neil served various roles in the private equity groups of Guggenheim Partners, Oaktree Capital Management, and DLJ Merchant Banking. O'Neil received a BBA from the University of Michigan. Ms. O'Neil's expertise in business operations and fundraising experience qualify her to be a director of the Company.

Family Relationships

There are no family relationships among our directors and executive officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater-than-10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of the Forms 3, 4 and 5 and amendments thereto furnished to the Company, we believe that all directors, officers and persons beneficially owning greater than 10% of the Company's equity securities timely filed reports required by Section 16(a) of the Exchange Act during Fiscal 2022, except for the following reporting persons:

- One Form 4 was filed late for Mr. Avani Kanubaddi with respect to one transaction.
- One Form 4 was filed late for Mr. Carter Ward with respect to one transaction.
- One Form 3 was filed late for Ms. Bevin O'Neil with respect to her appointment to the Board.

None of these cases involved purchase or sale, but rather non-market transactions such as a grant or exercise of stock options.

Corporate Governance

Enveric, with the oversight of the board of directors and its committees, operates within a comprehensive plan of corporate governance for the purpose of defining independence, assigning responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. We regularly monitor developments in the area of corporate governance.

Code of Corporate Conduct and Ethics and Whistleblower Policy

We have adopted a Code of Corporate Conduct and Ethics and Whistleblower Policy that applies to our directors, officers, employees and certain persons performing services for us. The Code of Corporate Conduct and Ethics and Whistleblower Policy addresses, among other things, competition and fair dealing, conflicts of interest, protection and proper use of Company assets, government relations, compliance with laws, rules and regulations and the process for reporting violations of the Code of Corporate Conduct and Ethics and Whistleblower Policy, employee misconduct, improper conflicts of interest or other violations. Our Code of Corporate Conduct and Ethics and Whistleblower Policy is available on our website at www.enveric.com in the "Corporate Governance" section found under the "Investors" tab. We intend to disclose any amendments to, or waivers from, our Code of Corporate Conduct and Ethics and Whistleblower Policy at the same website address provided above.

Board Composition

Our Amended and Restated Certificate of Incorporation and Bylaws provide that our board will consist of such number of directors as determined from time to time by resolution adopted by our Board. The size of our board is currently fixed at seven (7) directors. Subject to any rights applicable to any then-outstanding shares of preferred stock, any vacancies or newly created directorships resulting from an increase in the authorized number of directors may be filled by a majority of the directors then in office. Stockholders vote to elect directors with a term then expiring each year at our annual meeting.

We have no formal policy regarding board diversity. Our board believes that each director should have a basic understanding of the principal operational and financial objectives and plans and strategies of the Company, our results of operations and financial condition and relative standing in relation to our competitors. We take into consideration the overall composition and diversity of the board and areas of expertise that director nominees may be able to offer, including business experience, knowledge, abilities and customer relationships. Generally, we will strive to assemble a board that brings to us a variety of perspectives and skills derived from business and professional experience as we may deem are in our and our stockholders' best interests. In doing so, we will also consider candidates with appropriate non-business backgrounds.

Director Independence

We are currently listed on the Nasdaq Stock Market and therefore rely on the definition of independence set forth in the Nasdaq Listing Rules (“Nasdaq Rules”). Under the Nasdaq Rules, a director will only qualify as an “independent director” if, in the opinion of our board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Based upon information requested from and provided by each director concerning his background, employment, and affiliations, including family relationships, we have determined that Mr. Kegler, Mr. Webb, Mr. Pasqualone, Ms. O’Neil, Dr. Schabacker and Dr. Lind have no material relationships with us that would interfere with the exercise of independent judgment and are “independent directors” as that term is defined in the Nasdaq Listing Rules.

Board Committees, Meetings and Attendance

During the year ended December 31, 2022, the Board held 14 meetings and acted by written consent on seven occasions. We expect our directors to attend board meetings, meetings of any committees and subcommittees on which they serve and each annual meeting of stockholders.

The board delegates various responsibilities and authority to different board committees. Committees regularly report on their activities and actions to the full board. Currently, the board has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Committee assignments are re-evaluated annually. Each of these standing committees operates under a charter that has been approved by our Board. The current charter of each of these committees is available on our website at www.enveric.com in the “Corporate Governance” section under “Investors.”

The following table sets forth the membership of each of the Board committees listed above.

<u>Name</u>	<u>Science and Technology Committee</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Nominating and Corporate Governance Committee</u>
George Kegler		Chairman		X
Frank Pasqualone		X	Chairman	
Michael Webb	X		X	
Dr. Douglas Lind	X			Chairman
Dr. Marcus Schabacker	Chairman			X
Bevin O’Neil		X	X	

Audit Committee

The Audit Committee provides assistance to the Board in fulfilling the Board’s responsibility to the Company’s stockholders relating to the Company’s accounting and financial reporting practices and system of internal control, the audit process, the quality and integrity of the Company’s financial reporting, and the Company’s process for monitoring compliance with laws and regulations and its code of conduct.

Our Audit Committee is responsible for, among other matters:

- approving and retaining the independent auditors to conduct the annual audit of our financial statements;
- reviewing the proposed scope and results of the audit;
- reviewing and pre-approving audit and non-audit fees and services;
- reviewing accounting and financial controls with the independent auditors and our financial and accounting staff;
- reviewing and approving transactions between us and our directors, officers and affiliates;
- recognizing and preventing prohibited non-audit services;
- establishing procedures for complaints received by us regarding accounting matters;
- overseeing internal audit functions, if any; and
- preparing the report of the audit committee that the rules of the SEC require to be included in our annual meeting proxy statement.

As of March 31, 2023, the members of our Audit Committee were George Kegler (chairman), Frank Pasqualone, and Bevin O’Neil. Our Board has determined that Mr. Kegler, Mr. Pasqualone and Ms. O’Neil are independent in accordance with Nasdaq Rules and Rule 10A-3 under the Exchange. Our Board has also reviewed the education, experience, and other qualifications of each member of the Audit Committee. Based upon that review, our Board has determined that Mr. Kegler qualifies as an “audit committee financial expert,” as defined by the rules of the SEC. The Audit Committee met four times during the year ended December 31, 2022.

Compensation Committee

Our Compensation Committee is responsible for, among other matters:

- reviewing and recommending the compensation arrangements for management, including the compensation for our president and chief executive officer;
- establishing and reviewing general compensation policies with the objective to attract and retain superior talent, to reward individual performance and to achieve our financial goals;
- administering our stock incentive plans; and
- preparing the report of the compensation committee that the rules of the SEC require to be included in our annual meeting proxy statement.

As of March 31, 2023, the members of our Compensation Committee were Dr. Frank Pasqualone (chairman), Michael Webb, and Bevin O’Neil. Our Board has determined that Mr. Pasqualone, Mr. Webb and Ms. O’Neil are independent in accordance with Nasdaq Rules. The Compensation Committee has the authority to delegate to subcommittees of the Compensation Committee any of the responsibilities of the full committee. The Compensation Committee met one time during the year ended December 31, 2022 and acted by written consent on one occasion.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is responsible for, among other matters:

- evaluating the current composition, organization and governance of the board and its committees, and making recommendations for changes thereto;
- reviewing each director and nominee annually;
- determining desired board member skills and attributes and conducting searches for prospective members accordingly;
- evaluating nominees, and making recommendations to the Board concerning the appointment of directors to board committees, the selection of board committee chairs, proposal of the slate of directors for election to the board, and the termination of membership of individual directors in accordance with the board’s governance principles;
- overseeing the process of succession planning for the chief executive officer and as warranted, other senior officers of the Company;
- developing, adopting, and overseeing the implementation of a code of business conduct and ethics; and
- administering the annual board performance evaluation process.

As of March 31, 2023, the members of our Nominating and Corporate Governance Committee were Douglas Lind (chairman), Dr. Marcus Schabacker and George Kegler. The Nominating and Corporate Governance Committee met one time during the year ended December 31, 2022.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth total compensation paid to the named executive officers for the years ended December 31, 2022 and 2021:

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Stock⁽¹⁾</u>	<u>Total</u>
Joseph Tucker ⁽²⁾	2022	361,667	464,270 ⁽⁴⁾	—	825,937
<i>Chief Executive Officer</i>	2021	92,083	159,063 ⁽⁴⁾	2,226,992 ⁽⁵⁾	2,478,138
Avani Kanubaddi ⁽⁶⁾	2022	335,833	209,138 ⁽³⁾	755,626 ⁽⁷⁾	1,300,597
<i>President and Chief Operating Officer</i>	2021	302,500	144,570 ⁽³⁾	3,789,523 ⁽⁷⁾	4,236,593
Dr. Peter Facchini ⁽⁸⁾	2022	221,750	110,625	—	332,375
<i>Chief Innovation Officer</i>	2021	68,269 ⁽⁹⁾	69,429 ⁽¹⁰⁾	1,566,910 ⁽¹¹⁾	1,704,608

- (1) Stock compensation consists of Restricted Stock Unit Award (“RSU’s”) and Restricted Stock Awards (“RSA’s”). RSU’s and RSA’s may contain vesting conditions that include, without limitation, continued employment or engagement with the Company, achievement of defined stock price levels or achievement of defined performance milestones, termination of the employee without cause, resignation of the employee for good cause or change in control. Please also note there are no assurances that such vesting conditions will be met and accordingly there are no assurances that any unvested RSU’s or RSA’s will become vested prior to being forfeited on the expiration date defined in the relevant award agreements. Furthermore, RSU’s require that the recipient’s employment with the Company be terminated, or that a change of control occur, as a prerequisite of conversion of vested restricted stock units into shares of Common Stock. RSA’s have no such condition of termination or change of control as a prerequisite of conversion of vested restricted stock awards into shares of Common Stock.
- (2) Dr. Tucker was appointed Chief Executive Officer on September 16, 2021.
- (3) Bonus for 2022 was paid in January 2023.
Bonus for 2021 was paid in February 2022.
- (4) Bonus for 2022 consists of a one-time bonus of \$194,000 paid in 2022 and \$270,270 attributable to 2022 was paid in January 2023.
Bonus consists of \$100,000 paid in September 2021 and \$59,063 attributable to 2021 paid in February 2022.
- (5) Dr. Tucker’s 2021 stock compensation consists of an aggregate of 16,375 RSU’s, valued at \$2,226,992, with such valuation being based on the Company’s closing price per share of \$136.00 on the RSU grant date. All of these RSU’s are unvested as of December 31, 2021, with no assurances of these RSU’s vesting in the future.
- (6) Mr. Kanubaddi served as Chief Operating Officer from December 30, 2020 through September 30, 2021.
Mr. Kanubaddi was appointed President on October 1, 2021.
- (7) Mr. Kanubaddi’s 2022 stock compensation consists of an aggregate of 22,556 RSU’s, valued at \$755,626, with such valuation being based on the Company’s closing price per share of \$33.50 on the RSU grant date. All of these RSU’s are unvested as of December 31, 2022.
Mr. Kanubaddi’s 2021 stock compensation consists of an aggregate of 15,790 RSU’s, valued at \$3,789,523, with such valuation being based on the Company’s closing price per share of \$240.00 on the RSU grant date. All of these RSU’s are vested.
- (8) Dr. Facchini has served as Chief Innovation Officer since September 16, 2021.
- (9) Salaries and bonus paid in Canadian Dollars and translated to United States Dollars equivalent.
- (10) Bonus for 2022 was paid in January 2023.
Bonus consists of \$40,390 paid in September 2021 and \$29,039 attributable to 2021 paid in February 2022.
- (11) Dr. Facchini’s 2021 stock compensation consists of an aggregate of 11,522 RSU’s, valued at \$1,556,910, with such valuation being based on the Company’s closing price per share of \$ on the RSU grant date. All of these RSU’s are unvested as of December 31, 2021, with no assurances of these RSU’s vesting in the future.

Narrative Disclosure to Summary Compensation Table

Tucker Employment Agreement

On May 24, 2021, Dr. Joseph Tucker entered into an employment agreement (the “Tucker Employment Agreement”) with the Company pursuant to which he will become the Company’s Chief Executive Officer, effective as of the September 16, 2021 closing date of the Amalgamation (the “Tucker Effective Date”).

Pursuant to the Tucker Employment Agreement, Dr. Tucker receives a base salary of \$350,000 annually (“Tucker Base Salary”). Dr. Tucker also received, upon entering into the Tucker Employment Agreement, a one-time signing bonus of \$100,000 and 1,375 RSUs, of which half are subject to time-based vesting and the other half subject to market-based vesting. Pursuant to the Tucker Employment Agreement, upon entering into the agreement, Dr. Tucker also received an initial equity compensation received grant of 15,000 RSUs, of which half are subject to time-based vesting and the other half subject to market-based vesting. The RSUs are subject to the terms and conditions of the Company’s 2020 Long-Term Incentive Plan. The Tucker time-based RSUs vest in quarters on each of the first four anniversaries of the Tucker Effective Date.

Beginning in calendar year 2022, Dr. Tucker became eligible to receive annual performance bonuses of up to 75% of the Tucker Base Salary, as determined from time to time by the Company’s board of directors.

The Tucker Employment Agreement will remain in effect until terminated by either party, unless the Company or Dr. Tucker delivers advance written notice of termination to the other party at least 30 days prior. In addition, the Tucker Employment Agreement is subject to early termination by him or the Company in accordance with the terms of the Tucker Employment Agreement.

Pursuant to the Tucker Employment Agreement, if Dr. Tucker’s employment is terminated by the Company without cause or by Dr. Tucker for good reason, then the Company must pay Dr. Tucker, in addition to any then-accrued and unpaid obligations owed to him, 12 months of the then-current Tucker Base Salary.

The Tucker Employment Agreement also contains covenants restricting Dr. Tucker from soliciting the Company’s employees or customers for a period of 12 months after the termination of Dr. Tucker’s employment with the Company and prohibiting him from disclosure of confidential information regarding the Company at any time.

As of December 31, 2022, Dr. Tucker has been awarded an aggregate of 16,375 RSU’s, of which 14,157 are unvested. Vesting conditions include, without limitation, continued employment or engagement with the Company, achievement of defined stock price levels, termination of the employee without cause, resignation of the employee for good cause or change in control and there can be no assurances of any of these vesting conditions being achieved and accordingly no assurances of any of these RSU’s vesting. Furthermore, in the event that any or all of these RSU’s do vest, Dr. Tucker will be eligible to convert any vested RSU’s into an equivalent number of shares of Common Stock on the first day of the seventh month subsequent to either his termination of employment with the Company or in the event of a change in control and provided compliance with all terms and conditions of the 2020 Plan, including, without limitation, the availability of shares approved by the Company’s shareholders for such issuance.

Kanubaddi Employment Agreement

Prior to the completion of the Offer, and contingent and effective upon the completion of the Offer, the Company entered into an employment agreement with Mr. Kanubaddi (the “Kanubaddi Employment Agreement”). Pursuant to the Kanubaddi Employment Agreement, dated December 2, 2020, Mr. Kanubaddi serves in the position of Chief Operating Officer. Mr. Kanubaddi is entitled to a base salary of \$295,000 and a closing bonus in the amount of \$60,000. Mr. Kanubaddi is also eligible to receive annual performance bonuses of up to 50% of his base salary based on satisfaction of performance criteria/financial results, as determined by the board of directors of the Company in its sole discretion. Within 30 days after the completion of the Offer, Mr. Kanubaddi was granted an award of restricted stock units that represent, in the aggregate, 3% of the Company’s issued and outstanding common stock determined on a fully diluted basis as of the date of grant. Mr. Kanubaddi is also eligible to receive additional equity awards, as determined by the Company in its sole discretion.

Under the terms of the Kanubaddi Employment Agreement, Mr. Kanubaddi’s employment may be terminated by either the Company or Mr. Kanubaddi at any time and for any reason with 30 days’ advance written notice. Upon termination of Mr. Kanubaddi’s employment, Mr. Kanubaddi will receive (i) his fully earned but unpaid base salary through the date of termination, (ii) any accrued and unpaid time off or similar pay to which Mr. Kanubaddi is entitled as a matter of law or Company policy, (iii) any amounts due to Mr. Kanubaddi under the terms of the benefit plans, and (iv) any unreimbursed expenses properly incurred prior to the date of termination (the “Kanubaddi Accrued Obligations”).

If the Company terminates Mr. Kanubaddi's employment for cause or Mr. Kanubaddi resigns without good reason (as defined below), the Company, at its sole discretion, may shorten the notice period and determine the date of termination without any obligation to pay any additional compensation other than the Kanubaddi Accrued Obligations and without triggering a termination of Mr. Kanubaddi's employment without cause. If the Company terminates Mr. Kanubaddi's employment without cause or Mr. Kanubaddi resigns for good reason at any time, Mr. Kanubaddi is entitled to the following severance payments and benefits: (i) his full annual base salary less applicable deductions and withholdings; plus (ii) any earned but unpaid performance bonus, if any, for the year of the termination.

The Kanubaddi Employment Agreement also contains certain standard non-solicitation, non-disparagement and confidentiality requirements for Mr. Kanubaddi.

As of December 31, 2022, Mr. Kanubaddi has been awarded an aggregate of 38,346 RSU's, of which 22,556 are unvested. Mr. Kanubaddi will be eligible to convert these vested RSU's into an equivalent number of shares of Common Stock on the first day of the seventh month subsequent to either his termination of employment with the Company, or in the event of a change in control, and provided compliance with all terms and conditions of the 2020 Plan, including, without limitation, the availability of shares approved by the Company's shareholders for such issuance.

Facchini Employment Agreement

On May 24, 2021, Dr. Peter Facchini entered into an employment agreement (the "Facchini Employment Agreement") with the Company pursuant to he serves as the Company's Chief Innovation Officer, effective as of the September 16, 2021 closing date of the Amalgamation (the "Facchini Effective Date").

Pursuant to the Facchini Employment Agreement, as of the Facchini Effective Date, Dr. Facchini has received a base salary of C\$295,000 annually ("Facchini Base Salary"). Dr. Facchini also received a one-time signing bonus of C\$50,000 and up to 130,000 RSUs, based on the price of the Company's shares at the Facchini Effective Date. Half of any such RSUs are subject to time-based vesting, and the remaining half of any such RSUs are subject to market-based vesting. Additionally, Dr. Facchini received 10,500 RSUs as equity compensation. 5,250 of such RSUs are subject to time-based vesting, and the remaining 5,250 of such RSUs are subject to market-based vesting. The RSUs are subject to the terms and conditions of the Company's 2020 Long-Term Incentive Plan. The RSUs are subject to time-based vesting and shall vest in quarters on each of the first four anniversaries of the Facchini Effective Date.

The Facchini Employment Agreement will remain in effect until terminated by either party, unless the Company delivers advance written notice of termination to Dr. Facchini or Dr. Facchini delivers advance written notice of termination to the Company at least 30 days prior. In addition, the Facchini Employment Agreement is subject to early termination by him or the Company in accordance with the terms of the Facchini Employment Agreement.

Pursuant to the Facchini Employment Agreement, if Dr. Facchini's employment is terminated by the Company without cause or by Dr. Facchini for good reason, then the Company must pay Dr. Facchini, in addition to any then-accrued and unpaid obligations owed to him, 12 months of the then-current Facchini Base Salary.

The Facchini Employment Agreement also contains covenants restricting Dr. Facchini from soliciting the Company's employees or customers for a period of 12 months after the termination of Dr. Facchini's employment with Enveric and prohibiting him from disclosure of confidential information regarding the Company at any time.

As of December 31, 2022, Dr. Facchini has been awarded an aggregate of 11,522 RSU's, of which 9,953 are unvested. Vesting conditions include, without limitation, continued employment or engagement with the Company, achievement of defined stock price levels, termination of the employee without cause, resignation of the employee for good cause or change in control and there can be no assurances of any of these vesting conditions being achieved and accordingly no assurances of any of these RSU's vesting. Furthermore, in the event that any or all of these RSU's do vest, Dr. Facchini will be eligible to convert any vested RSU's into an equivalent number of shares of Common Stock on the first day of the seventh month subsequent to either his termination of employment with the Company, or in the event of a change in control, and provided compliance with all terms and conditions of the 2020 Plan, including, without limitation, the availability of shares approved by the Company's shareholders for such issuance.

Outstanding Equity Awards at Fiscal Year-End

Name	Vested Restricted Stock Units ⁽¹⁾	Unvested Restricted Stock Units	Vested Stock Options	Total Equity Awards
Dr. Joseph Tucker.....	2,219	14,156	3,987	20,362
Avani Kanubaddi.....	15,790	22,556	—	38,346
Dr. Peter Facchini.....	1,569	9,953	1,994	13,516

- (1) Vested restricted stock units are eligible for conversion into an equivalent number of shares of Common Stock on the first day of the seventh month subsequent to either the employee’s termination of employment with the Company, or in the event of a change in control, and provided compliance with all terms and conditions of the 2020 Plan, including, without limitation, the availability of shares approved by the Company’s shareholders for such issuance.

Potential Payments Upon Termination of Employment or Change in Control

None of our named executive officers has a contract in place for change in control payments.

The employment agreements of Dr. Joseph Tucker, Mr. Avani Kanubaddi, and Dr. Peter Facchini include provisions for severance pay equal to twelve months of salary upon termination by the Company without cause, as defined in the employment agreements or termination by the employee for good reason, as defined in the employment agreements.

Each of our named executive officers have also been granted RSU’s which are currently either fully vested or contain conditions providing for vesting upon change of control. Vested RSU’s are eligible for conversion to an equivalent number of shares of Common Stock upon termination of the employee by either the Company without cause, termination by the employee for good reason or an event of change of control, and provided the Company’s compliance with all terms and conditions of the 2020 Plan, including, without limitation, the availability of shares approved by the Company’s shareholders for such issuances.

Director Compensation

The following table presents the total compensation for each person who served as a member of our board of directors during the fiscal year ended December 31, 2022. Other than set forth in the table and described more follow below, we did not pay any compensation, reimburse any expense of, make any equity awards or non-equity awards to, or pay any other compensation to any of the other members of our board of directors in 2022.

Name	Fees earned or paid in cash (\$)	Other compensation	Total (\$)
George Kegler.....	99,000	—	99,000
Bevin O’Neil.....	60,625	—	60,625
Marcus Schabacker.....	92,000	—	92,000
Dave Johnson (Former Director)*.....	377,083	44,439	421,522
Sol Mayer (Former Director).....	77,500	—	77,500
Bradley Thompson (Former Director).....	53,917	—	53,917
Douglas Lind.....	92,000	—	92,000
Michael Webb.....	58,583	—	58,583
Frank Pasqualone.....	48,750	—	48,750

*Dave Johnson served as our Executive Chairman through October 28, 2022. Mr. Johnson’s “Other Compensation” is comprised of consulting fees for services provided after he served on the Board of Directors, through December 31, 2022.

Incentive Plans

Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan

Purpose. The purpose of the Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan (the “2020 Plan”) is to enable us to remain competitive and innovative and aid our ability to attract and retain the services of key employees, key contractors, and non-employee directors. The 2020 Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which may be granted singly, in combination, or in tandem, and which may be paid in cash or shares of our common stock. The 2020 Plan provides flexibility to the Company with regard to its compensation methods in order to adapt the compensation of its key employees, key contractors, and non-employee directors to a changing business environment, after giving due consideration to competitive conditions and the impact of applicable tax laws.

Effective Date and Expiration. The 2020 Plan was adopted on December 31, 2020 pursuant to the Tender Agreement and was effective as of December 31, 2020 (the “2020 Plan Effective Date”). The 2020 Plan will terminate on the tenth anniversary of the 2020 Plan Effective Date, unless sooner terminated by our board of directors. No award may be made under the 2020 Plan after its termination date, but awards made prior to the termination date may extend beyond that date in accordance with their terms.

Amendment. On May 3, 2022, our Board adopted the First Amendment (the “Plan Amendment”) to the Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan (the “Incentive Plan”) to (i) increase the aggregate number of shares available for the grant of awards by 146,083 shares to a total of 200,000 shares, and (ii) add an “evergreen” provision whereby the number of shares authorized for issuance pursuant to awards under the Incentive Plan will be automatically increased on the first trading date immediately following the date the Company issues any share of Common Stock (defined below) to any person or entity, to the extent necessary so that the number of shares of the Company’s Common Stock authorized for issuance under the Incentive Plan will equal the greater of (x) 200,000 shares, and (y) 15% of the total number of shares of the Company’s Common Stock outstanding as of such issuance date. The Plan Amendment was approved by the Company’s stockholders at a special meeting of the Company’s stockholders held on July 14, 2022.

Share Authorization. Subject to certain adjustments, as of January 1, 2023, the total number of shares of the Company’s common stock that have been reserved and may be issued pursuant to awards under the Incentive Plan is 153,513 shares.

Administration. The 2020 Plan shall be administered by the board of directors of the Company or such committee of the board as it designated by it to administer the 2020 Plan (the “Committee”). At any time that there is no Committee to administer the Plan, any reference to the Committee is a reference to the board of directors of the Company. The Committee will determine the persons to whom awards are to be made; determine the type, size, and terms of awards; interpret the 2020 Plan; establish and revise rules and regulations relating to the 2020 Plan; establish performance goals for awards and certify the extent of their achievement; and make any other determinations that it believes are necessary for the administration of the Plan. The Committee may delegate certain of its duties to one or more officers of the Company as provided in the Plan.

Eligibility. Employees (including any employee who is also a director or an officer), contractors, and non-employee directors of the Company or any of its subsidiaries, whose judgment, initiative, and efforts contributed to or may be expected to contribute to its successful performance, are eligible to participate in the 2020 Plan.

Stock Options. The Committee may grant either incentive stock options (“ISOs”) qualifying under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), or nonqualified stock options, provided that only employees of the Company and our subsidiaries (excluding subsidiaries that are not corporations) are eligible to receive ISOs. Stock options may not be granted with an option price less than 100% of the fair market value of a share of common stock on the date the stock option is granted. If an ISO is granted to an employee who owns or is deemed to own more than 10% of the combined voting power of all classes of our stock (or of any parent or subsidiary), the option price shall be at least 110% of the fair market value of a share of common stock on the date of grant. The Committee will determine the terms of each stock option at the time of grant, including, without limitation, the methods by or forms in which shares will be delivered to participants or registered in their names. The maximum term of each option, the times at which each option will be exercisable, and provisions requiring forfeiture of unexercised options at or following termination of employment or service generally are fixed by the Committee, except that the Committee may not grant stock options with a term exceeding ten (10) years or, in the case of an ISO granted to an employee who owns or is deemed to own more than 10% of the combined voting power of all classes of our stock (or of any parent or subsidiary), a term exceeding five (5) years.

Recipients of stock options may pay the option price (i) in cash, check, bank draft, or money order payable to the order of the Company; (ii) by delivering to us shares of common stock (included restricted stock) already owned by the participant having a fair market value equal to the aggregate option price and that the participant has not acquired from the Company within six months prior to the exercise date; (iii) by delivering to the Company or its designated agent an executed irrevocable option exercise form, together with irrevocable instructions from the participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares purchased upon the exercise of the option or to pledge such shares to the broker as collateral for a loan from the broker and to deliver to us the amount of sale or loan proceeds necessary to pay the purchase price; (iv) by requesting us to withhold the number of shares otherwise deliverable upon exercise of the stock option by the number of shares having an aggregate fair market value equal to the aggregate option price at the time of exercise (i.e., a cashless net exercise); and (v) by any other form of valid consideration that is acceptable to the Committee in its sole discretion.

Stock Appreciation Rights. The Committee is authorized to grant stock appreciation rights (“SARs”) as a stand-alone award, or freestanding SARs, or in conjunction with options granted under the 2020 Plan, or tandem SARs. SARs entitle a participant to receive an amount equal to the excess of the fair market value of a share of common stock on the date of exercise over the fair market value of a share of Company common stock on the date of grant. The grant price of a SAR cannot be less than 100% of the fair market value of a share of Company common stock on the date of grant. The Committee will determine the terms of each SAR at the time of the grant, including, without limitation, the methods by or forms in which shares will be delivered to participants or registered in their names. The maximum term of each SAR, the times at which each SAR will be exercisable, and provisions requiring forfeiture of unexercised SARs at or following termination of employment or service generally are fixed by the Committee, except that no freestanding SAR may have a term exceeding ten (10) years and no tandem SAR may have a term exceeding the term of the option granted in conjunction with the tandem SAR. Distributions to the recipient may be made in common stock, cash, or a combination of both as determined by the Committee.

Restricted Stock and Restricted Stock Units. The Committee is authorized to grant restricted stock and restricted stock units. Restricted stock consists of shares of Company common stock that may not be sold, assigned, transferred, pledged, hypothecated, encumbered, or otherwise disposed of, and that may be forfeited in the event of certain terminations of employment or service, prior to the end of a restricted period as specified by the Committee. Restricted stock units are the right to receive shares of common stock at a future date in accordance with the terms of such grant upon the attainment of certain conditions specified by the Committee, which include a substantial risk of forfeiture and restrictions on their sale or other transfer by the participant. The Committee determines the eligible participants to whom, and the time or times at which, grants of restricted stock or restricted stock units will be made; the number of shares or units to be granted; the price to be paid, if any; the time or times within which the shares covered by such grants will be subject to forfeiture; the time or times at which the restrictions will terminate; and all other terms and conditions of the grants. Restrictions or conditions could include, but are not limited to, the attainment of performance goals (as described below), continuous service with the Company, the passage of time, or other restrictions or conditions. Except as otherwise provided in the 2020 Plan or the applicable award agreement, a participant shall have, with respect to shares of restricted stock, all of the rights of a stockholder of the Company holding the class of common stock that is the subject of the restricted stock, including, if applicable, the right to vote the common stock and the right to receive any dividends thereon.

Dividend Equivalent Rights. The Committee is authorized to grant a dividend equivalent right to any participant, either as a component of another award or as a separate award, conferring on the participant the right to receive credits based on the cash dividends that would have been paid on the shares of common stock specified in the award as if such shares were held by the participant. The terms and conditions of the dividend equivalent right shall be specified in the grant. Dividend equivalents credited to the holder of a dividend equivalent right may be paid currently or may be deemed to be reinvested in additional shares. Any such reinvestment shall be at the fair market value at the time thereof. A dividend equivalent right may be settled in cash, shares, or a combination thereof.

Performance Awards. The Committee may grant performance awards payable at the end of a specified performance period in cash, shares of common stock, units, or other rights based upon, payable in, or otherwise related to our common stock. Payment will be contingent upon achieving pre-established performance goals (as discussed below) by the end of the applicable performance period. The Committee will determine the length of the performance period, the maximum payment value of an award, and the minimum performance goals required before payment will be made, so long as such provisions are not inconsistent with the terms of the 2020 Plan, and to the extent an award is subject to Section 409A of the Code, are in compliance with the applicable requirements of Section 409A of the Code and any applicable regulations or guidance. In certain circumstances, the Committee may, in its discretion, determine that the amount payable with respect to certain performance awards will be reduced from the maximum amount of any potential awards. If the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company’s business, operations, corporate structure, or for other reasons that the Committee deems satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

Performance Goals. Awards of restricted stock, restricted stock units, performance awards, and other awards under the 2020 Plan may be made subject to the attainment of performance goals relating to one or more business criteria which shall consist of one or more or any combination of the following criteria (“Performance Criteria”): cash flow; cost; revenues; sales; ratio of debt to debt plus equity; net borrowing, credit quality, or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation, and amortization; gross margin; earnings per share (whether on a pre-tax, after-tax, operational, or other basis); operating earnings; capital expenditures; expenses or expense levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; net profit; net sales; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings, or similar extraordinary business transactions; sales growth; price of the shares; return on assets, equity, or stockholders’ equity; market share; inventory levels, inventory turn or shrinkage; or total return to stockholders. Any Performance Criteria may be used to measure our performance as a whole or of any of our business units and may be measured relative to a peer group or index. Any Performance Criteria may include or exclude (i) events that are of an unusual nature or indicate infrequency of occurrence, (ii) gains or losses on the disposition of a business; (iii) changes in tax or accounting regulations or laws; (iv) the effect of a merger or acquisition, as identified in the Company’s quarterly and annual earnings releases; or (v) other similar occurrences. In all other respects, Performance Criteria shall be calculated in accordance with the Company’s financial statements, under GAAP, or under a methodology established by the Committee prior to the issuance of an award, which is consistently applied and identified in the Company’s audited financial statements, including in notes thereto, or the Compensation Discussion and Analysis section of the Company’s annual report.

Other Awards. The Committee may grant other forms of awards, based upon, payable in, or that otherwise relate to, in whole or in part, shares of our common stock, if the Committee determines that such other form of award is consistent with the purpose and restrictions of the 2020 Plan. The terms and conditions of such other form of award shall be specified in the grant. Such other awards may be granted for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified in the grant.

Vesting, Forfeiture and Recoupment, Assignment. The Committee, in its sole discretion, may determine that an award will be immediately vested, in whole or in part, or that all or any portion may not be vested until a date, or dates, subsequent to its date of grant, or until the occurrence of one or more specified events, subject in any case to the terms of the 2020 Plan. If the Committee imposes conditions upon vesting, then, subsequent to the date of grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the award may be vested.

The Committee may impose on any award at the time of grant or thereafter, such additional terms and conditions as the Committee determines, including terms requiring forfeiture of awards in the event of a participant’s termination of service. The Committee will specify the circumstances on which performance awards may be forfeited in the event of a termination of service by a participant prior to the end of a performance period or settlement of awards. Except as otherwise determined by the Committee, restricted stock will be forfeited upon a participant’s termination of service during the applicable restriction period. In addition, we may recoup all or any portion of any shares or cash paid to a participant in connection with any award in the event of a restatement of the Company’s financial statements as set forth in the Company’s clawback policy, if any, as such policy may be approved or modified by board of directors of the Company from time to time.

Awards granted under the 2020 Plan generally are not assignable or transferable except by will or by the laws of descent and distribution, except that the Committee may, in its discretion and pursuant to the terms of an award agreement, permit transfers of nonqualified stock options or SARs to (i) the spouse (or former spouse), children, or grandchildren of the participant (“Immediate Family Members”); (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members; (iii) a partnership in which the only partners are (1) such Immediate Family Members and/or (2) entities which are controlled by the participant and/or his or her Immediate Family Members; (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision; or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, provided that (x) there shall be no consideration for any such transfer, (y) the applicable award agreement pursuant to which such nonqualified stock options or SARs are granted must be approved by the Committee and must expressly provide for such transferability, and (z) subsequent transfers of transferred nonqualified stock options or SARs shall be prohibited except those by will or the laws of descent and distribution.

Adjustments Upon Changes in Capitalization. In the event that any dividend or other distribution (whether in the form of cash, shares of Company common stock, other securities or other property), recapitalization, stock split, reverse stock split, rights offering, reorganization, merger, consolidation, split-up, spin-off, split-off, combination, subdivision, repurchase, or exchange of shares of common stock or other securities of the Company, issuance of warrants or other rights to purchase shares of common stock or other securities of the Company, or other similar corporate transaction or event affects the fair value of an award, then the Committee shall adjust any or all of the following so that the fair value of the award immediately after the transaction or event is equal to the fair value of the award immediately prior to the transaction or event: (i) the number of shares and type of common stock (or the securities or property) which thereafter may be made the subject of awards; (ii) the number of shares and type of common stock (or other securities or property) subject to outstanding awards; (iii) the number of shares and type of common stock (or other securities or property) specified as the annual per-participant limitation under the 2020 Plan; (iv) the option price of each outstanding stock option; (v) the amount, if any, we pay for forfeited shares in accordance with the terms of the 2020 Plan; and (vi) the number of or exercise price of shares then subject to outstanding SARs previously granted and unexercised under the 2020 Plan, to the end that the same proportion of our issued and outstanding shares of common stock in each instance shall remain subject to exercise at the same aggregate exercise price; provided, however, that the number of shares of common stock (or other securities or property) subject to any award shall always be a whole number. Notwithstanding the foregoing, no such adjustment shall be made or authorized to the extent that such adjustment would cause the 2020 Plan or any stock option to violate Section 422 of the Code or Section 409A of the Code. All such adjustments must be made in accordance with the rules of any securities exchange, stock market, or stock quotation system to which we are subject.

Amendment or Discontinuance of the 2020 Plan. The Company’s board of directors may, at any time and from time to time, without the consent of participants, alter, amend, revise, suspend, or discontinue the 2020 Plan in whole or in part; provided, however, that (i) no amendment that requires stockholder approval in order for the 2020 Plan and any awards under the 2020 Plan to continue to comply with Sections 421 and 422 of the Code (including any successors to such sections or other applicable law) or any applicable requirements of any securities exchange or inter-dealer quotation system on which our stock is listed or traded, shall be effective unless such amendment is approved by the requisite vote of our stockholders entitled to vote on the amendment; and (ii) unless required by law, no action by our board of directors regarding amendment or discontinuance of the 2020 Plan may adversely affect any rights of any participants or obligations of the Company to any participants with respect to any outstanding awards under the 2020 Plan without the consent of the affected participant.

Equity Compensation Plan Information

The following table provides information regarding the weighted-average exercise price of options issued by Enveric as of December 31, 2022. Such issuances were approved by Enveric’s board of directors outside of an equity compensation plan.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights⁽³⁾</u>	<u>Number of securities remaining for issuance under equity compensation plans (excluding securities reflected in the first column)</u>
Equity compensation plans approved by security holders ⁽¹⁾	153,983 ⁽²⁾	\$ 133.25	153,513 ⁽⁴⁾
Total.....	<u>153,983</u>	<u>\$ 133.25</u>	<u>153,513</u>

(1) Consists of the 2020 Plan

(2) Represents 26,730 shares of Common Stock to be issued pursuant to the exercise of outstanding options, 708 shares of Common Stock to be issued pursuant to vested restricted stock awards, 62,492 vested restricted stock units representing 62,492 shares of Common Stock, 64,053 unvested restricted stock units representing 64,053 shares of Common Stock. There can be no assurances of the achievement of vesting conditions related to those unvested restricted stock awards and unvested restrict stock units.

(3) Represents the weighted-average grant date fair value of outstanding options and is calculated without taking into account the shares of common stock subject to outstanding restricted stock awards and outstanding restricted stock units.

- (4) As of the end of the fiscal year ended December 31, 2022, there were 153,513 shares of common stock available under the Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan (the “Incentive Plan”). On May 3, 2022, our Board adopted the First Amendment (the “Plan Amendment”) to the Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan (the “Incentive Plan”) to (i) increase the aggregate number of shares available for the grant of awards by 146,083 shares to a total of 200,000 shares, and (ii) add an “evergreen” provision whereby the number of shares authorized for issuance pursuant to awards under the Incentive Plan will be automatically increased on the first trading date immediately following the date the Company issues any share of Common Stock (defined below) to any person or entity, to the extent necessary so that the number of shares of the Company’s Common Stock authorized for issuance under the Incentive Plan will equal the greater of (x) 200,000 shares, and (y) 15% of the total number of shares of the Company’s Common Stock outstanding as of such issuance date. The Plan Amendment was approved by the Company’s stockholders at a special meeting of the Company’s stockholders held on July 14, 2022. As of December 31, 2022, there are 311,740 shares of Common Stock authorized under the Plan.

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

The following table sets forth the names and number of common shares beneficially owned as of March 30, 2023, (including shares of common stock issuable within sixty (60) days of that date upon exercise or conversion of securities that entitle the holders thereof to obtain common stock upon exercise or conversion in accordance with the terms thereof) by (i) those persons who are known to us to be the beneficial owner(s) of more than five percent (5%) of our common stock, (ii) each of our directors and named executive officers and (iii) all of our directors and executive officers as a group. Except as otherwise indicated, the beneficial owners listed in the table below possess the sole voting and dispositive power in regard to such shares and have an address of c/o Enveric Biosciences, Inc., 4851 Tamiami Trail N, Suite 200, Naples, FL 34103. As of March 31, 2023, there were 2,078,271 shares of common stock of the Company outstanding.

Name	Number of Shares of Common Stock Beneficially Owned	Percentage of Shares Outstanding
<i>Directors and Officers</i>		
Joseph Tucker, PhD.....	33,318 ⁽¹⁾	1.6%
Avani Kanubaddi.....	15,790 ⁽²⁾	*0%
Peter Facchini, PhD.....	28,176 ⁽³⁾	1.4%
George Kegler.....	320 ⁽⁴⁾	*0%
Bevin O’Neil.....	—	*0%
Frank Pasqualone.....	—	*0%
Michael Webb.....	—	*0%
Douglas Lind, M.D.....	136 ⁽⁵⁾	*0%
Marcus Schabacker, M.D., PhD.....	320 ⁽⁴⁾	*0%
All directors and officers as a group of nine (9) persons.....	78,060⁽⁶⁾	3.8%

* Represents less than 1%

- (1) Includes 13,822 shares of Common Stock, 3,987 vested options to purchase Common Stock, warrants to purchase 13,290 shares of Common Stock, and 2,219 vested restricted stock units. Excludes unvested restricted stock units equivalent to 14,156 shares of Common Stock.
- (2) Includes vested restricted stock units equivalent to 15,790 shares of Common Stock. Excludes unvested restricted stock units equivalent to 22,556 shares of Common Stock.
- (3) Includes 12,333 shares of Common Stock, 1,994 vested options to purchase Common Stock, warrants to purchase 12,280 shares of Common Stock, and 1,569 vested restricted stock units. Excludes unvested restricted stock units equivalent to 9,953 shares of Common Stock.
- (4) Includes vested restricted stock awards equivalent to 320 shares of Common Stock.
- (5) Includes vested restricted stock awards equivalent to 136 shares of Common Stock
- (6) Includes 26,155 shares of Common Stock, vested restricted stock units equivalent to 19,578 shares of Common Stock, vested restricted stock awards equivalent to 776 shares of Common Stock, vested options to purchase 5,981 shares of Common Stock and warrants to purchase 25,570 shares of Common Stock. Excludes unvested restricted stock units equivalent to 46,665 shares of Common Stock.

Item 13. Certain Relationships and Related Transactions and Director Independence

Described below are transactions occurring since January 1, 2022 and any currently proposed transactions to which the Company was a party and in which:

- the amounts involved exceeded or will exceed the lesser of (i) \$120,000, or (ii) 1% of the average of the Company's total assets at December 31, 2022 and December 30, 2021; and
- a director, executive officer, holder of more than 5% of the Company's outstanding capital stock, or any member of such person's immediate family had or will have a direct or indirect material interest, excluding compensation arrangements described above.

Consulting Agreement

The Company and David Johnson, the Company's former Executive Chairman, entered into a consulting agreement on January 1, 2023 (the "January Agreement"). Pursuant to the January Agreement, Mr. Johnson agreed to provide consulting services to the Company effective January 1, 2023. Mr. Johnson earns \$23,833 per month (\$286,000 per annum) over the term of the January Agreement. The Company will also reimburse the Mr. Johnson for such reasonable and necessary expenses incurred by him in carrying out his services under the January Agreement. The January Agreement will remain in effect until the earlier of (i) its termination pursuant to the terms of the January Agreement or (ii) the effectiveness of the spin-off of Akos from the Company. During the term of the January Agreement, Mr. Johnson will provide services as requested by the Company's Board of Directors. If Mr. Johnson's employment is terminated without cause prior to the completion of the Akos spin-off, Company shall pay Mr. Johnson a termination fee of \$286,000 over the 12 months following the termination of his employment.

Item 14. Principal Accountant Fees and Services

The Company selected Marcum LLP as its independent accountant on January 12, 2021. Marcum LLP was dismissed on June 23, 2021. At that time the Company appointed Friedman LLP as its independent accountant. In September 2022, Marcum LLP acquired certain assets of Friedman LLP, at which point the Company's auditor became Marcum LLP.

	Year Ended December 31,	
	2022	2021
Audit fees.....	\$ 286,095	\$ 170,025
Tax fees.....	—	10,000
Audit-related fees.....	—	5,150
All other fees	—	49,935
	<u>\$ 286,095</u>	<u>\$ 235,110</u>

Audit fees consist of fees billed for services rendered for the audit of our financial statements and review of our financial statements.

Tax fees consist of fees billed for professional services related to the preparation of our U.S. federal and state income tax returns and tax advice.

Audit-related fees consist of fees reasonably related to the performance of the audit or review of the Company's financial statements that are not reported as "Audit Fees."

All other fees consist of fees for other miscellaneous items.

All services provided by the Company's independent auditor were approved by the Company's audit committee.

Pre-Approval Policy of Services Performed by Independent Registered Public Accounting Firm

The Audit Committee's policy is to pre-approve all audit and non-audit related services, tax services and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee has delegated the pre-approval authority to its chairperson when expedition of services is necessary. The independent registered public accounting firm and management are required to periodically report to the full Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval and the fees for the services performed to date.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements:

Reports of Independent Registered Accounting Firm (PCAOB Firm ID : Marcum LLP #688 and Friedman LLP #711).....	F-1
Consolidated Balance Sheets	F-4
Consolidated Statements of Operations and Comprehensive Loss.....	F-5
Consolidated Statements of Changes in Temporary Equity and Shareholders' Equity	F-6
Consolidated Statements of Cash Flows.....	F-8
Notes to Consolidated Financial Statements.....	F-9

(2) Financial Statement Schedules:

None. Financial statement schedules have not been included because they are not applicable, or the information is included in the consolidated financial statements or notes thereto.

(3) Exhibits:

See "Index to Exhibits" for a description of our exhibits.

Item 16. Form 10-K Summary

Not applicable.

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Share Purchase Agreement, dated January 10, 2020, by and between AMERI Holdings, Inc. and Ameri100, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 13, 2020)
2.2	Tender Offer Support Agreement and Termination of Amalgamation Agreement, dated August 12, 2020, by and among AMERI Holdings, Inc., Jay Pharma Merger Sub, Inc., Jay Pharma Inc., 1236567 B.C. Unlimited Liability Company and Barry Kostiner, as the Ameri representative (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on August 12, 2020)
2.3	Amendment No. 1 To Tender Offer Support Agreement and Termination of Amalgamation Agreement, dated December 18, 2020, by and among Ameri, Jay Pharma Merger Sub, Inc., Jay Pharma Inc., 1236567 B.C. Unlimited Liability Company and Barry Kostiner, as the Ameri representative (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on December 18, 2020)
2.4	Amalgamation Agreement, dated May 24, 2021, by and among Enveric Biosciences, Inc., 1306432 B.C. LTD., 1306436 B.C. LTD., and MagicMed Industries, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Commission on May 24, 2021)
3.1	Amended and Restated Certificate of Incorporation of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
3.3	Certificate of Designations of Series B Preferred Stock of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
3.4	Amended and Restated Bylaws of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
3.5	Amendment to the Amended and Restated Bylaws of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on November 18, 2021)
3.6	Certificate of Designation of the Series C Preferred Stock of the Company, dated May 4, 2022 (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 8-A, filed with the Securities and Exchange Commission on May 4, 2022, File No. 000-26460)
3.7	Certificate of Amendment of Certificate of Designation of the Series C Preferred Stock of the Company, dated May 17, 2022 (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 8-A/A, filed with the Securities and Exchange Commission on May 17, 2022, File No. 000 26460)
3.8	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 14, 2022)
4.1	Description of Securities*
4.2	Form of Pre-Funded Warrant (issued in connection with January 2021 Registered Direct Offering) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)
4.3	Form of Warrant (issued in connection with January 2021 Registered Direct Offering) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)
4.4	Form of Warrant (issued in connection with February 2021 Registered Direct Offering) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 11, 2021)
4.5	Form of Series B Warrant (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
4.6	Form of MagicMed Warrant Certificate (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 17, 2021)

Exhibit No.	Description
4.7	Form of Common Stock Purchase Warrant (in connection with February 2022 Offering) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 15, 2022)
4.8	Form of RD Pre-Funded Warrant (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
4.9	Form of PIPE Pre-Funded Warrant (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
4.10	Form of RD Preferred Investment Option (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
4.11	Form of PIPE Preferred Investment Option (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
4.12	Form of Wainwright Warrant (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.1	Employment Agreement between Kevin Coveney and the Company, effective March 13, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 28, 2023)
10.2	Form of Securities Purchase Agreement (entered into in connection with the May 5, 2022 Private Placement) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on May 11, 2022)
10.3	Certificate of the Designations, Preferences and Rights of Akos Series A Convertible Preferred Stock (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on May 11, 2022)
10.4	Form of Registration Rights Agreement (entered into in connection with the May 5, 2022 Private Placement) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on May 11, 2022)
10.5	Form of Warrant (entered into in connection with the May 5, 2022 Private Placement) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Commission on May 11, 2022)
10.6	Form of Warrant Amendment (in connection with the July 2022 Offerings) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.7	First Amendment to the Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 14, 2022)
10.8	Form of Warrant Amendment (in connection with July 2022 Offering) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.9	Form of Securities Purchase Agreement (in connection with July 2022 Offering) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.10	Form of Securities Purchase Agreement (in connection with July 2022 Offering) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.11	Form of Registration Rights Agreement (in connection with July 2022 Offering) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.12	Assignment and Assumption Agreement (Non-U.S. GVHD Sublicense), dated January 10, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and Tikun Olam IP Ltd.* (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.13	Amendment No. 1 to Assignment and Assumption Agreement (Non-U.S. GVHD Sublicense), dated August 12, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and Tikun Olam IP Ltd. (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.14	Amendment No. 2 to Assignment and Assumption Agreement (Non-U.S. GVHD Sublicense and Skincare), dated October 2, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and Tikun Olam IP Ltd. (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)

Exhibit No.	Description
10.15	Assignment and Assumption Agreement (U.S. GVHD Sublicense and Skincare), dated January 10, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and TO Pharmaceuticals USA LLC* (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.16	Amendment No. 1 to Assignment and Assumption Agreement (U.S. GVHD Sublicense and Skincare), dated August 12, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and TO Pharmaceuticals USA LLC (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.17	Amendment No. 2 to Assignment and Assumption Agreement (U.S. GVHD Sublicense and Skincare), dated October 2, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and TO Pharmaceuticals USA LLC (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.18	License Agreement, dated January 10, 2020, by and among Tikun Olam LLC, Tikun Olam Hemp LLC and Jay Pharma Inc. (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.19	Amendment No. 1 to License Agreement, dated August 12, 2020, by and among Tikun Olam LLC, Tikun Olam Hemp LLC and Jay Pharma Inc. (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.20	Amendment No. 2 to License Agreement, dated October 2, 2020, by and among Tikun Olam LLC, Tikun Olam Hemp LLC and Jay Pharma Inc. (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.21#	Employment Agreement, dated January 10, 2020, by and between the Company and David Johnson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.22#	Employment Agreement, dated December 2, 2020, by and between the Company and Avani Kanubaddi (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.23#	Employment Agreement, dated December 22, 2020, by and between the Company and Robert Wilkins (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.24#	Consulting Agreement, dated December 29, 2020, by and between the Company and Barry Kostiner (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.25	Enveric Biosciences, Inc. 2020 Long-Term Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.26	Form of RSU Award Agreement (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.27	Form of Securities Purchase Agreement, dated January 11, 2021, by and among the Company and the purchasers thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)
10.28	Form of Registration Rights Agreement, dated January 11, 2021, by and among the Company and the purchasers thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)
10.29	Letter Agreement, dated January 11, 2021, by and between the Company and Alpha Capital Anstalt (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)
10.30	Form of Securities Purchase Agreement, dated February 9, 2021, by and among the Company and the purchasers thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 11, 2021)
10.31	Form of Registration Rights Agreement, dated February 9, 2021, by and among the Company and the purchasers thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on February 11, 2021)
10.32	Development and Clinical Supply Agreement, between the Company and PureForm Global, Inc., dated February 22, 2021 (incorporated by reference to Exhibit 10.5 the Company's Quarterly Report on Form 10-Q, filed with the Commission on May 17, 2021)
10.33	Exclusive License Agreement, between the Company and Diverse Biotech, Inc., dated March 5, 2021 (incorporated by reference to Exhibit 10.6 the Company's Quarterly Report on Form 10-Q, filed with the Commission on May 17, 2021)

Exhibit No.	Description
10.34#	Employment Agreement between Carter J. Ward and the Company, effective May 15, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 12, 2021)
10.35	Form of Voting and Support Agreement, dated as of May 24, 2021, by and among Enveric Biosciences, Inc. and certain shareholders of MagicMed Industries Inc. named therein (incorporated by reference to Annex B-1 to the Company's Proxy Statement/Prospectus, filed with the Commission on August 6, 2021)
10.36	Form of Voting Agreement, dated as of May 24, 2021, by and among MagicMed Industries Inc. and certain shareholders of Enveric Biosciences, Inc. named therein (incorporated by reference to Annex B-2 to the Company's Proxy Statement/Prospectus, filed with the Commission on August 6, 2021)
10.37	Form of Lock-Up Agreement, dated as of May 24, 2021, by and among Enveric Biosciences, Inc. and certain shareholders of MagicMed Industries Inc. named therein (incorporated by reference to Annex C-1 to the Company's Proxy Statement/Prospectus, filed with the Commission on August 6, 2021)
10.38	Form of Lock-Up/Leak-Out Agreement, dated as of May 24, 2021, by and among Enveric Biosciences, Inc. and certain shareholders of MagicMed Industries Inc. named therein (incorporated by reference to Annex C-2 to the Company's Proxy Statement/Prospectus, filed with the Commission on August 3, 2021)
10.39#	Employment Agreement between Joseph Tucker and Enveric Biosciences, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 24, 2021)
10.40#	Employment Agreement between Peter Facchini and Enveric Biosciences, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 24, 2021)
10.41#	Employment Agreement between Jillian Hagel and Enveric Biosciences, Inc. (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 24, 2021)
10.42	MagicMed Stock Option Plan, as amended September 10, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 17, 2021)
16.1	Letter dated January 6, 2021 from Ram Associates, CPA to the Securities and Exchange Commission. (incorporated by reference to Exhibit 16.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2021)
16.2	Letter of Marcum LLP to the Securities and Exchange Commission, dated June 29, 2021. (incorporated by reference to Exhibit 16.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2021)
21.1	Subsidiaries*
23.1	Consent of independent registered public accountant – Marcum LLP.*
23.2	Consent of independent registered public accountant – Friedman LLP.*
31.1	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002 of Principal Executive Officer*
31.2	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002 of Principal Financial and Accounting Officer*
32	Certification pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 of Principal Executive Officer, Principal Financial and Accounting Officer**
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)
*	Filed herewith.
**	Furnished herewith.
#	Management contract or compensatory plan or arrangement.

SIGNATURES

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

ENVERIC BIOSCIENCES, INC.

March 31, 2023

By: /s/ Joseph Tucker

Joseph Tucker
Chief Executive Officer
(Principal Executive Officer)

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

March 31, 2023

By: /s/ Joseph Tucker

Joseph Tucker
Chief Executive Officer
(Principal Executive Officer)

March 31, 2023

By: /s/ Kevin Coveney

Kevin Coveney
Chief Financial Officer
(Principal Financial and Accounting Officer)

March 31, 2023

By: /s/ Michael Webb

Michael Webb
Director

March 31, 2023

By: /s/ George Kegler

George Kegler
Director

March 31, 2023

By: /s/ Douglas Lind

Douglas Lind
Director

March 31, 2023

By: _____

Marcus Schabacker
Director

March 31, 2023

By: _____

Frank Pasqualone
Director

March 31, 2023

By: /s/ Bevin O'Neil

Bevin O'Neil
Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Enveric Biosciences, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Enveric Biosciences, Inc. (the “Company”) as of December 31, 2022, the related consolidated statements operations and comprehensive loss, changes in temporary equity and shareholders’ equity and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

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

Basis for Opinion

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

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

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

Critical Audit Matters

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

Impairment of Long-lived Assets

Critical Audit Matter Description As discussed in Notes 2 and 4 to the financial statements, the Company reviews goodwill on an annual basis for impairment, or when circumstances indicate the assets might be impaired. Additionally, the Company reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Due to a sustained decline in the Company’s market capitalization, the Company performed an impairment analysis and determined that an impairment of goodwill and long-lived assets existed at December 31, 2022.

Auditing the Company’s accounting for impairment of goodwill and long-lived assets required a high degree of subjective auditor judgment in evaluating the estimated discounted future cash flows used to test reporting units for recoverability and the determination of fair value of the relevant assets. The high degree of auditor judgement and increased extent of effort, including the need to involve valuation specialists, was required to evaluate the reasonableness of management’s analysis related to the impairment of goodwill and long-lived assets.

How We Addressed the Matter in Our Audit We obtained an understanding and evaluated the procedures over management’s impairment review process. We evaluated the reasonableness of management’s inputs inclusive of forecasts and discount rates used in the impairment analysis. With the assistance of our valuation specialists, we evaluated the reasonableness of the valuation methodology, tested the mathematical accuracy of the calculation and developed a range of independent estimates to determine reasonableness of valuation conclusions.

Redeemable Non-controlling Interest and Derivative Liability

Critical Audit Matter Description As discussed in Notes 1, 2 and 8 to the financial statements, the Company announced plans to transfer and spin-off its cannabinoid clinical development pipeline assets to Akos Biosciences, Inc. (“Akos”) a majority owned subsidiary of the Company. Akos entered into a Securities Purchase Agreement, pursuant to which Akos agreed to sell to an investor 1,000 shares of Akos’ Series A Convertible Preferred Stock for \$1.0 million during the year ended December 31, 2022. If the Spin-Off does not occur, the Company has guaranteed the redeemable non-controlling interest associated with the put right option as defined in the Series A Convertible Preferred Stock agreement. Fees associated with the spin-off including, but not limited to, placement agent fees, are contingent upon the spin-off occurring.

Auditing the accounting conclusions for the issuance of the Series A Convertible Preferred Stock discussed above was challenging because of the complex provisions affecting classification and required extensive audit effort. The accounting for the Series A Convertible Preferred Stock involved an assessment of the particular features in the agreement and Certificate of Designation and the impact of those features on the accounting and classification of the Series A Convertible Preferred Stock. The determination of fair value requires significant judgement by management and third-party valuation specialists to develop significant estimates and assumptions including the probability of the spin off occurring. Auditing management’s judgements involved especially challenging auditor judgement due to the nature and extent of audit effort required.

How We Addressed the Matter in Our Audit We obtained an understanding and evaluated the procedures over management’s technical accounting analysis and valuation process. We inspected the governing agreements for the transaction and evaluated the application of the Company’s technical accounting analyses including evaluating the terms and management’s conclusion on the interpretation and application of the relevant accounting literature. With the assistance of our valuation specialists, we evaluated the reasonableness of the valuation methodology used, we evaluated the reasonableness of the inputs subject to assumptions and verified the accuracy and completeness of those inputs to the underlying transaction data utilized in the valuation of the preferred stock and derivative liability; we performed sensitivity analyses of the significant assumptions used in the valuation model to evaluate the change in fair value resulting from changes in the significant assumptions to determine reasonableness of the valuation conclusions.

/s/ Marcum LLP

We have served as the Company’s auditor since 2021 (such date takes into account the acquisition of certain assets of Friedman LLP by Marcum LLP effective September 1, 2022).

East Hanover, New Jersey
March 31, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Enveric Biosciences, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Enveric Biosciences, Inc. (the Company) as of December 31, 2021, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Friedman LLP

We have served as the Company's auditor from 2021 through 2022.

East Hanover, New Jersey

March 31, 2022

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2022	2021
ASSETS		
Current assets:		
Cash	\$ 17,723,884	\$ 17,355,999
Prepaid expenses and other current assets	708,053	380,838
Total current assets	18,431,937	17,736,837
Other assets:		
Property and equipment, net	677,485	294,430
Right-of-use operating lease asset	63,817	176,304
Intangible assets, net	379,686	6,923,928
Goodwill	—	1,587,634
Total other assets	1,120,988	8,982,296
Total assets	\$ 19,552,925	\$ 26,719,133
LIABILITIES, TEMPORARY EQUITY, AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 463,275	\$ 683,393
Accrued liabilities	1,705,655	1,292,721
Current portion of right-of-use operating lease obligation	63,820	107,442
Investment option liability	851,008	—
Warrant liability	185,215	653,674
Derivative liability	727,000	—
Total current liabilities	3,995,973	2,737,230
Non-current liabilities:		
Non-current portion of right-of-use operating lease obligation	—	68,861
Deferred tax liability	—	1,607,122
Total non-current liabilities	—	1,675,983
Total liabilities	\$ 3,995,973	\$ 4,413,213
Commitments and contingencies (Note 9)		
Temporary equity		
Series C redeemable preferred stock, \$0.01 par value, 100,000 shares authorized, and 52,684.548 and 0 shares issued and outstanding as of December 31, 2022 and 2021, respectively	—	—
Redeemable non-controlling interest	885,028	—
Total temporary equity	885,028	—
Shareholders' equity		
Preferred stock, \$0.01 par value, 20,000,000 shares authorized; Series B preferred stock, \$0.01 par value, 3,600,000 shares authorized, 0 shares issued and outstanding as of December 31, 2022 and 2021, respectively	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 2,078,271 and 651,921 shares issued and outstanding as of December 31, 2022 and 2021, respectively	20,782	6,519
Additional paid-in capital	94,395,662	83,066,656
Accumulated deficit	(79,207,786)	(60,736,453)
Accumulated other comprehensive loss	(536,734)	(30,802)
Total shareholders' equity	14,671,924	22,305,920
Total liabilities, temporary equity, and shareholders' equity	\$ 19,552,925	\$ 26,719,133

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Years Ended December 31,	
	2022	2021
Operating expenses		
General and administrative	\$ 11,605,761	\$ 20,499,052
Research and development	8,027,773	4,788,807
Impairment of intangible assets and goodwill	7,453,662	38,678,918
Depreciation and amortization	327,910	656,643
Total operating expenses	27,415,106	64,623,420
Loss from operations	(27,415,106)	(64,623,420)
Other income (expense)		
Inducement expense	—	(1,125,291)
Change in fair value of warrant liabilities	4,315,236	9,327,326
Change in fair value of investment option liability	3,472,726	—
Change in fair value of derivative liability	(325,000)	—
Interest expense	(5,249)	(10,316)
Total other income	7,457,713	8,191,719
Net loss before income taxes	(19,957,393)	(56,431,701)
Income tax benefit	1,486,060	7,454,805
Net loss	(18,471,333)	(48,976,896)
Less preferred dividends attributable to non-controlling interest	33,014	—
Less deemed dividends attributable to accretion of embedded derivative at redemption value	295,976	—
Net loss attributable to shareholders	(18,800,323)	(48,976,896)
Other comprehensive loss		
Foreign currency translation	(505,932)	150,475
Comprehensive loss	\$ (19,306,255)	\$ (48,826,421)
Net loss per share - basic and diluted	\$ (13.00)	\$ (103.69)
Weighted average shares outstanding, basic and diluted	1,446,007	472,343

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND SHAREHOLDERS'
EQUITY

	Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Total
Balance at January 1, 2021	3,275,407	\$ 32,754	202,249	\$ 2,022	\$15,321,699	\$ (11,759,557)	\$ (181,277)	\$ 3,415,641
January 2021 registered direct offering, net of offering costs	—	—	44,427	444	4,616,643	—	—	4,617,087
February 2021 registered direct offering, net of offering costs	—	—	60,141	601	7,015,800	—	—	7,016,401
Consideration paid pursuant to amalgamation agreement	—	—	199,025	1,990	39,040,292	—	—	39,042,282
Exercise of warrants	—	—	52,861	530	3,284,641	—	—	3,285,171
Exercise of options	—	—	2,685	27	(27)	—	—	—
Induced conversion of stock options into restricted stock awards.....	—	—	20,307	203	1,125,088	—	—	1,125,291
Stock-based compensation.....	—	—	—	—	12,597,001	—	—	12,597,001
Common stock issued in lieu of cash for services ...	—	—	283	3	33,464	—	—	33,467
Common stock issued pursuant to exercise of warrant put rights.....	—	—	4,434	44	(44)	—	—	—
Conversion of Series B preferred shares	(3,275,407)	(32,754)	65,509	655	32,099	—	—	—
Foreign exchange translation gain	—	—	—	—	—	—	150,475	150,475
Net loss	—	—	—	—	—	(48,976,896)	—	(48,976,896)
Balance at December 31, 2021 ..	<u>—</u>	<u>\$ —</u>	<u>651,921</u>	<u>\$ 6,519</u>	<u>\$83,066,656</u>	<u>\$ (60,736,453)</u>	<u>\$ (30,802)</u>	<u>\$ 22,305,920</u>

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND SHAREHOLDERS'
EQUITY

	Series C Redeemable Preferred Stock		Redeemable Non-controlling Interest		Total Temporary Equity	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance at January 1, 2022 ..	—	\$ —	—	\$ —	\$ —	—	651,921	\$ 6,519	\$ 83,066,656	\$ (60,736,453)	\$ 22,305,920
February 2022 registered direct offering, net of offering costs.....	—	—	—	—	—	—	400,000	4,000	5,798,464	—	5,802,464
Stock-based compensation .	—	—	—	—	—	—	—	—	2,620,671	—	2,620,671
Conversion of RSUs into common shares.....	—	—	—	—	—	—	899	9	(9)	—	—
Redeemable non-controlling interest, net of \$402,000 embedded derivative and net of issuance costs of \$41,962.....	—	—	1,000	556,038	556,038	—	—	—	—	—	—
Issuance of redeemable Series C preferred stock	52,685	527	—	—	527	—	—	—	(527)	—	(527)
Preferred dividends attributable to redeemable non-controlling interest.....	—	—	—	33,014	33,014	—	—	—	(33,014)	—	(33,014)
Accretion of embedded derivative to redemption value.....	—	—	—	295,976	295,976	—	—	—	(295,976)	—	(295,976)
Conversion of RSAs into common shares.....	—	—	—	—	—	—	1,223	12	(12)	—	—
July 2022 registered direct offering, PIPE offering, modification of warrants and exercise of pre-funded warrants, net of offering costs.....	—	—	—	—	—	—	1,000,000	10,000	3,239,124	—	3,249,124
Issuance of rounded shares as a result of the reverse stock split	—	—	—	—	—	—	24,228	242	(242)	—	—
Redemption of Series C preferred stock	(52,685)	(527)	—	—	(527)	—	—	—	527	—	527
Foreign exchange translation loss	—	—	—	—	—	—	—	—	—	(505,932)	(505,932)
Net loss.....	—	—	—	—	—	—	—	—	—	(18,471,333)	(18,471,333)
Balance at December 31, 2022	—	\$ —	1,000	\$ 885,028	\$ 885,028	2,078,271	\$ 20,782	\$ 94,395,662	\$ (79,207,786)	\$ (536,734)	\$ 14,671,924

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2022	2021
Cash Flows From Operating Activities:		
Net loss	\$ (18,471,333)	\$ (48,976,896)
Adjustments to reconcile net loss to cash used in operating activities		
Change in fair value of warrant liability	(4,315,236)	(9,327,326)
Change in fair value of investment option liability	(3,472,726)	—
Change in fair value of derivative liability	325,000	—
Stock-based compensation	2,620,671	12,597,001
Stock issued in lieu of cash for services	—	33,467
Impairment of intangible assets and goodwill	7,453,662	38,678,918
Non-cash income tax benefit	(1,504,302)	(7,454,805)
Inducement expense	—	1,125,291
Amortization of right-of-use asset	107,291	24,969
Amortization of intangible assets	168,750	643,333
Depreciation expense	159,160	13,310
Change in operating assets and liabilities:		
Prepaid expenses and other current assets	(374,058)	826,837
Accounts payable and accrued liabilities	263,686	383,199
Right-of-use operating lease liability	(107,288)	(24,969)
Net cash used in operating activities	<u>(17,146,723)</u>	<u>(11,457,671)</u>
Cash Flows From Investing Activities:		
Purchases of property and equipment	(584,165)	(189,719)
Purchase of Diverse Bio license agreement	—	(675,000)
Cash accretive acquisition of MagicMed	—	3,055,328
Net cash (used in) provided by investing activities	<u>(584,165)</u>	<u>2,190,609</u>
Cash Flows From Financing Activities:		
Proceeds from sale of common stock, warrants, and investment options, net of offering costs	17,222,099	21,614,488
Proceeds from the sale of redeemable non-controlling interest, net of offering costs (see Note 8)	958,038	—
Proceeds from warrant exercises, net of fees	—	3,285,171
Net cash provided by financing activities	<u>18,180,137</u>	<u>24,899,659</u>
Effect of foreign exchange rate on cash	(81,364)	144,942
Net increase in cash	367,885	15,777,539
Cash at beginning of year	17,355,999	1,578,460
Cash at end of year	<u>\$ 17,723,884</u>	<u>\$ 17,355,999</u>
Supplemental disclosure of cash and non-cash transactions:		
Cash paid for interest	\$ 5,249	\$ 10,316
Income taxes paid	\$ —	\$ —
Investment options issued in conjunction with common stock issuance	\$ 4,323,734	\$ —
Modification of warrants as part of share capital raise	\$ 251,357	\$ —
Warrants issued in conjunction with common stock issuance	\$ 3,595,420	\$ —
Issuance of embedded derivative	\$ 402,000	\$ —
Preferred dividends attributable to redeemable non-controlling interest	\$ 33,014	\$ —
Accretion of embedded derivative to redemption value	\$ 295,976	\$ —
Issuance of Common Stock pursuant to MagicMed amalgamation	\$ —	\$ 39,042,282
Deferred tax liability incurred due to MagicMed amalgamation	\$ —	\$ 9,061,927
Conversion of preferred stock to common stock	\$ —	\$ 32,754
Fair value of warrants issued	\$ —	\$ 9,981,000
Right-of-use assets obtained in exchange for lease liabilities	\$ —	\$ 201,653

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BUSINESS AND LIQUIDITY AND OTHER UNCERTAINTIES

Nature of Operations

Enveric Biosciences, Inc. (“Enveric Biosciences, Inc.” “Enveric” or the “Company”) is a pharmaceutical company developing innovative, evidence-based cannabinoid medicines. The head office of the Company is located in Naples, Florida. The Company has the following wholly owned subsidiaries: Jay Pharma Inc. (“Jay Pharma”), 1306432 B.C. Ltd. (“HoldCo”), MagicMed Industries, Inc. (“MagicMed”), and Enveric Canada. The Company has an Amalgamation Agreement (“Amalgamation Agreement”) and tender agreement (“Tender Agreement”) with Jay Pharma, which were entered into in prior years.

On May 24, 2021, the Company entered into an Amalgamation Agreement (the “Amalgamation Agreement”) with 1306432 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of the Company (“HoldCo”), 1306436 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of HoldCo (“Purchaser”), and MagicMed Industries Inc., a corporation existing under the laws of the Province of British Columbia (“MagicMed”), pursuant to which, among other things, the Company, indirectly through Purchaser, acquired all of the outstanding securities of MagicMed in exchange for securities of the Company by way of an amalgamation under the British Columbia Business Corporations Act, upon the terms and conditions set forth in the Amalgamation Agreement, such that, upon completion of the Amalgamation (as defined herein), the amalgamated corporation (“Amalco”) will be an indirect wholly-owned subsidiary of the Company. The Amalgamation was completed on September 16, 2021.

MagicMed Industries develops and commercializes psychedelic-derived pharmaceutical candidates. MagicMed’s psychedelic derivatives library, the Psybrary™, is an essential building block from which industry can develop new patented products. The initial focus of the Psybrary™ is on psilocybin and DMT derivatives, and it is then expected to be expanded to other psychedelics.

Akos Spin-Off

On May 11, 2022, the Company announced plans to transfer and spin-off its cannabinoid clinical development pipeline assets to Akos Biosciences, Inc. (formerly known as Acanna Therapeutics, Inc.), a majority owned subsidiary of the Company (hereafter referred to as “Akos”), which was incorporated on April 13, 2022, by way of dividend to Enveric shareholders (the “Spin-Off”). The Spin-Off will be subject to various conditions, including Akos meeting the qualifications for listing on the Nasdaq Stock Market, and if successful, would result in two standalone public companies. The new company as a result of the Spin-Off will be referred to as Akos. If the Spin-Off does not occur, the Company has guaranteed the redeemable non-controlling interest (“RNCF”).

On May 5, 2022, the Company and Akos entered into a Securities Purchase Agreement (the “Akos Purchase Agreement”) with an accredited investor (the “Akos Investor”), pursuant to which Akos agreed to sell to the Akos Investor up to an aggregate of 5,000 shares of Akos’ Series A Convertible Preferred Stock (the “Akos Series A Preferred Stock”), par value \$0.01 per share at a price of \$1,000 per share, and warrants (the “Akos Warrants”) to purchase shares of Akos’ common stock (the “Akos Common Stock”), par value \$0.01 per share, for an aggregate purchase price of up to \$5,000,000 (the “Akos Private Placement”). Pursuant to the Akos Purchase Agreement, Akos has issued 1,000 shares of the Akos Series A Preferred Stock to the Akos Investor in exchange for \$1,000,000 on May 5, 2022 (See Note 8).

Reverse Stock Split

On July 14, 2022 the Company affected a 1-for-50 reverse stock split. All historical share and per share amounts reflected throughout this report have been adjusted to reflect the Reverse Stock Split.

Going Concern, Liquidity and Other Uncertainties

The Company has incurred a loss since inception resulting in an accumulated deficit of \$79,207,786 as of December 31, 2022 and further losses are anticipated in the development of its business. Further, the Company has operating cash outflows of \$17,146,723 for the year ended December 31, 2022. For the year ended December 31, 2022, the Company had a loss from operations of \$27,415,106. Since inception, being a research and development company, the Company has not yet generated revenue and the Company has incurred continuing losses from its operations. The Company’s operations have been funded principally through the issuance of debt and equity. These factors raise substantial doubt about the Company’s ability to continue as a going concern for a period of one year from the issuance of these financial statements.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In assessing the Company's ability to continue as a going concern, the Company monitors and analyzes its cash and its ability to generate sufficient cash flow in the future to support its operating and capital expenditure commitments. At December 31, 2022, the Company had cash of \$17,723,884 and working capital of \$14,435,964. The Company's current cash on hand is not sufficient enough to satisfy its operating cash needs for the 12 months from the filing of this Annual Report on Form 10-K. The Company believes that it has adequate cash on hand to cover anticipated outlays through December 31, 2023. These conditions raise substantial doubt regarding the Company's ability to continue as a going concern for a period of one year after the date the financial statements are issued. Management's plan to alleviate the conditions that raise substantial doubt include raising additional working capital through public or private equity or debt financings or other sources, which may include collaborations with third parties as well as disciplined cash spending. Adequate additional financing may not be available to us on acceptable terms, or at all. Should the Company be unable to raise sufficient additional capital, the Company may be required to undertake cost-cutting measures including delaying or discontinuing certain operating activities.

As a result of these factors, management has concluded that there is substantial doubt about the Company's ability to continue as a going concern for a period of one year after the date of the financial statements are issued. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Inflation Risks

The current inflationary trend existing in the North American economic environment is considered by the Company to be reasonably likely to have a material unfavorable impact on results of continuing operations. Higher rates of price inflation, as compared to recent prior levels of price inflation have caused a general increase the cost of labor and materials. In addition, there is an increased risk of the Company experiencing labor shortages as a result of a potential inability to attract and retain human resources due to increased labor costs resulting from the current inflationary environment.

Recent Developments

Nasdaq Notice

On February 18, 2022, the Company received a letter from the Listing Qualifications Department of the Nasdaq Stock Market indicating that, based upon the closing bid price of the Company's common stock for the 30 consecutive business day period between January 5, 2022, through February 17, 2022, the Company did not meet the minimum bid price of \$1.00 per share required for continued listing on the Nasdaq Capital Market ("Nasdaq") pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that the Company will be provided with a compliance period of 180 calendar days, or until August 17, 2022 (the "Compliance Period"), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

On July 29, 2022, the Company received a letter from the Listing Qualifications Department of the Nasdaq Stock Market stating that for the last ten consecutive business days, from July 15 to July 28, 2022, the closing bid price of the Company's common stock had been at \$1.00 per share or greater. Accordingly, the Company has regained compliance with Listing Rule 5550(a)(2).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principal of Consolidation

The accompanying consolidated financial statements have been prepared in accordance and in conformity with GAAP and the applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding consolidated financial information. All intercompany transactions have been eliminated in consolidation.

Reclassification

Certain reclassifications have been made to the prior period financial statements to conform to the current period financial statement presentation. These reclassifications had no effect on net earnings or cash flows as previously reported.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and expenses during the periods reported. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions include determining the fair value of transactions involving common stock and the valuation of stock-based compensation, accruals associated with third party providers supporting research and development efforts, estimated fair values of long lives assets used to record impairment charges related to intangible assets, acquired in-process research and development ("IPR&D"), and goodwill, and allocation of purchase price in business acquisitions. Actual results could differ from those estimates.

Foreign Currency Translation

From inception through December 31, 2022, the reporting currency of the Company was the United States dollar while the functional currency of certain of the Company's subsidiaries was the Canadian dollar. For the reporting periods ended December 31, 2022 and December 31, 2021, the Company engaged in a number of transactions denominated in Canadian dollars. As a result, the Company is subject to exposure from changes in the exchange rates of the Canadian dollar and the U.S. dollar.

The Company translates the assets and liabilities of its Canadian subsidiaries into the U.S. dollar at the exchange rate in effect on the balance sheet date. Revenues and expenses are translated at the average exchange rate in effect during each monthly period. Unrealized translation gains and losses are recorded as foreign currency translation gain (loss), which is included in the consolidated statements of shareholders' equity as a component of accumulated other comprehensive income (loss).

The Company has not entered into any financial derivative instruments that expose it to material market risk, including any instruments designed to hedge the impact of foreign currency exposures. The Company may, however, hedge such exposure to foreign currency exchange fluctuations in the future.

Adjustments that arise from exchange rate changes on transactions denominated in a currency other than the local currency are included in other comprehensive income (loss) in the consolidated statements of operations and comprehensive income (loss) as incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2022 and 2021.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, may exceed the federal depository insurance coverage of \$250,000 in the United States and \$100,000 in Canada. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts. As of December 31, 2022, the Company had greater than \$250,000 and \$100,000 at US and Canadian financial institutions, respectively.

Comprehensive Loss

Comprehensive loss consists of two components, net loss and other comprehensive income (loss). Other comprehensive loss refers to revenue, expenses, gains, and losses that under GAAP are recorded as an element of shareholders' equity but are excluded from net loss. Other comprehensive loss consists of foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations

The Company accounts for business combinations under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 805, “Business Combinations” (“ASC 805”) using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. For transactions that are business combinations, the Company evaluates the existence of goodwill. Goodwill represents the excess purchase price over the fair value of the tangible net assets and intangible assets acquired in a business combination. ASC 805-10 also specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported apart from goodwill. All acquisition costs are expensed as incurred. Upon acquisition, the accounts and results of operations are consolidated as of and subsequent to the acquisition date.

The estimated fair value of net assets acquired, including the allocation of the fair value to identifiable assets and liabilities, was determined using established valuation techniques. A fair value measurement is determined as the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the context of purchase accounting, the determination of fair value often involves significant judgments and estimates by management, including the selection of valuation methodologies, estimates of future revenues, costs and cash flows, discount rates, and selection of comparable companies. The estimated fair values reflected in the purchase accounting are subject to management’s judgment.

Intangible Assets

Intangible assets consist of the Psybrary™ and Patent Applications, In Process Research and Development (“IPR&D”) and license agreements. Psybrary™ and Patent Applications intangible assets are valued using the relief from royalty method. The cost of license agreements is amortized over the economic life of the license. The Company assesses the carrying value of its intangible assets for impairment each year.

IPR&D intangible assets are acquired in conjunction with the acquisition of a business and are assigned a fair value, using the multi-period excess earnings method, related to incomplete research projects which, at the time of acquisition, have not reached technological feasibility. The amounts are capitalized and are accounted for as indefinite-lived intangible assets, subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project, the Company will make a determination as to the then-useful life of the intangible asset, generally determined by the period in which the substantial majority of the cash flows are expected to be generated, and begin amortization. The Company tests its intangible assets for impairment at least annually and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others and without limitation: a significant decline in the Company’s expected future cash flows; a sustained, significant decline in the Company’s stock price and market capitalization; a significant adverse change in legal factors or in the business climate of the Company’s segments; unanticipated competition; and slower growth rates. If the fair value determined is less than the carrying amount, an impairment loss is recognized in operating results.

Goodwill

The Company tests goodwill for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that the reporting unit is the entire company, due to the integration of all of the Company’s activities. In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property & Equipment

Property and equipment are recorded at cost. Major property additions, replacements, and betterments are capitalized, while maintenance and repairs that do not extend the useful lives of an asset or add new functionality are expensed as incurred. Depreciation and amortization are recorded using the straight-line method over the respective estimated useful lives of the Company's long-lived assets. The estimated useful lives are typically 3 to 5 years for office furniture and equipment and are depreciated on a straight-line basis.

Warrant Liability and Investment Options

The Company evaluates all of its financial instruments, including issued stock purchase warrants and investment options, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480 and FASB ASC 815. The Company accounts for warrants and investment options for shares of the Company's common stock that are not indexed to its own stock as derivative liabilities at fair value on the consolidated balance sheets. The Company accounts for common stock warrants and investment options with put options as liabilities under ASC 480. Such warrants and investment options are subject to remeasurement at each consolidated balance sheet date and any change in fair value is recognized as a component of other expense on the consolidated statements of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of such common stock warrants and investment options. At that time, the portion of the warrant liability and investment options related to such common stock warrants will be reclassified to additional paid-in capital.

Modification of Warrants

A change in any of the terms or conditions of warrants is accounted for as a modification. For a warrant modification accounted for under ASC 815, the effect of a modification shall be measured as the difference between the fair value of the modified warrant over the fair value of the original warrant immediately before its terms are modified, measured based on the fair value of the shares and other pertinent factors at the modification date. The accounting for incremental fair value of warrants is based on the specific facts and circumstances related to the modification. When a modification is directly attributable to equity offerings, the incremental change in fair value of the warrants are accounted for as equity issuance costs.

Derivative Liability

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC 815. For derivative financial instruments that are accounted for as assets or liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations and comprehensive loss. The classification of derivative instruments, including whether such instruments should be recorded as assets or liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the consolidated balance sheets as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

Offering Costs

The Company allocates offering costs to the different components of the capital raise on a pro rata basis. Any offering costs allocated to common stock are charged directly to additional paid-in capital. Any offering costs allocated to warrant liabilities are charged to general and administrative expenses on the Company's consolidated statement of operations and comprehensive loss.

Income Taxes

The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. The provision for income taxes is based upon income or loss after adjustment for those permanent items that are not considered in the determination of taxable income. Deferred income taxes represent the tax effects of differences between the financial reporting and tax basis of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all the deferred tax assets will not be realized. Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liabilities. In management's opinion, adequate provisions for income taxes have been made. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in the Company's tax returns that do not meet these recognition and measurement standards. As of December 31, 2022 and 2021, no liability for unrecognized tax benefits was required to be recorded.

The Company's policy for recording interest and penalties associated with tax audits is to record such items as a component of operating expenses. There were no amounts accrued for penalties and interest for the years ended December 31, 2022 and 2021. The Company does not expect its uncertain tax positions to change during the next twelve months. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

The Company has identified its United States and Canadian federal tax return, its state and provincial tax returns in Florida and Ontario, CA as its "major" tax jurisdictions. The Company is in the process of filing its corporate tax returns for the years ended December 31, 2022 and 2021. Net operating losses for these periods will not be available to reduce future taxable income until the returns are filed.

Stock-Based Compensation

The Company follows ASC 718, Compensation - Stock Compensation, which addresses the accounting for stock-based payment transactions, requiring such transactions to be accounted for using the fair value method. Awards of shares for property or services are recorded at the more readily measurable of the estimated fair value of the stock award and the estimated fair value of the service. The Company uses the Black-Scholes option-pricing model to determine the grant date fair value of certain stock-based awards under ASC 718. The assumptions used in calculating the fair value of stock-based awards represent management's reasonable estimates and involve inherent uncertainties and the application of management's judgment. Fair value of restricted stock units or restricted stock awards is determined by the closing price per share of the Company's common stock on the date of award grant.

The estimated fair value is amortized as a charge to earnings on a straight-line basis, for awards or portions of awards that do not require specified milestones or performance criteria as a vesting condition and also depending on the terms and conditions of the award, and the nature of the relationship of the recipient of the award to the Company. The Company records the grant date fair value in line with the period over which it was earned. For employees and consultants, this is typically considered to be the vesting period of the award. The Company accounts for forfeitures as they occur.

The estimated fair value of awards that require specified milestones or recipient performance are charged to expense when such milestones or performance criteria are probable to be met.

Restricted stock units, restricted stock awards, and stock options are granted at the discretion of the Compensation Committee of the Company's board of directors (the "Board of Directors"). These awards are restricted as to the transfer of ownership and generally vest over the requisite service periods, typically over a 12 to 48-month period. A significant portion of these awards may include vesting terms that include, without limitation, defined volume weighted average price levels being achieved by the Company's Common Stock, specific performance milestones, employment, or engagement by the Company, with no assurances of achievement of any such vesting conditions, if applicable.

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The value of RSU's is equal to the product of the number of units awarded, multiplied by the closing price per share of the Company's Common Stock on the date of the award. The terms and conditions of each RSU is defined in the RSU agreement and includes vesting terms that consist of any or all of the following: immediate vesting, vesting over a defined period of time, vesting based on achievement of a defined volume weighted average price levels at specified times, vesting based on achievement of specific performance milestones within a specific time frame, change of control, termination of the employee without cause by the Company, resignation of the employee with good cause. The value assigned to each RSU is charged to expense based on the vesting terms, as follows: value of RSU's that vest immediately are charged to expense on the date awarded, value of RSU's that vest based upon time, or achievement of stock price levels over a period of time are charged to expense on a straight line basis over the time frame specified in the RSU and the value of RSU's that vest based upon achievement of specific performance milestones are charged to expense during the period that such milestone is achieved. Vested RSU's may be converted to shares of Common Stock of an equivalent number upon either the termination of the recipient's employment with the Company, or in the event of a change in control. If the recipient is not an employee, such person's engagement with the Company must either be terminated prior to such conversion of RSU's to shares of Common Stock, or in the event of a change in control. Furthermore, as required by Section 409A of the Internal Revenue Code, if the recipient is a "specified employee" (generally, certain officers and highly compensated employees of publicly traded companies), such recipient may only convert vested RSU's into shares of Common Stock no earlier than the first day of the seventh month following such recipients termination of employment with the Company, or the event of change in control.

The value of RSA's is equal to the product of the number of restricted shares awarded, multiplied by the closing price per share of the Company's Common Stock on the date of the award. The terms and conditions of each RSA is defined in the RSA agreement and includes vesting terms that consist of any or all of the following: immediate vesting, vesting over a defined period of time, or vesting based on achievement of a defined volume weighted average price levels at specified times. Upon vesting, the recipient may receive restricted stock which includes a legend prohibiting sale of the shares during a restriction period that is defined in the RSA agreement. Termination of employment by or engagement with the Company is not required for the recipient to receive restricted shares of Common Stock. The value assigned to each RSA is charged to expense based on the vesting terms, as follows: value of RSA's that vest immediately are charged to expense on the date awarded, value of RSA's that vest based upon time, or achievement of stock price levels over a period of time are charged to expense on a straight-line basis over the time frame specified in the RSU.

Net Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method). The computation of basic net loss per share for the years ended December 31, 2022 and 2021 excludes potentially dilutive securities. The computations of net loss per share for each period presented is the same for both basic and fully diluted. In accordance with ASC 260-10-45-13, penny warrants were included in the calculation of weighted average shares outstanding for purposes of calculating basic and diluted earnings per share.

During the year ended December 31, 2022 the Company issued 767,500 pre-funded common stock warrants, which were exercised on various dates during the year ended December 31, 2022. The pre-funded common stock warrants became exercisable on July 26, 2022 based on the terms and conditions of the agreements. As the pre-funded common stock warrants are exercisable for \$0.0001, these shares are considered outstanding common shares and are included in the computation of basic and diluted Earnings Per Share as the exercise of the pre-funded common stock warrants is virtually assured. The Company included these pre-funded common stock warrants in basic and diluted earnings per share when all conditions were met on July 26, 2022.

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Potentially dilutive securities outlined in the table below have been excluded from the computation of diluted net loss per share the years ended December 31, 2022 and 2021 because the effect of their inclusion would have been anti-dilutive.

	For the years ended December 31,	
	2022	2021
Warrants to purchase shares of common stock.....	655,463	195,463
Restricted stock units - vested and unissued.....	62,492	55,717
Restricted stock units - unvested.....	64,053	62,013
Restricted stock awards - vested and unissued	708	642
Restricted stock awards - unvested.....	—	1,031
Investment options to purchase shares of common stock	1,070,000	—
Options to purchase shares of common stock.....	48,329	23,829
Total potentially dilutive securities.....	1,901,045	338,695

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

For certain financial instruments, including cash and accounts payable, the carrying amounts approximate their fair values as of December 31, 2022 and 2021 because of their short-term nature.

The following table provides the financial liabilities measured on a recurring basis and reported at fair value on the balance sheets as of December 31, 2022 and 2021 and indicates the fair value of the valuation inputs the Company utilized to determine such fair value of warrant liabilities, derivative liability, and investment options:

	Level	December 31,	December 31,
		2022	2021
Warrant liabilities - January 2021 Warrants	3	\$ 81	\$ 333,471
Warrant liabilities - February 2021 Warrants	3	79	320,203
Warrant liabilities - February 2022 Warrants	3	185,055	—
Fair value of warrant liability as of December 31, 2022.....		\$ 185,215	\$ 653,674
		December 31,	December 31,
	Level	2022	2021
Derivative liability - May 2022	3	\$ 727,000	\$ —
Fair value of derivative liability as of December 31, 2022.....		\$ 727,000	\$ —

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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	<u>Level</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wainwright investment options	3	\$ 44,904	\$ —
RD investment options	3	302,289	—
PIPE investment options	3	503,815	—
Fair value of investment option liability as of December 31, 2022		<u>\$ 851,008</u>	<u>\$ —</u>

The warrant liabilities, derivative liability, and investment options are all classified as Level 3, for which there is no current market for these securities such as the determination of fair value requires significant judgment or estimation. Changes in fair value measurement categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

Initial measurement

The Company established the initial fair value of its warrant liabilities at the respective dates of issuance. The Company used a Black Scholes valuation model in order to determine their value. The key inputs into the Black Scholes valuation model for the initial valuations of the warrant liabilities are below:

	<u>February 2022 Warrants February 15, 2022</u>	<u>February 2022 Post-Modification Warrants (See Note 7) July 26, 2022</u>
Term (years)	5.0	5.5
Stock price	\$ 15.75	\$ 6.33
Exercise price.....	\$ 27.50	\$ 7.78
Dividend yield	—%	—%
Expected volatility	74.1%	80.0%
Risk free interest rate	1.9%	2.9%
Number of warrants	460,000	122,000
Value (per share).....	\$ 8.00	\$ 4.07

The Company established the initial fair value of its derivative liability at the respective date of issuance. The Company used a Weighted Expected Return valuation model in order to determine their value. The key inputs into the Weighted Expected Return valuation model for the initial valuations of the warrant liabilities are below:

	<u>May 2022 Derivative Liability May 5, 2022</u>
Principal.....	\$ 1,000,000
Dividend rate	5.0%
Market rate.....	4.4%

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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The Company established the initial fair value of its investment options at the respective dates of issuance. The Company used a Black Scholes valuation model in order to determine their value. The key inputs into the Black Scholes valuation model for the initial valuations of the investment options are below:

	Wainwright Options July 26, 2022	RD Options July 26, 2022	PIPE Options July 26, 2022
Term (years)	5.0	5.5	5.5
Stock price	\$ 6.33	\$ 6.33	\$ 6.33
Exercise price.....	\$ 10.00	\$ 7.78	\$ 7.78
Dividend yield	—%	—%	—%
Expected volatility	80.0%	80.0%	80.0%
Risk free interest rate	2.9%	2.9%	2.9%
Number of investment options.....	70,000	375,000	625,000
Value (per share).....	\$ 3.60	\$ 4.07	\$ 4.07

Subsequent measurement

The following table presents the changes in fair value of the warrant liabilities, derivative liability, and investment options that are classified as Level 3:

	Total Warrant Liabilities
Fair value as of December 31, 2020	\$ —
Initial value of warrant liability	9,981,000
Change in fair value.....	(9,327,326)
Fair value as of December 31, 2021	\$ 653,674
Issuance of February 2022 warrants	3,595,420
Change in fair value due to modification of February 2022 warrants as part of July 2022 raise.....	251,357
Change in fair value.....	(4,315,236)
Fair value of warrant liability as of December 31, 2022.....	\$ 185,215
	Total Derivative Liability
Fair value as of December 31, 2021	\$ —
Issuance of May 2022 convertible preferred stock	402,000
Change in fair value.....	325,000
Fair value of derivative liability as of December 31, 2022.....	\$ 727,000
	Total Investment Options
Fair value as of December 31, 2021	\$ —
Issuance of July 2022 investment options.....	4,323,734
Change in fair value.....	(3,472,726)
Fair value of investment option liability as of December 31, 2022	\$ 851,008

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The key inputs into the Black Scholes valuation model for the Level 3 valuations of the warrant liabilities as of December 31, 2022 are below:

	January 2021 Warrants	February 2021 Warrants	February 2022 Warrants	February 2022 Post- Modification Warrants
Term (years)	3.0	3.1	4.1	5.1
Stock price	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08
Exercise price.....	\$ 247.50	\$ 245.00	\$ 27.50	\$ 7.78
Dividend yield	—%	—%	—%	—%
Expected volatility	79.0%	78.0%	79.0%	77.0%
Risk free interest rate	4.20%	4.20%	4.10%	4.00%
Number of warrants	36,429	34,281	338,000	122,000
Value (per share).....	\$ —	\$ —	\$ 0.26	\$ 0.81

The key inputs into the Weighted Expected Return valuation model for the Level 3 valuations of the derivative liability as of December 31, 2022 are below:

	May 2022 Derivative Liability
Principal.....	\$ 1,000,000
Dividend rate	5.0%
Market rate.....	6.1%

The key inputs into the Black Scholes valuation model for the Level 3 valuations of the investment options as of December 31, 2022 are below:

	Wainwright Options	RD Options	PIPE Options
Term (years)	4.6	5.1	5.1
Stock price	\$ 2.08	\$ 2.08	\$ 2.08
Exercise price.....	\$ 10.00	\$ 7.78	\$ 7.78
Dividend yield	—%	—%	—%
Expected volatility	78.0%	77.0%	77.0%
Risk free interest rate	4.00%	4.00%	4.00%
Number of investment options.....	70,000	375,000	625,000
Value (per share).....	\$ 0.64	\$ 0.81	\$ 0.81

Research and Development

Research and development expenses are charged to operations as incurred. Research and development expenses include, among other things, internal and external costs associated with preclinical development, pre-commercialization manufacturing expenses, and clinical trials. The Company accrues for costs incurred as the services are being provided by monitoring the status of the trial or services provided and the invoices received from its external service providers. In the case of clinical trials, a portion of the estimated cost normally relates to the projected cost to treat a patient in the trials, and this cost is recognized based on the number of patients enrolled in the trial. As actual costs become known, the Company adjusts its accruals accordingly.

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Leases

Operating lease assets are included within right-of-use operating lease asset and operating lease liabilities are included in current portion of right-of-use operating lease obligation and non-current portion of right-of-use operating lease obligation on the consolidated balance sheets as of December 31, 2022 and 2021. The Company has elected not to present short-term leases as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that the Company is reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of the Company's leases do not provide an implicit rate of return, the Company used an incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments.

A lease qualifies as a finance lease if any of the following criteria are met at the inception of the lease: (i) there is a transfer of ownership of the leased asset to the Company by the end of the lease term, (ii) the Company holds an option to purchase the leased asset that it is reasonably certain to exercise, (iii) the lease term is for a major part of the remaining economic life of the leased asset, (iv) the present value of the sum of lease payments equals or exceeds substantially all of the fair value of the leased asset, or (v) the nature of the leased asset is specialized to the point that it is expected to provide the lessor no alternative use at the end of the lease term. All other leases are recorded as operating leases. Finance lease payments are bifurcated into (i) a portion that is recorded as interest expense and (ii) a portion that reduces the finance liability associated with the lease. The Company did not have any finance leases as of December 31, 2022 and 2021.

Redeemable Non-controlling Interest

In connection with the issuance of Akos Series A Preferred Stock, the Akos Purchase Agreement and certificate of designation contain a put right guaranteed by the Company as defined in Note 8. Applicable accounting guidance requires an equity instrument that is redeemable for cash or other assets to be classified outside of permanent equity if it is redeemable (a) at a fixed or determinable price on a fixed or determinable date, (b) at the option of the holder, or (c) upon the occurrence of an event that is not solely within the control of the issuer. As a result of this feature, the Company recorded the non-controlling interests as redeemable non-controlling interests and classified them in temporary equity within its consolidated balance sheet initially at its acquisition-date estimated redemption value or fair value. In addition, the Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument by accreting the embedded derivative at each reporting period over 12 months.

The Akos Series A Preferred Certificate of Designations provides that upon the earlier of (i) the one-year anniversary of May 5, 2022, and only in the event that the Spin-Off has not occurred; or (ii) such time that Akos and the Company have abandoned the Spin-Off or the Company is no longer pursuing the Spin-Off in good faith, the holders of the Akos Series A Preferred Stock shall have the right (the "Put Right"), but not the obligation, to cause Akos to purchase all or a portion of the Akos Series A Preferred Stock for a purchase price equal to \$1,000 per share, subject to certain adjustments as set forth in the Akos Series A Preferred Certificate of Designations, plus all the accrued but unpaid dividends per share. Pursuant to the Akos Purchase Agreement, the Company has guaranteed the payment of the purchase price for the shares purchased under the Put Right.

Segment Reporting

The Company determines its reporting units in accordance with FASB ASC 280, "Segment Reporting" ("ASC 280"). The Company evaluates a reporting unit by first identifying its operating segments under ASC 280. The Company then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has multiple operations related to psychedelics and cannabinoids. Both of these operations exist under one reporting unit: Enveric. The Company has one operating segment and reporting unit. The Company is organized and operated as one business. Management reviews its business as a single operating segment, using financial and other information rendered meaningful only by the fact that such information is presented and reviewed in the aggregate.

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Recent Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40) (“ASU 2020-06”) to simplify certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity’s own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity’s own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 and should be applied on a full or modified retrospective basis. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company will adopt ASU 2020-06 effective January 1, 2024.

NOTE 3. AMALGAMATION WITH MAGICMED INDUSTRIES INC.

On May 24, 2021, the Company entered into an Amalgamation Agreement (the “Amalgamation Agreement”) with 1306432 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of the Company (“HoldCo”), 1306436 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of HoldCo (“Purchaser”), and MagicMed Industries Inc., a corporation existing under the laws of the Province of British Columbia (“MagicMed”), pursuant to which, among other things, the Company, indirectly through Purchaser, acquired all of the outstanding securities of MagicMed in exchange for securities of the Company by way of an amalgamation under the British Columbia Business Corporations Act, upon the terms and conditions set forth in the Amalgamation Agreement, such that, upon completion of the Amalgamation (as defined herein), the amalgamated corporation (“Amalco”) will be an indirect wholly-owned subsidiary of the Company. The Amalgamation was completed on September 16, 2021.

At the effective time of the Amalgamation (the “Effective Time”), holders of outstanding common shares of MagicMed (the “MagicMed Shares”) received such number of shares of common stock of the Company (“Company Shares”) representing, together with the Company Shares issuable upon exercise of the Warrants and the Converted Options (each as defined herein), approximately 36.6% of the issued and outstanding Company Shares (on a fully diluted basis). The MagicMed Shares were initially converted into Amalco Redeemable Preferred Shares (as defined in the Amalgamation Agreement), which immediately following the Amalgamation were redeemed for 0.000001 of a Company Share. Following such redemption, the shareholders of MagicMed received additional Company Shares equal to the product of the Exchange Ratio (as defined in the Amalgamation Agreement) multiplied by the number of MagicMed Shares held by each such shareholder. Additionally, following the Effective Time (i) each outstanding MagicMed stock option was converted into and became an option to purchase (the “Converted Options”) the number of Company Shares equal to the Exchange Ratio multiplied by the number of MagicMed Shares subject to such MagicMed stock option, and (ii) each holder of an outstanding MagicMed warrant (including Company Broker Warrants (as defined in the Amalgamation Agreement), the “Warrants”) received upon exercise of such Warrant that number of Company Shares which the holder would have been entitled to receive as a result of the Amalgamation if, immediately prior to the date of the Amalgamation (the “Effective Date”), such holder had been the registered holder of the number of MagicMed Shares to which such holder would have been entitled if such holder had exercised such holder’s Warrants immediately prior to the Effective Time (the foregoing collectively, the “Amalgamation”). In aggregate, holders of MagicMed Shares received 199,025 Company Shares representing approximately 31.7% of the Company Shares following the consummation of the Amalgamation. The maximum number of Company Shares to be issued by the Company as in respect of the Warrants and Converted Options shall not exceed 148,083 Company Shares.

The aggregate number of Company Shares that the Company issued in connection with the Amalgamation (collectively, the “Share Consideration”) was in excess of 20% of the Company’s pre-transaction outstanding Company Shares. Accordingly, the Company sought and received stockholder approval of the issuance of the Share Consideration in the Amalgamation in accordance with the Nasdaq Listing Rules.

Pursuant to the terms of the Amalgamation Agreement, the Company appointed, effective as of the Effective Time two individuals selected by MagicMed to the Company Board of Directors, Dr. Joseph Tucker and Dr. Brad Thompson.

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The Amalgamation Agreement contained representations and warranties, closing deliveries and indemnification provisions customary for a transaction of this nature. The closing of the Amalgamation was conditioned upon, among other things, (i) the Share Consideration being approved for listing on Nasdaq, (ii) the effectiveness of a Registration Statement on Form S-4 registering the Share Consideration (the “S-4 Registration Statement”) and (iii) the approval (a) of the MagicMed stockholders of the Amalgamation and (b) of the Company’s stockholders of each of the Amalgamation and the issuance of the Share Consideration in the Amalgamation. The closing of the Amalgamation occurred on September 16, 2021.

MagicMed Industries develops and commercializes psychedelic-derived pharmaceutical candidates. MagicMed’s psychedelic derivatives library, the Psybrary™, is an essential building block from which industry can develop new patented products. The initial focus of the Psybrary™ is on psilocybin and DMT derivatives, and it is then expected to be expanded to other psychedelics.

On September 16, 2021, the Company completed the Acquisition. In exchange for a total purchase price valued at \$39,042,282 the Company acquired 37,463,673 shares of Common Stock from MagicMed, which represents 100% of the outstanding and issued shares of Common Stock of MagicMed, for equity consideration on the date of closing valued at \$27,067,310. The Purchaser also agreed that it would issue Company Shares in lieu of shares of MagicMed Shares for any warrants to purchase MagicMed Shares that were exercised, with the maximum number of Company Shares issuable pursuant to such warrant exercises being 118,274. The fair value of the warrants on the closing date of the Amalgamation was \$10,724,578. Additionally, the Purchaser agreed that it would issue issued Company Shares in lieu of shares of MagicMed Shares for any options to purchase MagicMed Shares that were exercised, with the maximum number of Company Shares issuable pursuant to such option exercises being 19,477. The fair value of the options on the closing date of the Amalgamation was \$1,535,790, with \$1,250,394 included in the purchase price and \$285,396 to be recognized as expense in the post combination period.

Aggregate goodwill of \$9,834,855 was recorded in relation to the Acquisition, with \$9,061,927 of this amount being related to deferred tax liabilities arising from the Company’s purchase of the MagicMed Shares and \$772,928 relating to the residual intangible asset that generates earnings in excess of a normal return on all other tangible and intangible assets.

The following table represents the purchase price:

Stock (199,025 common shares issued)	\$	27,067,310
Fair value of warrants		10,724,578
Fair value of options		1,250,394
Total Purchase Price	\$	<u>39,042,282</u>

The Acquisition is being accounted for as a business combination in accordance with ASC 805.

The following table summarizes the purchase price allocations relating to the Acquisition:

<u>Description</u>	<u>Fair Value</u>
Assets acquired:	
Cash	\$ 3,055,328
Prepaid expenses and other current assets	471,202
Government remittances recoverable	25,606
Property and equipment	118,935
Right-of-use lease assets	201,653
Other assets	10,155
In process research and development	18,900,000
Psybrary and patent applications	16,600,000
Goodwill	9,834,855
Total assets acquired	<u>\$ 49,217,734</u>
Liabilities assumed:	
Accounts payable	\$ 828,865
Accrued expenses and other liabilities	83,007
Right-of-use lease liabilities	201,653
Deferred tax liabilities	9,061,927
Total liabilities assumed	<u>10,175,452</u>
Estimated fair value of net assets acquired attributable to the Company	<u>\$ 39,042,282</u>

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The goodwill represents the excess fair value after the allocation to the identifiable net assets, with \$9,061,927 being specifically attributable to the deferred tax liabilities incurred and \$777,928 relating to the residual intangible asset that generates earnings in excess of a normal return on all other tangible and intangible assets. The calculated goodwill is not deductible for tax purposes.

Certain adjustments to the assessed fair values of the assets and liabilities made subsequent to the acquisition date, but within the measurement period, which is up to one year, are recorded as adjustments to goodwill. Any adjustments subsequent to the measurement period are recorded in income.

During the fourth quarter of 2021, the Company finalized the opening balance sheet and valuations for the assets acquired and liabilities assumed related to the acquisition of MagicMed and adjusted provisional amounts as follows:

- The Company recorded a \$16.6 million indefinite lived Psybrary™ and Patent Applications asset with a corresponding decrease to IPR&D;
- The Company further decreased the IPR&D asset by \$0.7 million with a corresponding increase to Goodwill; and,
- The Company recorded a \$0.2 million right of use asset, with offsetting right of use operating lease liability related to identified leases in accordance with ASC 842 – Leases.

Total acquisition-related costs for the Acquisition incurred by the Company during the year ended December 31, 2021 was approximately \$650,000 and is included in general and administrative expenses in the consolidated statement of operations.

Historical and Proforma Financial Information

The amounts of MagicMed’s revenues and net loss included in the Company’s consolidated statements of operations and comprehensive loss for the period from the acquisition date to December 31, 2021 were \$— and \$33,556,532 respectively. The following unaudited proforma financial information presents the consolidated results of operations of the Company and MagicMed for the year ended December 31, 2021, as if the acquisition had occurred as of the beginning of the first period presented instead of on September 16, 2021. The proforma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods.

	For the year ended December 31,
	2021
Revenues.....	\$ —
Net loss	\$ (54,127,203)

NOTE 4. INTANGIBLE ASSETS AND GOODWILL

The Company performs an annual impairment test at the reporting unit level as of December 31 of each fiscal year. As of December 31, 2022, the Company qualitatively assessed whether it is more likely than not that the respective fair value of the Company’s reporting unit is less than its carrying amount, including goodwill. Beginning with the fourth quarter of 2021 and throughout 2022, the Company experienced a sustained decline in the quoted market price of the Company’s common stock and as a result the Company determined that as of December 31, 2022 it was more likely than not that the carrying value of these acquired intangibles exceeded their estimated fair value. Accordingly, the Company performed an impairment analysis as of December 31, 2022 using the income approach. This analysis required significant judgments, including primarily the estimation of future development costs, the probability of success in various phases of its development programs, potential post launch cash flows and a risk-adjusted weighted average cost of capital. Pursuant to ASU 2017-04, the Company recorded a goodwill and intangible asset impairment charge as of December 31, 2022 and a goodwill and intangible asset impairment charge as of December 31, 2021 for the excess of the reporting unit’s carrying value over its fair value. The following table provides the Company’s goodwill, indefinite and definite lives intangible assets as of December 31, 2022 and 2021.

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As of December 31, 2022 and 2021, the Company's intangible assets consisted of:

Goodwill	
Balance at December 31, 2020	\$ —
Acquired during the year	9,834,855
Impairment losses	(8,225,862)
Loss on currency translation	(21,359)
Balance at December 31, 2021	<u>\$ 1,587,634</u>
Impairment losses	(1,486,060)
Loss on currency translation	(101,574)
Balance at December 31, 2022	<u><u>\$ —</u></u>
Indefinite lived intangible assets	
Balance at December 31, 2020	\$ —
Acquired during the year	35,500,000
Impairment losses	(29,048,164)
Loss on currency translation	(76,344)
Balance at December 31, 2021	<u>\$ 6,375,492</u>
Impairment losses	(5,967,602)
Loss on currency translation	(407,890)
Balance at December 31, 2022	<u><u>\$ —</u></u>
Definite lived intangible assets	
Balance at December 31, 2020	\$ 1,817,721
Acquired during the year	675,000
Amortization	(643,333)
Impairment loss	(1,404,892)
Gain on currency translation	103,940
Balance at December 31, 2021	<u>\$ 548,436</u>
Amortization	(168,750)
Balance at December 31, 2022	<u><u>\$ 379,686</u></u>

For goodwill, impairment losses amounted to \$1,486,060 and \$8,225,862 as of December 31, 2022 and 2021, respectively. For the identified indefinite lived assets, impairment losses amounted to \$5,967,602 and \$29,048,164 as of December 31, 2022 and 2021, respectively. For identified definite lived intangible assets, impairment losses amounted to \$— and \$1,404,892 as of December 31, 2022 and 2021, respectively. For identified definite lived intangible assets, amortization expense amounted to \$168,750 and \$643,333 during the years ended December 31, 2022 and 2021, respectively. For identified definite lived intangible assets, accumulated amortization amounted to \$295,314 and \$126,564 as of December 31, 2022 and 2021, respectively.

For goodwill, aggregate impairment amounted to \$9,711,922 and \$8,225,862 as of December 31, 2022 and 2021, respectively. For the identified indefinite lived assets, aggregate impairment amounted to \$35,015,766 and \$29,048,164 as of December 31, 2022 and 2021, respectively. For identified definite lived intangible assets, aggregate impairment amounted to \$1,404,892 as of December 31, 2022 and 2021.

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The Company amortizes definite lived intangible assets on a straight-line basis over their estimated useful lives. Amortization expense of identified intangible assets based on the carrying amount as of December 31, 2022 is as follows:

Year ending December 31,	
2023	\$ 168,750
2024	168,750
2025	42,186
	\$ 379,686

Acquisition of Diverse Bio License Agreement

On March 5, 2021, the Company entered into an Exclusive License Agreement (the “DB Agreement”) with Diverse Biotech, Inc. (“Diverse”), pursuant to which the Company acquired an exclusive, perpetual license to develop five therapeutic candidates (collectively, the “Agents”) with the goal of alleviating the side effects that cancer patients experience. Under the terms of the DB Agreement, Diverse has granted the Company an exclusive license to its intellectual property rights covering the Agents and its products. In exchange, the Company has granted Diverse the right to information relating to the Agents developed for the express purpose of using such information to obtain patent rights, which right terminates upon the issuance or denial of the patent rights.

Under the DB Agreement, the Company will maintain sole responsibility and ownership of the development and commercialization of the Agents and its products. Diverse has agreed not to develop or commercialize any agent or product that would compete with the Agents, or its products containing the Agents, at any time during or after the term of the DB Agreement. If Diverse intends to license, sell, or transfer any other molecules linked with cannabinoids not granted to the Company under the terms of the DB Agreement, the Company will have the first right, but not the obligation, to negotiate an agreement with Diverse for such cannabinoids. The Company agreed to pay Diverse an up-front investment payment in the amount of \$675,000, as well as a running royalty starting with the first commercial sale by the Company to a third party in an arm’s length transaction.

The term of the DB Agreement shall continue for as long as the Company intends to develop or commercialize the new drugs, unless earlier terminated by either Party. The Agreement may be terminated by either party upon ninety (90) days written notice of an uncured material breach or in the event of bankruptcy or insolvency. In addition, the Company has the right to terminate the DB Agreement at any time upon sixty (60) days’ prior written notice to Diverse.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following assets which are located in Calgary, Canada and placed in service by Enveric Biosciences Canada, Inc (“EBCI”), with all amounts translated into U.S. dollars:

	December 31, 2022	December 31, 2021
Lab equipment	\$ 831,123	\$ 310,957
Computer equipment and leasehold improvements	25,137	10,818
Less: Accumulated depreciation	(178,775)	(27,345)
Property and equipment, net of accumulated depreciation	\$ 677,485	\$ 294,430

Depreciation expense was \$159,160 and \$13,310 for the years ended December 31, 2022 and 2021, respectively.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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NOTE 6. ACCRUED LIABILITIES

As of December 31, 2022 and December 31, 2021, the accrued liabilities of the Company consisted of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Product development	\$ 195,104	\$ 224,536
Accrued salaries and wages	1,175,963	594,784
Professional fees	83,255	335,401
Patent costs	251,333	138,000
Total accrued expenses	<u>\$ 1,705,655</u>	<u>\$ 1,292,721</u>

NOTE 7. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

Authorized Capital

The holders of the Company’s common stock are entitled to one vote per share. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds. Upon the liquidation, dissolution, or winding up of the Company, holders of common stock are entitled to share ratably in all assets of the Company that are legally available for distribution. As of December 31, 2022, 100,000,000 shares of common stock were authorized under the Company’s articles of incorporation.

On December 30, 2020, the Company amended its articles of incorporation to designate and authorize 20,000,000 shares of preferred stock. The Company issued Series B preferred stock (“Series B Preferred Stock”), which has a certificate of designation authorizing issuance of 3,600,000 preferred shares. During the year ended December 31, 2021, holders of an aggregate of 3,275,407 shares of Series B Preferred Stock converted their shares into 65,509 shares of common stock. Following those conversions, no Series B Preferred stock shares remain outstanding.

Series C Preferred Shares

On May 3, 2022, the Board of Directors (the “Board”) declared a dividend of one one-thousandth of a share of the Company’s Series C Preferred Stock (“Series C Preferred Stock”) for each outstanding share of the Company’s Common Stock (the “Common Stock”) held of record as of 5:00 p.m. Eastern Time on May 13, 2022 (the “Record Date”). This dividend was based on the number of outstanding shares of Common Stock prior to the Reverse Stock Split. The outstanding shares of Series C Preferred Stock were entitled to vote together with the outstanding shares of the Company’s Common Stock, as a single class, exclusively with respect to a proposal giving the Board the authority, as it determines appropriate, to implement a reverse stock split within twelve months following the approval of such proposal by the Company’s stockholders (the “Reverse Stock Split Proposal”), as well as any proposal to adjourn any meeting of stockholders called for the purpose of voting on the Reverse Stock Split Proposal (the “Adjournment Proposal”).

The Company held a special meeting of stockholders on July 14, 2022 (the “Special Meeting”) for the purpose of voting on, among other proposals, a Reverse Stock Split Proposal and an Adjournment Proposal. All shares of Series C Preferred Stock that were not present in person or by proxy at the Special Meeting were automatically redeemed by the Company immediately prior to the opening of the polls at Special Meeting (the “Initial Redemption”). All shares that were not redeemed pursuant to the Initial Redemption were redeemed automatically upon the approval by the Company’s stockholders of the Reverse Stock Split Proposal at the Special Meeting (the “Subsequent Redemption” and, together with the Initial Redemption, the “Redemption”). Each share of Series C Preferred Stock was entitled to receive \$0.10 in cash for each 10 whole shares of Series C Preferred Stock immediately prior to the Redemption. As of June 30, 2022, there were 52,684.548 shares of Series C Preferred Stock issued and outstanding. As of December 31, 2022, both the Initial Redemption and the Subsequent Redemption have occurred. As a result, no shares of Series C Preferred Stock remain outstanding. As of December 31, 2022, there are 100,000 shares of Series C Preferred Stock authorized for future issuances.

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Common Stock Activity

On February 15, 2022, the Company completed a public offering of 400,000 shares of Common Stock and warrants to purchase up to 400,000 shares of Common Stock for gross proceeds of approximately \$10 million, before deducting underwriting discounts and commissions and other offering expenses. A.G.P./Alliance Global Partners acted as sole book-running manager for the offering. In addition, Enveric granted the underwriter a 45-day option to purchase up to an additional 60,000 shares of Common Stock and/or warrants to purchase up to an additional 60,000 shares of Common Stock at the public offering price, which the underwriter has partially exercised for warrants to purchase up to 60,000 shares of common stock. At closing, Enveric received net proceeds from the offering of approximately \$9.1 million, after deducting underwriting discounts and commissions and estimated offering expenses with \$5.8 million allocated to equity, \$3.6 million to warrant liability and the remaining \$0.3 million recorded as an expense.

On July 22, 2022, the Company entered into a securities purchase agreement (the “Registered Direct Securities Purchase Agreement”) with an institutional investor for the purchase and sale of 116,500 shares of the Company’s common stock, pre-funded warrants to purchase up to 258,500 shares of common stock (the “RD Pre-Funded Warrants”), and unregistered preferred investment options (the “RD Preferred Investment Options”) to purchase up to 375,000 shares of common stock (the “RD Offering”). The gross proceeds from the RD Offering were approximately \$3,000,000. Subject to certain ownership limitations, the RD Pre-Funded Warrants became immediately exercisable at an exercise price equal to \$0.0001 per share of common stock. On August 3, 2022, all of the issued RD Pre-Funded Warrants were exercised.

Concurrently with the RD Offering, the Company entered into a securities purchase agreement (the “PIPE Securities Purchase Agreement”) with institutional investors for the purchase and sale of 116,000 shares of common stock, pre-funded warrants to purchase up to 509,000 shares of common stock (the “PIPE Pre-Funded Warrants”), and preferred investment options (the “PIPE Preferred Investment Options”) to purchase up to 625,000 shares of the common stock in a private placement (the “PIPE Offering”). The gross proceeds from the PIPE Offering were approximately \$5,000,000. Subject to certain ownership limitations, the PIPE Pre-Funded Warrants became immediately exercisable at an exercise price equal to \$0.0001 per share of common stock. All of the issued PIPE Pre-Funded Warrants were exercised on various dates prior to August 18, 2022.

The RD offering and PIPE Offering closed on July 26, 2022, with aggregate gross proceeds of approximately \$8 million. The aggregate net proceeds from the offerings, after deducting the placement agent fees and other estimated offering expenses, were approximately \$7.1 million with \$3.2 million allocated to equity, \$4.3 million to investment option liability, and the remaining \$0.4 million recorded as an expense.

During the year ended December 31, 2022, a total of 1,223 and 899 shares of Common Stock were issued pursuant to the conversion of restricted stock awards and restricted stock units, respectively.

On January 14, 2021, the Company completed an offering of 44,427 shares of Common Stock and pre-funded warrants at approximately \$225.00 per share and a concurrent private placement of warrants to purchase 33,321 shares of Common Stock at \$247.50 per share, exercisable immediately and terminating five years after the date of issuance for gross proceeds of approximately \$10,000,000. The net proceeds to the Company after deducting financial advisory fees and other costs and expenses were approximately \$8,800,087, with \$4,617,087 of such amount allocated to share capital and \$4,846,000 allocated to warrant liability and the remaining \$663,000 recorded as an expense.

On February 11, 2021, the Company completed an offering of 60,141 shares of Common Stock and a concurrent private placement of warrants to purchase 1,503,513 shares of Common Stock at \$245.00 per share, exercisable immediately and terminating five year from the date of issuance for gross proceeds of approximately \$12,800,000. The net proceeds to Enveric from the offering after deducting financial advisory fees and other costs and expenses were approximately \$11,624,401, with \$7,016,401 of such amount allocated to share capital and \$5,135,000 allocated to warrant liability and the remaining \$527,000 recorded as an expense.

On September 16, 2021, the Company, in connection with the Amalgamation Agreement entered into on May 24, 2021, acquired MagicMed Industries Inc., and its wholly owned subsidiary MagicMed USA, Inc. The Company issued a total of 199,025 shares of Common Stock, valued at \$39,042,282 on the date of closing. See Note 3 for further details.

During the year ended December 31, 2021, a total of 55,861 Common Shares were issued pursuant to exercise of warrants to purchase Common Stock for cash proceeds totaling \$3,285,171.

During the year ended December 31, 2021, a total of 2,685 Common Shares were issued pursuant to cashless exercise of options to purchase Common Stock.

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During the year ended December 31, 2021, a total of 20,307 Common Shares were issued as inducement for the conversion of certain warrants and options. The Company recognized an inducement expense of \$1,125,291 in relation to these issuances.

During the year ended December 31, 2021, the Company issued 283 shares to a consultant in exchange for services valued at \$33,467.

During the year ended December 31, 2021, the Company issued a total of 4,434 shares of Common Stock pursuant to exercise of put rights contained in warrants originally issued by Ameri and assumed by the Company.

Issuance and Conversion of Series B Preferred Shares

During the year ended December 31, 2021, the Company issued a total of 65,509 shares of Common Stock pursuant to the conversion of 3,275,407 shares of Series B Preferred Stock.

Stock Options

Amendment to 2020 Long-Term Incentive Plan

On May 3, 2022, our Board adopted the First Amendment (the “Plan Amendment”) to the Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan (the “Incentive Plan”) to (i) increase the aggregate number of shares available for the grant of awards by 146,083 shares to a total of 200,000 shares, and (ii) add an “evergreen” provision whereby the number of shares authorized for issuance pursuant to awards under the Incentive Plan will be automatically increased on the first trading date immediately following the date the Company issues any share of Common Stock (defined below) to any person or entity, to the extent necessary so that the number of shares of the Company’s Common Stock authorized for issuance under the Incentive Plan will equal the greater of (x) 200,000 shares, and (y) 15% of the total number of shares of the Company’s Common Stock outstanding as of such issuance date. The Plan Amendment was approved by the Company’s stockholders at a special meeting of the Company’s stockholders held on July 14, 2022.

A summary of activity under the Company’s incentive plan for the years ended December 31, 2022 and 2021 is presented below:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Weighted Average Remaining Contractual Term (years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2020.....	18,596	\$ 76.50	\$ 125.00	6.1	\$ 2,537,245
Granted	2,482	\$ 149.00	\$ 116.00	—	\$ —
Options assumed pursuant to acquisition of MagicMed	19,477	\$ 67.00	\$ 92.00	—	\$ —
Exercised	(2,876)	\$ 11.50	\$ 284.50	—	\$ —
Expired, forfeited, or cancelled.....	(13,850)	\$ 84.50	\$ 81.00	—	\$ —
Outstanding at December 31, 2021.....	<u>23,829</u>	<u>\$ 79.00</u>	<u>\$ 103.50</u>	<u>5.3</u>	<u>\$ 34,333</u>
Granted	25,500	\$ 3.07	\$ 2.58	—	—
Forfeited.....	(1,000)	\$ 175.00	\$ 140.50	—	—
Outstanding at December 31, 2022.....	<u>48,329</u>	<u>\$ 37.05</u>	<u>\$ 44.82</u>	<u>4.1</u>	<u>\$ —</u>
Exercisable at December 31, 2022.....	<u>20,774</u>	<u>\$ 74.65</u>	<u>\$ 100.49</u>	<u>3.7</u>	<u>\$ —</u>

During the years ended December 31, 2022 and 2021, — and 2,876 options were exercised via a cashless exercise resulting in the issuance of — and 2,685 shares of common stock.

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Options granted during the years ended December 31, 2022 and 2021 were valued using the Black Scholes model with the following assumptions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Term (years)	5.5	2.5 - 7.0
Stock price	\$ 3.07	\$102.00 - \$175.00
Exercise price.....	\$ 3.07	\$102.00 - \$175.00
Dividend yield	—%	—%
Expected volatility	112%	76% - 79%
Risk free interest rate	3.9%	1.1% - 1.6%

The above assumptions are determined by the Company as follows:

- Stock price – Based on closing price of the Company’s common stock on the date of grant.
- Weighted average risk-free interest rate — Based on the daily yield curve rates for U.S. Treasury obligations with maturities, which correspond to the expected term of the Company’s stock options.
- Dividend yield — The Company has not paid any dividends on common stock since its inception and does not anticipate paying dividends on its common stock in the foreseeable future.
- Expected volatility — Based on the historical volatility of comparable companies in a similar industry.
- Expected term — The Company has had no stock options exercised since inception. The expected option term represents the period that stock-based awards are expected to be outstanding based on the simplified method provided in Staff Accounting Bulletin (“SAB”) No. 107, Share-Based Payment, which averages an award’s weighted-average vesting period and expected term for “plain vanilla” share options.

The Company’s stock based compensation expense, recorded within general and administrative expense, related to stock options for the years ended December 31, 2022 and 2021 was \$180,042 and \$60,856, respectively. As of December 31, 2022, the Company had \$240,850 in unamortized stock option expense, which will be recognized over a weighted average period of 1.9 years.

During the year ended December 31, 2021, the Company exchanged options to purchase 11,209 shares of common stock for 6,509 restricted stock units and 843 restricted stock awards. In connection with this exchange, the Company recognized \$298,714 in inducement expense related to the increase in fair value of the new awards over the old awards, which is included in other expenses on the Company’s consolidated statement of operations and comprehensive loss.

Restricted Stock Awards

The Company’s activity in restricted common stock was as follows for the years ended December 31, 2022 and 2021:

	<u>Number of shares</u>	<u>Weighted average fair value</u>
Non-vested at December 31, 2020.....	—	\$ —
Granted	2,516	\$ 178.50
Vested	(1,485)	\$ 204.50
Non-vested at December 31, 2021	1,031	\$ 141.50
Forfeited.....	(700)	\$ 146.50
Vested	(331)	\$ 130.40
Non-vested at December 31, 2022	—	\$ —

For the years ended December 31, 2022 and 2021, the Company recorded \$24,363 and \$231,631, respectively, in stock-based compensation expense within general and administrative expense, related to restricted stock awards. As of December 31, 2022, there were no unamortized stock-based compensation costs related to restricted share awards. The balance of Common Shares related to the vested restricted stock awards as of December 31, 2022 will be issued during the 2023 calendar year. There are 708 vested and unissued shares of restricted stock awards as of December 31, 2022.

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Issuance of Restricted Stock Units

The Company's activity in restricted stock units was as follows for the year ended December 31, 2022:

	<u>Number of shares</u>	<u>Weighted average fair value</u>
Non-vested at December 31, 2020.....	—	\$ —
Granted	125,169	\$ 172.00
Forfeited.....	(7,439)	\$ 152.00
Vested	(55,717)	\$ 226.00
Non-vested at December 31, 2021	<u>62,013</u>	<u>\$ 126.00</u>
Granted	37,445	\$ 33.50
Forfeited.....	(26,772)	\$ 79.64
Vested	(8,633)	\$ 130.55
Non-vested at December 31, 2022.....	<u><u>64,053</u></u>	<u><u>\$ 92.57</u></u>

For the years ended December 31, 2022 and 2021, the Company recorded \$2,416,266 and \$12,304,514, respectively, in stock-based compensation expense related to restricted stock units, which is a component of both general and administrative and research and development expenses in the consolidated statement of operations and comprehensive loss.

As of December 31, 2022, the Company had unamortized stock-based compensation costs related to restricted stock units of \$3,225,701 which will be recognized over a weighted average period of 2.8 years and unamortized stock-based costs related to restricted stock units which will be recognized upon achievement of specified milestones.

As of December 31, 2022, 1,856 shares of Common Stock have been issued in relation to vested restricted stock units and 62,492 restricted stock units are vested without shares of Common Stock being issued.

The following table summarizes the Company's recognition of stock-based compensation for restricted stock units for the following periods:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Stock-based compensation for RSUs		
General and administrative	\$ 1,389,359	\$ 11,463,870
Research and development	1,026,907	840,644
Total.....	<u><u>\$ 2,416,266</u></u>	<u><u>\$ 12,304,514</u></u>

As of the end of the fiscal years ended December 31, 2022 and 2021, there were 126,545 and 117,730 shares of common stock underlying outstanding restricted stock units, of which (i) 62,492 and 55,717 shares are underlying vested restricted stock units and issuable, subject to certain conditions for settlement, which includes either termination of employment with the Company or a change of control, and (ii) 64,053 and 62,013 shares are issuable upon the vesting of such restricted stock units, subject to achievement of vesting conditions, certain conditions of settlement which includes either termination of employment with the Company or a change of control, and further subject to the increase in the number of shares authorized for issuance of awards under the Long-Term Incentive Plan upon approval by the Company's stockholders.

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Warrants

The following table summarizes information about shares issuable under warrants outstanding at December 31, 2022 and 2021:

	Warrant shares outstanding	Weighted average exercise price	Weighted average remaining life	Intrinsic value
Outstanding at December 31, 2020.....	74,617	\$ 102.50	5.2	\$ 8,923,797
Issued.....	82,923	\$ 210.00	—	\$ —
Assumed pursuant to acquisition of MagicMed.....	118,274	\$ 65.50	—	\$ —
Exercised	(64,988)	\$ 50.50	—	\$ —
Exchanged for common stock.....	(15,363)	\$ 232.50	—	\$ —
Outstanding at December 31, 2021.....	<u>195,463</u>	<u>\$ 131.00</u>	<u>3.4</u>	<u>\$ 801,024</u>
Issued.....	1,227,500	\$ 10.31	—	\$ —
Exercised	(767,500)	\$ —	—	\$ —
Exchanged for common stock.....	—	\$ —	—	\$ —
Outstanding at December 31, 2022.....	<u>655,463</u>	<u>\$ 58.36</u>	<u>3.6</u>	<u>\$ 5,514</u>
Exercisable at December 31, 2022.....	<u>655,463</u>	<u>\$ 58.36</u>	<u>3.6</u>	<u>\$ 5,514</u>

On February 11, 2022, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with A.G.P./Alliance Global Partners (the “Underwriter”). Pursuant to the Underwriting Agreement, the Company agreed to sell, in a firm commitment offering, 400,000 shares of the Company’s Common Stock and accompanying warrants to purchase up to an aggregate of 400,000 shares of its common stock (“February 2022 Warrants”), as well as up to 60,000 additional shares of common stock and/or warrants to purchase an aggregate of up to 60,000 shares of its common stock that may be purchased by the Underwriter pursuant to a 45-day option granted to the Underwriter by the Company (the “Offering”). Each share of common stock was sold together with a common warrant to purchase one share of common stock, at an exercise price of \$27.50 per share. Such common warrants were immediately exercisable and will expire five years from the date of issuance. There is not expected to be any trading market for the common warrants issued in the Offering. The combined public offering price of each share of common stock and accompanying common warrant sold in the Offering was \$25.00. On February 14, 2022, the Underwriter exercised its option to purchase an additional 60,000 warrants.

In connection with the Registered Direct (“RD”) Offering and the Private Investment in Public Entity (“PIPE”) Offering entered into on July 22, 2022, the Company entered into Warrant Amendment (the “Warrant Amendments”) with the investors in both offerings to amend certain existing warrants to purchase up to an aggregate of 122,000 shares of Common Stock that were previously issued to the investors, with an exercise price of \$27.50 per share (subsequent to the 1-for-50 reverse stock split that occurred on July 14, 2022) and expiration date of February 15, 2027. Pursuant to the Warrant Amendments, the previously issued warrants were amended, effective upon the closing of the offerings, so that the amended warrants have a reduced exercise price of \$7.78 per share and expire five and one-half years following the closing of the offerings. In connection with this transaction, the Company determined the fair value of the February 2022 Warrants immediately prior to the Warrant Amendment and the fair value of the amended warrants immediately after the Warrant Amendment. The incremental change in fair value was deemed to be \$251,357, which was included as equity issuance costs related to the RD and PIPE financing transactions.

The warrants assumed pursuant to the acquisition of MagicMed contain certain down round features, which were not triggered by the February 2022 and July 2022 public offerings, that would require adjustment to the exercise price upon certain events when the offering price is less than the stated exercise price.

During the year ended December 31, 2021, warrants exchanged for Common Stock consisted of an aggregate of 4,434 shares of Common Stock being issued in exchange for an aggregate of 2,188 warrants issued by Ameri and containing put rights that were exercised by the Holder and an aggregate of 19,464 shares of Common Stock being issued in exchange for an aggregate of 13,176 warrants containing certain terms wherein management determined it to be beneficial to the Company to exchange Common Shares for these warrants.

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The aggregate of 4,434 Common Shares issued in exchange for the aggregate of 2,188 warrants issued by Ameri and containing put rights were issued in lieu of cash payments, in accordance with the terms of the put rights contained in the warrants.

The aggregate of 19,464 shares of common stock issued in exchange for certain outstanding warrants to purchase an aggregate of 13,176 shares of the Company’s common stock at an exercise price of \$233.00 were issued pursuant to exchange agreements with the holders of such warrants. The Company believes that these exchanges are beneficial to the Company because the reacquired warrants contained provisions that required the Company to repurchase the warrants for cash at the holder’s option and/or “full ratchet” anti-dilution adjustments that may result in a reduction in the exercise price of such warrants and an increase in the number of shares issuable upon exercise thereof under certain circumstances. The Company has cancelled all of the warrants reacquired in such exchanges and they will not be reissued. In connection with this exchange, the Company recognized \$826,577 in inducement expense related to the increase in fair value of the new awards over the old awards, which is included in other expenses on the Company’s consolidated statement of operations and comprehensive loss.

Preferred Investment Options

In connection with the Registered Direct Securities Purchase Agreement the Company issued unregistered preferred investment options to purchase up to 375,000 shares of common stock. Subject to certain ownership limitations, the RD Preferred Investment Options became immediately exercisable at an exercise price equal to \$7.78 per share of common stock. The RD Preferred Investment Options are exercisable for five and one-half years from the date of issuance.

In connection with the PIPE Securities Purchase Agreement the Company issued unregistered preferred investment options to purchase up to 625,000 shares of the common stock. Subject to certain ownership limitations, PIPE Preferred Investment Options became immediately exercisable at an exercise price equal to \$7.78 per share of common stock. The PIPE Preferred Investment Options are exercisable for five and one-half years from the date of issuance.

On July 26, 2022, in connection with the RD Offering and PIPE Offering, the Company issued preferred investment options (the “Placement Agent Preferred Investment Options”) to an entity to purchase up to 70,000 shares of the common stock for acting as a placement agent. The Placement Agent Preferred Investment Options have substantially the same terms as the RD Preferred Investment Options and the PIPE Preferred Investments Options, except the Placement Agent Preferred Investment Options have an exercise price of \$10.00 per share. The Placement Agent Preferred Investment Options are exercisable for five years from the date of the commencement of the RD Offering and PIPE Offering.

The following table summarizes information about investment options outstanding at December 31, 2022 (there were no investment options issued for the year ended December 31, 2021):

	Investment options outstanding	Weighted average exercise price	Weighted average remaining life	Intrinsic value
Outstanding at January 1, 2022.....	—	\$ —	—	\$ —
Issued.....	1,070,000	\$ 7.93	—	—
Outstanding at December 31, 2022.....	<u>1,070,000</u>	<u>\$ 7.93</u>	<u>5.1</u>	<u>\$ —</u>
Exercisable at December 31, 2022.....	<u>1,070,000</u>	<u>\$ 7.93</u>	<u>5.1</u>	<u>\$ —</u>

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. REDEEMABLE NON-CONTROLLING INTEREST

Spin-Off and Related Private Placement

In connection with the planned Spin-Off, on May 5, 2022, Akos and the Company entered into the Akos Purchase Agreement with the Akos Investor, pursuant to which Akos agreed to sell up to an aggregate of 5,000 shares of Akos Series A Preferred Stock, at price of \$1,000 per share, and Akos Warrants to purchase shares of Akos' common stock, par value \$0.01 per share (the "Akos Common Stock"), for an aggregate purchase price of up to \$5,000,000. The Akos Purchase Agreement is guaranteed by the Company. Pursuant to the Akos Purchase Agreement, Akos has issued 1,000 shares of the Akos Series A Preferred Stock to the Akos Investor in exchange for \$1,000,000 on May 5, 2022. The additional \$4,000,000 will be received on or immediately prior to the Spin-Off. The issuance of the Akos Series A Preferred Stock results in RNCI (see Note 2). Palladium Capital Advisors, LLC ("Palladium") acted as placement agent for the Akos Private Placement. Pursuant to the Akos Purchase Agreement, Akos has agreed to pay Palladium a fee equal to 9% of the aggregate gross proceeds raised from the sale of the shares of the Akos Series A Preferred Stock and a non-accountable expense allowance of 1% of the aggregate gross proceeds raised the sale of the Akos Series A Preferred Stock in the Akos Private Placement. The fee due in connection with the Akos Private Placement shall be paid to Palladium in the form of convertible preferred stock and warrants on similar terms to the securities issued in the Akos Private Placement. As of December 31, 2022, there have been no accruals recorded for the fees or warrants since the closing of the spin-off is not probable. Palladium is also entitled to warrants to purchase Akos Common Stock in an amount up to 8% of the number of shares of Akos Common Stock underlying the shares issuable upon conversion of the Akos Series A Preferred Stock.

Terms of Akos Series A Preferred Stock

Under the Certificate of the Designations, Preferences and Rights of Series A Convertible Preferred Stock of Akos (the "Akos Series A Preferred Certificate of Designations"), on or immediately prior to the completion of the spin-off of Akos into an independent, separately traded public company listed on the Nasdaq Stock Market, the outstanding Akos Series A Preferred Stock will be automatically converted into a number of shares of Akos Common Stock equal to 25% of the then issued and outstanding Akos Common Stock, subject to the Beneficial Ownership Limitation (as defined in the Akos Purchase Agreement). Cumulative dividends on each share of Akos Series A Preferred Stock accrue at the rate of 5% annually.

The Akos Series A Preferred Certificate of Designations provides that upon the earlier of (i) the one-year anniversary of May 5, 2022, and only in the event that the Spin-Off has not occurred; or (ii) such time that Akos and the Company have abandoned the Spin-Off or the Company is no longer pursuing the Spin-Off in good faith, the holders of the Akos Series A Preferred Stock shall have the right (the "Put Right"), but not the obligation, to cause Akos to purchase all or a portion of the Akos Series A Preferred Stock for a purchase price equal to \$1,000 per share, subject to certain adjustments as set forth in the Akos Series A Preferred Certificate of Designations (the "Stated Value"), plus all the accrued but unpaid dividends per share. In addition, after the one-year anniversary of May 5, 2022, and only in the event that the Spin-Off has not occurred and Akos is not in material default of any of the transaction documents, Akos may, at its option, at any time and from time to time, redeem the outstanding shares of Akos Series A Preferred Stock, in whole or in part, for a purchase price equal to the aggregate Stated Value of the shares of Akos Series A Preferred Stock being redeemed and the accrued and unpaid dividends on such shares. Pursuant to the Akos Purchase Agreement, the Company has guaranteed the payment of the purchase price for the shares purchased under the Put Right.

The Akos Series A Preferred Certificate of Designations contains limitations that prevent the holder thereof from acquiring shares of Akos Common Stock upon conversion of the Akos Series A Preferred Stock that would result in the number of shares of Akos Common Stock beneficially owned by such holder and its affiliates exceeding 9.99% of the total number of shares of Akos Common Stock outstanding immediately after giving effect to the conversion (the "Beneficial Ownership Limitation"), except that upon notice from the holder to Akos, the holder may increase or decrease the limit of the amount of ownership of outstanding shares of Akos Common Stock after converting the holder's shares of Akos Series A Preferred Stock, provided that any change in the Beneficial Ownership Limitation shall not be effective until 61 days following notice to Akos.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting for Akos Series A Preferred Stock

Since the shares of Akos Series A Preferred Stock are redeemable at the option of the holder and the redemption is not solely in the control of the Company, the shares of Akos Series A Preferred Stock are accounted for as a redeemable non-controlling interest and classified within temporary equity in the Company’s consolidated balance sheets. The redeemable non-controlling interest was initially measured at fair value. Dividends on the shares of Akos Series A Preferred Stock are recognized as preferred dividends attributable to redeemable non-controlling interest in the Company’s consolidated statement of operations and comprehensive loss.

The table below presents the reconciliation of changes in redeemable non-controlling interest:

Balance at December 31, 2021	\$	—
Redeemable non-controlling interest, net of initial value embedded derivative of \$402,000 and net of issuance costs of \$41,962		556,038
Preferred dividends attributable to redeemable non-controlling interest		33,014
Accretion of embedded derivative and transaction costs associated with Series A Preferred Stock		295,976
Balance at December 31, 2022	<u>\$</u>	<u>885,028</u>

As of December 31, 2022, the redemption value of the redeemable non-controlling interest is \$1,000,000 plus cumulative dividends which accrue at the rate of 5% annually, or approximately \$1,033,000. The Company has guaranteed this redemption on behalf of Akos.

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Company is periodically involved in legal proceedings, legal actions and claims arising in the normal course of business. Management believes that the outcome of such legal proceedings, legal actions and claims will not have a significant adverse effect on the Company’s financial position, results of operations or cash flows.

Development and Clinical Supply Agreement

On February 22, 2021, the Company entered into a Development and Clinical Supply Agreement (the “PureForm Agreement”) with PureForm Global, Inc. (“PureForm”), pursuant to which PureForm will be the exclusive provider of synthetic cannabidiol (“API”) for the Company’s development plans for cancer treatment and supportive care. Under the terms of the PureForm Agreement, PureForm has granted the Company the exclusive right to purchase API and related product for cancer treatment and supportive care during the term of the Agreement (contingent upon an initial minimum order of 1 kilogram during the first thirty (30) days from the effective date) and has agreed to manufacture, package and test the API and related product in accordance with specifications established by the parties. All inventions that are developed jointly by the parties in the course of performing activities under the PureForm Agreement will be owned jointly by the parties in accordance with applicable law; however, if the Company funds additional research and development efforts by PureForm, the parties may enter into a further agreement whereby PureForm would assign any resulting inventions or technical information to the Company.

The initial term of the PureForm Agreement is three (3) years commencing on the effective date of the PureForm Agreement, subject to extension by mutual agreement of the parties. The PureForm Agreement may be terminated by either party upon thirty (30) days written notice of an uncured material breach or immediately in the event of bankruptcy or insolvency. The PureForm Agreement contains, among other provisions, representation and warranties, indemnification obligations and confidentiality provisions in favor of each party that are customary for an agreement of this nature.

The Company has met the minimum purchase requirement of 1 kilogram during the first thirty days of the PureForm Agreement’s effectiveness.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Purchase agreement with Prof. Zvi Vogel and Dr. Ilana Nathan

On December 26, 2017, Jay Pharma entered into a purchase agreement with Prof. Zvi Vogel and Dr. Ilana Nathan (the “Vogel-Nathan Purchase Agreement”), pursuant to which Jay Pharma was assigned ownership rights to certain patents, which were filed and unissued as of the date of the Vogel-Nathan Purchase Agreement. The Vogel-Nathan Purchase Agreement includes a commitment to pay a one-time milestone totaling \$200,000 upon the issuance of a utility patent in the United States or by the European Patent Office, as defined in the agreement. The Company has accrued such amount as of December 31, 2021, as a result of the milestone criteria being achieved. Payment was made during January 2022. In addition, a milestone payment totaling \$300,000 is due upon initiation of a Phase II(b) study. Research activities related to the relevant patents are still in pre-clinical stage, and accordingly, this milestone has not been achieved. The Vogel-Nathan Purchase Agreement contains a commitment for payment of royalties equaling 2% of the first \$20 million in net sales derived from the commercialization of products utilizing the relevant patent. As these products are still in the preclinical phase of development, no royalties have been earned.

Agreement with Tikkun

License Agreement

Jay Pharma, Tikkun Olam LLC (“TO LLC”) and Tikkun Olam Hemp LLC (“TOH”) entered into a license agreement dated on January 10, 2020, pursuant to which Jay Pharma would acquire certain in-licensed and owned intellectual property rights related to the cannabis products in the United States (presently excluding the state of New York) from TO LLC and TOH, each of which is an affiliate of TO Holdings Group LLC, in exchange for royalty payments of (i) four percent (4.0%) of net sales of OTC cancer products made via consumer channels; and (ii) five percent (5.0%) of net sales of beauty products made via consumer channels; and (iii) three percent (3.0%) of net sales of OTC cancer products made via professional channels, along with a minimum net royalty payment starting in January 1, 2022 and progressively increasing up to a cap of \$400,000 maximum each year for the first 10 years, then \$600,000 maximum each year for the next 5 years, and an annual maximum cap of \$750,000 each year thereafter during the term of the agreement. The licensed intellectual property rights relate to beauty products and OTC cancer products, and branding rights related thereto. The beauty products include any topical or transdermal cannabis-containing or cannabis-derived (including hemp-based) skin care or body care beauty products, and the OTC cancer products means any cancer-related products, in each case excluding those regulated as a drug, medicine, or controlled substance by the FDA or any other relevant governmental authority, such as the USDA.

On August 12, 2020, Jay Pharma, TO LLC and TOH entered into the First Amendment to the License Agreement, pursuant to which all references to the Original Amalgamation Agreement and the amalgamation were revised to be references to the Tender Agreement and the Offer, as applicable.

On October 2, 2020, Jay Pharma, TO LLC and TOH entered into the Second Amendment to the License Agreement, pursuant to which the effective date of the transactions was revised to occur as of October 2, 2020.

On December 30, 2022, the Tikun Olam License was formally terminated by mutual agreement between the Company and Tikun Olam.

Other Consulting and Vendor Agreements

The Company has entered into a number of agreements and work orders for future consulting, clinical trial support, and testing services, with terms ranging between 1 and 12 months. These agreements, in aggregate, commit the Company to approximately \$0.4 million in future cash payments.

Right-of-use lease

On August 1, 2021, MagicMed entered into a lease agreement (the “LSIH Lease”) with the University of Calgary for the use and occupation of lab and office space at the University of Calgary’s Life Science Innovation Hub building located in Calgary, Alberta, Canada (the “LSIH Facility”). The Company acquired all rights and obligations contained in the LSIH Lease concurrent with its amalgamation with MagicMed.

The Company assesses whether an arrangement is a lease or contains a lease at inception. For arrangements considered leases or that contain a lease that is accounted for separately, the Company determines the classification and initial measurement of the right-of-use asset and lease liability at the lease commencement date, which is the date that the underlying asset becomes available for use. The Company has elected to account for non-lease components associated with its leases and lease components as a single lease component.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognizes a right-of-use asset, which represents the Company's right to use the underlying asset for the lease term, and a lease liability, which represents the present value of the Company's obligation to make payments arising over the lease term. The present value of the lease payments is calculated using either the implicit interest rate in the lease or an incremental borrowing rate.

Lease assets and liabilities are classified as follows on the consolidated balance sheet:

<u>Lease</u>	<u>Classification</u>	<u>As of December 31, 2022</u>	<u>As of December 31, 2021</u>
Assets			
Operating	Right of use operating lease asset, net	\$ 63,817	\$ 176,304
Total leased assets		<u>\$ 63,817</u>	<u>\$ 176,304</u>
Liabilities			
Current			
Operating	Current portion of right-of-use operating lease obligation	\$ 63,820	\$ 107,442
Long-term			
Operating	Non-current portion of right-of-use operating lease obligation	—	68,861
Total lease liabilities		<u>\$ 63,820</u>	<u>\$ 176,303</u>

Rent expense is recorded on the straight-line basis. Rent expense under the LSIH Lease for the years ended December 31, 2022 and 2021 was \$120,667 and \$30,586, respectively. Rent expense is recorded in research and development costs on the consolidated statements of operations and comprehensive loss.

The table below shows the future minimum rental payments, exclusive of taxes, insurance, and other costs, under the LSIH Lease:

<u>Years ending December 31,</u>	<u>Amount</u>
2023	\$ 64,235
Total future minimum lease payments.....	<u>64,235</u>
Less: present value adjustment	<u>(415)</u>
Present value of lease payments	<u>\$ 63,820</u>

The weighted-average remaining lease term and the weighted-average discount rate of the lease was as follows:

<u>Lease Term and Discount Rate</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Remaining lease term (years)		
Operating leases.....	0.6	1.6
Discount rate		
Operating leases.....	12.0%	12.0%

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. INCOME TAXES

The Company's U.S. and foreign loss before income taxes are set forth below:

	December 31,	
	2022	2021
United States	\$ (7,251,228)	\$ (15,420,364)
Foreign	(12,706,165)	(41,011,337)
Total	<u>\$ (19,957,393)</u>	<u>\$ (56,431,701)</u>

For the years ended December 31, 2022 and 2021, the Company recorded an income tax benefit of \$1,486,060 and \$7,454,805, respectively. The income tax benefit is as follows:

	December 31,	
	2022	2021
Deferred tax benefit - United States	\$ —	\$ —
Deferred tax benefit - Foreign	1,486,060	7,454,805
Total income tax benefit	<u>\$ 1,486,060</u>	<u>\$ 7,454,805</u>

The Company's deferred tax assets and deferred tax liabilities consist of the following:

	December 31,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	\$ 8,927,330	\$ 5,509,522
Stock-based compensation	1,348,928	858,791
Accrued bonus	—	121,051
Research and development capitalized expenses	614,041	—
Intangible amortization	54,141	23,204
Other	33,453	35,456
Less valuation allowances	(10,977,893)	(6,548,024)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>
Deferred tax liabilities:		
Indefinite lived intangible assets	—	(1,607,122)
Net deferred tax liabilities	<u>\$ —</u>	<u>\$ (1,607,122)</u>

The Company had the following potentially utilizable net operating loss tax carryforwards:

	December 31,	
	2022	2021
Federal	\$ 18,349,753	\$ 9,411,533
State	\$ 16,892,754	\$ 8,664,242
Foreign	\$ 16,377,435	\$ 11,911,845

The Tax Cuts and Jobs Act of 2017 (the "Act") limits the net operating loss deduction to 80% of taxable income for losses arising in tax years beginning after December 31, 2017. As of December 31, 2022, the Company had federal net operating loss carryforwards and state net operating loss carryforwards of \$18,349,753 of \$16,892,754, respectively, which can be carried forward indefinitely. In addition, the Company has Canadian net operating loss carryforwards of \$16,377,435 which will begin to expire in 2030.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's effective tax rate varied from the statutory rate as follows:

	December 31,	
	2022	2021
Federal income tax at the statutory rate	(21.0)%	(21.0)%
State income tax rate (net of federal)	(2.6)%	(1.0)%
Foreign tax rate differential	(3.1)%	(4.0)%
Intangible asset impairment	—%	4.3%
Non-deductible expenses	(4.0)%	1.4%
Change in valuation allowance	23.3%	7.0%
Effective income tax rate	(7.4)%	(13.3)%

On September 16, 2021, the Company acquired MagicMed. In connection with the acquisition, the Company recorded intangible assets from IPR&D valued at \$35,500,000, which would be tested for impairment for book purposes, but without a tax basis, creating a deferred tax liability of \$9,061,927. The deferred tax liability decreased to \$1,607,122 due to an impairment on intangible asset of \$29,048,164 and an impairment of goodwill of \$8,225,862 for the year ended December 31, 2021. The deferred tax liability decreased to \$— due to an impairment on goodwill and intangible assets of \$7,453,662 for the year ended December 31, 2022.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The valuation allowance increased by \$4,429,869 and \$5,207,872 during the years ended December 31, 2022 and 2021, respectively.

The Company files U.S. federal and state returns. The Company's foreign subsidiary also files a local tax return in their local jurisdiction. From a U.S. federal, state and Canadian perspective the years that remain open to examination are consistent with each jurisdiction's statute of limitations. As of March 30, 2023, the Company has not filed tax returns for the fiscal years 2022 and 2021.

Section 382

The utilization of the Company's net operating losses may be subject to a substantial limitation in the event of any significant future changes in its ownership structure under Section 382 of the Internal Revenue Code and similar state provisions. Such limitation may result in the expiration of the net operating loss carryforwards before their utilization.

Section 174

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminated the option to deduct research and development expenditures in the current year and requires taxpayers to amortize US expenses over five years and foreign expense over fifteen years pursuant to IRC Section 174. The Company has estimated and capitalized gross \$2,684,319 of research and development expenditures that will be amortized primarily over five years. This did not have a material impact on the Company's tax liability for the year ended December 31, 2022. The Company will continue to evaluate the impact of these tax law changes on the current and future periods.

Inflation Reduction Act

On August 16, 2022, President Joe Biden signed the Inflation Reduction Act of 2022 (the "Act") into law. The Act includes a new 15% corporate minimum tax and a 1% excise tax on the value of corporate stock repurchases, net of new share issuances, after December 31, 2022. The Company does not expect these provisions to have a material impact on the Company's consolidated financial position; however, the Company will continue to evaluate their impact as further information becomes available.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. SUBSEQUENT EVENTS

Australian Subsidiary

On March 21, 2023, the Company established Enveric Therapeutics, Pty. Ltd. (“Enveric Therapeutics”), an Australia-based subsidiary, to support the Company’s plans to advance its EVM201 Series towards the clinic. Enveric Therapeutics will oversee the Company’s preclinical, clinical, and regulatory activities in Australia, including ongoing interactions with the local Human Research Ethics Committees (HREC) and the Therapeutic Goods Administration (TGA), Australia’s regulatory authority.

On March 23, 2023, the Company issued a press release announcing the selection of Australian CRO, Avance Clinical, in preparation for Phase 1 Study of EB-373, the Company’s lead candidate targeting the treatment of anxiety disorders. The Phase 1 clinical trial is expected to initiate in the fourth quarter of 2023. Under the agreement, Avance Clinical will manage the Phase 1 clinical trial of EB-373 in coordination with the Company’s newly established Australian subsidiary, Enveric Therapeutics Pty, Ltd. The Phase 1 clinical trial is designed as a multi-cohort, dose-ascending study to measure the safety and tolerability of EB-373. EB-373, a next-generation proprietary psilocin prodrug, has been recognized as a New Chemical Entity (NCE) by Australia’s Therapeutic Goods Administration (TGA) and is currently in preclinical development targeting the treatment of anxiety disorder. The total cost of the Avance Clinical contract is approximately 3,000,000 AUD, which translates to approximately \$1,500,000 as of the contract date of March 23, 2023.

DESCRIPTION OF CAPITAL STOCK

The following description sets forth certain material terms and provisions of our securities that are registered under Section 12 of the Securities Exchange Act of 1934, as amended. This description also summarizes relevant provisions of Delaware law. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of Delaware law and our Amended and Restated Certificate of Incorporation, as amended (our “Certificate of Incorporation”) and our Amended and Restated Bylaws, as amended (our “Bylaws”), copies of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. In addition, you should be aware that the summary below does not give full effect to the terms of the provisions of statutory or common law, and we encourage you to read our certificate of incorporation, our bylaws and the applicable provisions of Delaware law for additional information. In this description, references to “we,” “us,” “our,” “our company” and “Enveric” refer to Enveric Biosciences, Inc. and its subsidiaries.

As of March 31, 2023, our authorized capital stock consisted of 100,000,000 shares of common stock, \$0.01 par value per share; and 20,000,000 shares of preferred stock, \$0.01 par value per share. As of March 31, 2022, there were 2,078,271 shares of our common stock, no shares of our Series B Convertible Preferred Stock (“Series B Preferred Stock”), and no shares of our Series C Preferred Stock (“Series C Preferred Stock”) issued and outstanding.

Common Stock

Pursuant to our Certificate of Incorporation, holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of our stockholders. Holders of our common stock have no cumulative voting rights. All shares of our common stock validly authorized and issued, fully paid and nonassessable.

Holders of our common stock have no preemptive, redemption, conversion or subscription rights. No sinking fund provisions are applicable to our common stock. Upon liquidation, dissolution or winding-up, holders of our common stock are entitled to share in all assets remaining after payment of all liabilities and the liquidation preferences of any of our outstanding shares of preferred stock. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of our assets which are legally available. Such dividends, if any, are payable in cash, in property or in shares of capital stock.

The holders of one-third of the voting power of shares of our capital stock, represented at the meeting or by proxy, are necessary to constitute a quorum for the transaction of business at any meeting. If a quorum is present, an action by stockholders entitled to vote on a matter is approved if the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action, with the exception of the election of directors, which requires a plurality of the votes cast.

Preferred Stock

Our board of directors has the authority, without further action by the stockholders, to issue up to 20,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges, and relative participating, optional, or special rights as well as the qualifications, limitations, or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, and liquidation preferences, any or all of which may be greater than the rights of the common stock. Our board of directors, without stockholder approval, can issue convertible preferred stock with voting, conversion, or other rights that could adversely affect the voting power and other rights of the holders of common stock. Preferred stock could be issued quickly with terms calculated to delay or prevent a change of control or make removal of management more difficult. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our common stock, and may adversely affect the voting and other rights of the holders of common stock.

Series B Preferred Stock

Each share of our non-voting Series B Preferred Stock is convertible into one share of our common stock (subject to adjustment) at any time at the option of the holders, provided that each holder would be prohibited from converting Series B Preferred Stock into shares of our common stock if, as a result of such conversion, such holder, together with its affiliates, would own more than 9.99% of the total number of shares of our common stock then issued and outstanding. This limitation may be waived with respect to a holder upon such holder’s provision of not less than 61 days’ prior written notice to us.

In the event of liquidation, dissolution, or winding up, each holder of Series B Preferred Stock will receive the amount of cash, securities or other property to which such holder would be entitled to receive with respect to each share of Series B Preferred Stock if such share of Series B Preferred Stock had been converted to common stock immediately prior to such liquidation, dissolution, or winding up (without giving effect to any conversion limitations).

Shares of Series B Preferred Stock are not entitled to receive any dividends, unless and until specifically declared by the board of directors. However, holders of Series B Preferred Stock are entitled to receive dividends on shares of Series B Preferred Stock equal (on an as-if-converted-to-common-stock basis) to and in the same form as dividends actually paid on shares of our common stock when such dividends are specifically declared by our board of directors. We have no right to redeem or repurchase any shares of Series B Preferred Stock. Shares of Series B Preferred Stock are not otherwise entitled to any preemptive rights, redemption rights, mandatory sinking fund or analogous fund provisions.

The foregoing summary of the terms of the Series B Preferred Stock is qualified in its entirety by reference to the provisions of the Certificate of Designations of Series B Convertible Preferred Stock.

Series C Preferred Stock

Shares of Series C Preferred Stock will be uncertificated and represented in book-entry form. No shares of Series C Preferred Stock may be transferred by the holder thereof except in connection with a transfer by such holder of any shares of common stock held by such holder, in which case a number of one one-thousandths (1/1,000ths) of a share of Series C Preferred Stock equal to the number of shares of common stock to be transferred by such holder will be automatically transferred to the transferee of such shares of common stock.

Each share of Series C Preferred Stock will entitle the holder thereof to 1,000,000 votes per share (and, for the avoidance of doubt, each fraction of a share of Series C Preferred Stock will have a ratable number of votes). Thus, each one-thousandth of a share of Series C Preferred Stock would entitle the holder thereof to 1,000 votes. The outstanding shares of Series C Preferred Stock will vote together with the outstanding shares of common stock of the Company as a single class exclusively with respect to (1) any proposal to adopt an amendment to the Company's Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), to reclassify the outstanding shares of common stock into a smaller number of shares of common stock at a ratio specified in or determined in accordance with the terms of such amendment (the "Reverse Stock Split"), (2) any proposal to adopt an amendment to the Certificate of Incorporation to increase the number of authorized shares of the Corporation's common stock (the "Share Increase Proposal") and (3) any proposal to adjourn any meeting of stockholders called for the purpose of voting on Reverse Stock Split or the Share Increase Proposal (the "Adjournment Proposal"). The Series C Preferred Stock will not be entitled to vote on any other matter, except to the extent required under the Delaware General Corporation Law.

The holders of Series C Preferred Stock, as such, will not be entitled to receive dividends of any kind.

The Series C Preferred Stock will rank senior to the common stock as to any distribution of assets upon a liquidation, dissolution or winding up of the Company, whether voluntarily or involuntarily (a "Dissolution"). Upon any Dissolution, each holder of outstanding shares of Series C Preferred Stock will be entitled to be paid out of the assets of the Company available for distribution to stockholders, prior and in preference to any distribution to the holders of common stock, an amount in cash equal to \$0.01 per outstanding share of Series C Preferred Stock.

All shares of Series C Preferred Stock that are not present in person or by proxy at any meeting of stockholders held to vote on the Reverse Stock Split, the Share Issuance Proposal and the Adjournment Proposal as of immediately prior to the opening of the polls at such meeting (the "Initial Redemption Time") will automatically be redeemed in whole, but not in part, by the Company at the Initial Redemption Time without further action on the part of the Company or the holder of shares of Series C Preferred Stock (the "Initial Redemption"). Any outstanding shares of Series C Preferred Stock that have not been redeemed pursuant to an Initial Redemption will be redeemed in whole, but not in part, (i) if such redemption is ordered by our board of directors in its sole discretion, automatically and effective on such time and date specified by our board of directors in its sole discretion or (ii) automatically upon the approval by the Company's stockholders of the Reverse Stock Split and the Share Increase Proposal at any meeting of stockholders held for the purpose of voting on such proposals.

Each share of Series C Preferred Stock redeemed in any redemption described above will be redeemed in consideration for the right to receive an amount equal to \$0.10 in cash for each ten whole shares of Series C Preferred Stock that are “beneficially owned” by the “beneficial owner” (as such terms are defined in the certificate of designation with respect to the Series C Preferred Stock) thereof as of immediately prior to the applicable redemption time and redeemed pursuant to such redemption. However, the redemption consideration in respect of the shares of Series C Preferred Stock (or fractions thereof) redeemed in any redemption described above: (i) will entitle the former beneficial owners of less than ten whole shares of Series C Preferred Stock redeemed in any redemption to no cash payment in respect thereof and (y) will, in the case of a former beneficial owner of a number of shares of Series C Preferred Stock (or fractions thereof) redeemed pursuant to any redemption that is not equal to a whole number that is a multiple of ten, entitle such beneficial owner to the same cash payment, if any, in respect of such redemption as would have been payable in such redemption to such beneficial owner if the number of shares (or fractions thereof) beneficially owned by such beneficial owner and redeemed pursuant to such redemption were rounded down to the nearest whole number that is a multiple of ten (such, that for example, the former beneficial owner of 25 shares of Series C Preferred Stock redeemed pursuant to any redemption will be entitled to receive the same cash payment in respect of such redemption as would have been payable to the former beneficial owner of 20 shares of Series C Preferred Stock redeemed pursuant to such redemption).

The distribution of the Preferred Stock is not expected to be taxable to stockholders or to the Company. However, stockholders may, depending upon the circumstances, recognize taxable income in the event of the redemption of the Preferred Stock as described above. The Series C Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Series C Preferred Stock has no stated maturity and is not subject to any sinking fund. The Series C Preferred Stock is not subject to any restriction on the redemption or repurchase of shares by the Company while there is any arrearage in the payment of dividends or sinking fund installments.

Unless otherwise provided on any applicable proxy or ballot with respect to the voting on the Reverse Stock Split, the Share Increase Proposal or the Adjournment Proposal, the vote of each share of Series C Preferred Stock (or fraction thereof) entitled to vote on the Reverse Stock Split, the Share Increase Proposal, the Adjournment Proposal or any other matter brought before any meeting of stockholders held to vote on the Reverse Stock Split, the Share Increase Proposal and the Adjournment Proposal shall be cast in the same manner as the vote, if any, of the share of common stock (or fraction thereof) in respect of which such share of Series C Preferred Stock (or fraction thereof) was issued as a dividend is cast on the Reverse Stock Split, the Share Increase Proposal, the Adjournment Proposal or such other matter, as applicable, and the proxy or ballot with respect to shares of common stock held by any holder on whose behalf such proxy or ballot is submitted will be deemed to include all shares of Series C Preferred Stock (or fraction thereof) held by such holder. Holders of Series C Preferred Stock will not receive a separate ballot or proxy to cast votes with respect to the Series C Preferred Stock on the Reverse Stock Split, the Share Increase Proposal, the Adjournment Proposal or any other matter brought before any meeting of stockholders held to vote on the Reverse Stock Split or the Share Increase Proposal.

The foregoing summary of the terms of the Series C Preferred Stock is qualified in its entirety by reference to the provisions of the Certificate of Designations of Series C Convertible Preferred Stock.

Anti-Takeover Effects of Certain Provisions of our Certificate of Incorporation, Bylaws and the DGCL

Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law (“DGCL”), which prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a “business combination” with any “interested stockholder” for three years following the date that the person became an interested stockholder, unless either the interested stockholder attained such status with the approval of our board of directors, the business combination is approved by our board of directors and stockholders in a prescribed manner or the interested stockholder acquired at least 85% of our outstanding voting stock in the transaction in which it became an interested stockholder. A “business combination” includes, among other things, a merger or consolidation involving our company and the “interested stockholder” and the sale of more than 10% of our company’s assets. In general, an “interested stockholder” is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Potential Effects of Authorized but Unissued Stock

We have shares of common stock and preferred stock available for future issuance without stockholder approval. We may utilize these additional shares for a variety of corporate purposes, including future public offerings to raise additional capital, to facilitate corporate acquisitions or payment as a dividend on the capital stock.

The existence of unissued and unreserved common stock and preferred stock may enable our board of directors to issue shares to persons friendly to current management or to issue preferred stock with terms that could render more difficult or discourage a third-party attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, thereby protecting the continuity of our company's management. In addition, our board of directors has the discretion to determine designations, rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences of each series of preferred stock, all to the fullest extent permissible under the DGCL and subject to any limitations set forth in our amended and restated certificate of incorporation, as amended. The purpose of authorizing our board of directors to issue preferred stock and to determine the rights and preferences applicable to such preferred stock is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing desirable flexibility in connection with possible financings, acquisitions and other corporate purposes, could have the effect of making it more difficult for a third-party to acquire, or could discourage a third party from acquiring, a majority of our outstanding voting stock.

Limitations of Director Liability and Indemnification of Directors, Officers and Employees

Section 145 of the DGCL permits indemnification of directors, officers, agents and controlling persons of a corporation under certain conditions and subject to certain limitations. Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer or agent of the corporation or another enterprise if serving at the request of our company. Depending on the character of the proceeding, a corporation may indemnify against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if the person indemnified acted in good faith and in a manner he or she reasonably believed to be in or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. In the case of an action by or in the right of the corporation, no indemnification may be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine that despite the adjudication of liability such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. Section 145 further provides that to the extent a present or former director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to above or in the defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Listing

Our common stock is currently listed on The Nasdaq Capital Market under the trading symbol "ENVB."

Transfer Agent and Registrar

The Transfer Agent and Registrar for our common stock is Equiniti Trust Company.

SUBSIDIARIES OF ENVERIC BIOSCIENCES, INC.

Subsidiary	Jurisdiction of Organization
Jay Pharma Inc.	Ontario, Canada
1306432 B.C. Unlimited Liability Company	British Columbia, Canada
Enveric Biosciences Canada, Inc.	British Columbia, Canada
MagicMed USA, Inc.	Massachusetts, USA
Akos Biosciences, Inc.	Delaware, USA
Enveric Therapeutics Pty. Ltd.	Adelaide, Australia

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Enveric Biosciences, Inc. on Form S-3 (File No.'s 333-233260, 333-253196, 333-257690 and 333-266579) and Form S-8 (File No. 333-269330) of our report dated March 31, 2023 with respect to our audit of the consolidated financial statements of Enveric Biosciences, Inc. as of and for the year ended December 31, 2022, which report is included in this Annual Report on Form 10-K of Enveric Biosciences, Inc. for the year ended December 31, 2022.

/s/ Marcum LLP

Marcum LLP
East Hanover, New Jersey
March 31, 2023

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements of Enveric Biosciences, Inc. on Form S-3 (File No.'s 333-233260, 333-253196, 333-257690 and 333-266579) and Form S-8 (File No. 333-269330) of our report dated March 31, 2022, with respect to our audit of the consolidated financial statements as of and for the year ended December 31, 2021, which report is included in this Annual Report on Form 10-K of Enveric Biosciences, Inc. for the year ended December 31, 2021. We were dismissed as auditors on September 20, 2022 and, accordingly, we have not performed any audit or review procedures with respect to any consolidated financial statements incorporated by reference for the periods after the date of our dismissal.

/s/ Friedman LLP

Friedman LLP
East Hanover, NJ
March 31, 2023

CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002

I, Dr. Joseph Tucker, certify that:

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

March 31, 2023

By: /s/ Dr. Joseph Tucker

Dr. Joseph Tucker
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002

I, Kevin Coveney, certify that:

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

March 31, 2023

By: /s/ Kevin Coveney

Kevin Coveney
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the Annual Report of Enveric Biosciences, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

March 31, 2023

By: /s/ Dr. Joseph Tucker

Dr. Joseph Tucker
Chief Executive Officer
(Principal Executive Officer)

March 31, 2023

By: /s/ Kevin Coveney

Kevin Coveney
Chief Financial Officer
(Principal Financial and Accounting Officer)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the annual period ended: December 31, 2022

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ___ to ___

Commission File Number 001-38286

ENVERIC BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

4851 Tamiami Trail N, Suite 200
Naples, FL
(Address of principal executive offices)

95-4484725
(IRS Employer
Identification No.)

34103
(Zip code)

(239) 302-1707

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	ENVB	The Nasdaq Stock Market LLC

Securities registered under section 12(g) of the Act: None

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

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

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

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

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

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

As of June 30, 2022, the last day of the registrant's most recently completed second fiscal quarter; the aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based on a closing price of \$10.72 per share, was approximately \$11.0 million.

As of March 30, 2023, there were 2,078,271 shares outstanding of Registrant's Common Stock (par value \$0.01 per share).

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus if led pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

None.

EXPLANATORY NOTE

This Amendment No. 1 to our Annual Report on Form 10-K (this “Amendment”) amends the Annual Report of Enveric Biosciences, Inc. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2022, which was originally filed with the Securities and Exchange Commission (“SEC”) on March 31, 2023 (the “Original Filing”). This Amendment is being filed solely to amend the reports of the Company’s independent registered public accounting firms included in the Original Filing with respect to the audited consolidated financial statements of the Company for the years ended December 31, 2022 and 2021, which inadvertently omitted which independent registered public accounting firm audited the adjustments made to the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2021, to reflect the 1-for-50 reverse stock split of the shares of the Company’s common stock, which was effected on July 14, 2022.

In connection with the filing of this Amendment and pursuant to the rules of the SEC, we are including with this Amendment new certifications by our principal executive and principal financial officers. Accordingly, Item 15 of Part IV has also been amended to reflect the filing of these new certifications.

Accordingly, this Amendment consists of a cover page, this Explanatory Note, a revised Part II, Item 8, an updated Exhibit Index, new consents of the Company’s independent registered public accounting firms and new certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002.

This Amendment does not modify, amend or update in any way the financial statements and other disclosures set forth in the Original Filing and there have been no changes to the XBRL data filed in Exhibit 101 of the Original Filing. In addition, this Amendment does not reflect events occurring after the filing of the Original Filing, nor does it modify or update disclosures therein in any way other than as required to reflect the revisions described above. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events that occurred or facts that became known to us after the filing of the Original Filing, and any such forward looking statements should be read in their historical context. Accordingly, this Amendment should be read in conjunction with the Original Filing.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES

FORM 10-K

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PART II

Item 8. Financial Statements and Supplementary Data

The information required by this Item 8 is included at the end of this Annual Report on Form 10-K beginning on page F-1.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements:

Reports of Independent Registered Accounting Firm (PCAOB Firm ID : Marcum LLP #688 and Friedman LLP #711).....	F-1
Consolidated Balance Sheets	F-4
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(2) Financial Statement Schedules:

None. Financial statement schedules have not been included because they are not applicable, or the information is included in the consolidated financial statements or notes thereto.

(3) Exhibits:

See “Index to Exhibits” for a description of our exhibits.

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Share Purchase Agreement, dated January 10, 2020, by and between AMERI Holdings, Inc. and Ameri100, Inc. (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K, filed with the Commission on January 13, 2020)
2.2	Tender Offer Support Agreement and Termination of Amalgamation Agreement, dated August 12, 2020, by and among AMERI Holdings, Inc., Jay Pharma Merger Sub, Inc., Jay Pharma Inc., 1236567 B.C. Unlimited Liability Company and Barry Kostiner, as the Ameri representative (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the Commission on August 12, 2020)
2.3	Amendment No. 1 To Tender Offer Support Agreement and Termination of Amalgamation Agreement, dated December 18, 2020, by and among Ameri, Jay Pharma Merger Sub, Inc., Jay Pharma Inc., 1236567 B.C. Unlimited Liability Company and Barry Kostiner, as the Ameri representative (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the Commission on December 18, 2020)
2.4	Amalgamation Agreement, dated May 24, 2021, by and among Enveric Biosciences, Inc., 1306432 B.C. LTD., 1306436 B.C. LTD., and MagicMed Industries, Inc. (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K, filed with the Commission on May 24, 2021)
3.1	Amended and Restated Certificate of Incorporation of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the Commission on January 6, 2021)
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K, filed with the Commission on January 6, 2021)
3.3	Certificate of Designations of Series B Preferred Stock of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.3 to the Company’s Current Report on Form 8-K, filed with the Commission on January 6, 2021)
3.4	Amended and Restated Bylaws of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.4 to the Company’s Current Report on Form 8-K, filed with the Commission on January 6, 2021)
3.5	Amendment to the Amended and Restated Bylaws of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the Commission on November 18, 2021)
3.6	Certificate of Designation of the Series C Preferred Stock of the Company, dated May 4, 2022 (incorporated by reference to Exhibit 3.1 to the Company’s Registration Statement on Form 8-A, filed with the Securities and Exchange Commission on May 4, 2022, File No. 000-26460)

Exhibit No.	Description
3.7	Certificate of Amendment of Certificate of Designation of the Series C Preferred Stock of the Company, dated May 17, 2022 (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form 8-A/A, filed with the Securities and Exchange Commission on May 17, 2022, File No. 000 26460)
3.8	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 14, 2022)
4.1	Description of Securities (incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 2023)
4.2	Form of Pre-Funded Warrant (issued in connection with January 2021 Registered Direct Offering) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)
4.3	Form of Warrant (issued in connection with January 2021 Registered Direct Offering) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)
4.4	Form of Warrant (issued in connection with February 2021 Registered Direct Offering) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 11, 2021)
4.5	Form of Series B Warrant (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
4.6	Form of MagicMed Warrant Certificate (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 17, 2021)
4.7	Form of Common Stock Purchase Warrant (in connection with February 2022 Offering) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 15, 2022)
4.8	Form of RD Pre-Funded Warrant (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
4.9	Form of PIPE Pre-Funded Warrant (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
4.10	Form of RD Preferred Investment Option (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
4.11	Form of PIPE Preferred Investment Option (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
4.12	Form of Wainwright Warrant (in connection with July 2022 Offering) (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.1#	Employment Agreement between Kevin Coveney and the Company, effective March 13, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 28, 2023)
10.2	Form of Securities Purchase Agreement (entered into in connection with the May 5, 2022 Private Placement) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on May 11, 2022)
10.3	Certificate of the Designations, Preferences and Rights of Akos Series A Convertible Preferred Stock (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on May 11, 2022)
10.4	Form of Registration Rights Agreement (entered into in connection with the May 5, 2022 Private Placement) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on May 11, 2022)
10.5	Form of Warrant (entered into in connection with the May 5, 2022 Private Placement) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Commission on May 11, 2022)
10.6	Form of Warrant Amendment (in connection with the July 2022 Offerings) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.7	First Amendment to the Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 14, 2022)
10.8	Form of Warrant Amendment (in connection with July 2022 Offering) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.9	Form of Securities Purchase Agreement (in connection with July 2022 Offering) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)

Exhibit No.	Description
10.10	Form of Securities Purchase Agreement (in connection with July 2022 Offering) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.11	Form of Registration Rights Agreement (in connection with July 2022 Offering) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on July 26, 2022)
10.12	Assignment and Assumption Agreement (Non-U.S. GVHD Sublicense), dated January 10, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and Tikun Olam IP Ltd. (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.13	Amendment No. 1 to Assignment and Assumption Agreement (Non-U.S. GVHD Sublicense), dated August 12, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and Tikun Olam IP Ltd. (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.14	Amendment No. 2 to Assignment and Assumption Agreement (Non-U.S. GVHD Sublicense and Skincare), dated October 2, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and Tikun Olam IP Ltd. (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.15	Assignment and Assumption Agreement (U.S. GVHD Sublicense and Skincare), dated January 10, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and TO Pharmaceuticals USA LLC (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.16	Amendment No. 1 to Assignment and Assumption Agreement (U.S. GVHD Sublicense and Skincare), dated August 12, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and TO Pharmaceuticals USA LLC (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.17	Amendment No. 2 to Assignment and Assumption Agreement (U.S. GVHD Sublicense and Skincare), dated October 2, 2020, by and among Tikkun Pharma, Inc., Jay Pharma Inc. and TO Pharmaceuticals USA LLC (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.18	License Agreement, dated January 10, 2020, by and among Tikun Olam LLC, Tikun Olam Hemp LLC and Jay Pharma Inc. (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.19	Amendment No. 1 to License Agreement, dated August 12, 2020, by and among Tikun Olam LLC, Tikun Olam Hemp LLC and Jay Pharma Inc. (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.20	Amendment No. 2 to License Agreement, dated October 2, 2020, by and among Tikun Olam LLC, Tikun Olam Hemp LLC and Jay Pharma Inc. (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K filed with the Commission on April 1, 2021)
10.21#	Employment Agreement, dated January 10, 2020, by and between the Company and David Johnson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.22#	Employment Agreement, dated December 2, 2020, by and between the Company and Avani Kanubaddi (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.23#	Employment Agreement, dated December 22, 2020, by and between the Company and Robert Wilkins (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.24#	Consulting Agreement, dated December 29, 2020, by and between the Company and Barry Kostiner (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.25	Enveric Biosciences, Inc. 2020 Long-Term Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.26	Form of RSU Award Agreement (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021)
10.27	Form of Securities Purchase Agreement, dated January 11, 2021, by and among the Company and the purchasers thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)
10.28	Form of Registration Rights Agreement, dated January 11, 2021, by and among the Company and the purchasers thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)

Exhibit No.	Description
10.29	Letter Agreement, dated January 11, 2021, by and between the Company and Alpha Capital Anstalt (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on January 12, 2021)
10.30	Form of Securities Purchase Agreement, dated February 9, 2021, by and among the Company and the purchasers thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 11, 2021)
10.31	Form of Registration Rights Agreement, dated February 9, 2021, by and among the Company and the purchasers thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on February 11, 2021)
10.32	Development and Clinical Supply Agreement, between the Company and PureForm Global, Inc., dated February 22, 2021 (incorporated by reference to Exhibit 10.5 the Company's Quarterly Report on Form 10-Q, filed with the Commission on May 17, 2021)
10.33	Exclusive License Agreement, between the Company and Diverse Biotech, Inc., dated March 5, 2021 (incorporated by reference to Exhibit 10.6 the Company's Quarterly Report on Form 10-Q, filed with the Commission on May 17, 2021)
10.34#	Employment Agreement between Carter J. Ward and the Company, effective May 15, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 12, 2021)
10.35	Form of Voting and Support Agreement, dated as of May 24, 2021, by and among Enveric Biosciences, Inc. and certain shareholders of MagicMed Industries Inc. named therein (incorporated by reference to Annex B-1 to the Company's Proxy Statement/Prospectus, filed with the Commission on August 6, 2021)
10.36	Form of Voting Agreement, dated as of May 24, 2021, by and among MagicMed Industries Inc. and certain shareholders of Enveric Biosciences, Inc. named therein (incorporated by reference to Annex B-2 to the Company's Proxy Statement/Prospectus, filed with the Commission on August 6, 2021)
10.37	Form of Lock-Up Agreement, dated as of May 24, 2021, by and among Enveric Biosciences, Inc. and certain shareholders of MagicMed Industries Inc. named therein (incorporated by reference to Annex C-1 to the Company's Proxy Statement/Prospectus, filed with the Commission on August 6, 2021)
10.38	Form of Lock-Up/Leak-Out Agreement, dated as of May 24, 2021, by and among Enveric Biosciences, Inc. and certain shareholders of MagicMed Industries Inc. named therein (incorporated by reference to Annex C-2 to the Company's Proxy Statement/Prospectus, filed with the Commission on August 3, 2021)
10.39#	Employment Agreement between Joseph Tucker and Enveric Biosciences, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 24, 2021)
10.40#	Employment Agreement between Peter Facchini and Enveric Biosciences, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 24, 2021)
10.41#	Employment Agreement between Jillian Hagel and Enveric Biosciences, Inc. (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 24, 2021)
10.42	MagicMed Stock Option Plan, as amended September 10, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 17, 2021)
16.1	Letter dated January 6, 2021 from Ram Associates, CPA to the Securities and Exchange Commission. (incorporated by reference to Exhibit 16.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2021)
16.2	Letter of Marcum LLP to the Securities and Exchange Commission, dated June 29, 2021. (incorporated by reference to Exhibit 16.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2021)
21.1	Subsidiaries (incorporated by reference to Exhibit 21.1 of the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 2023)
23.1	Consent of independent registered public accountant – Marcum LLP relating to the Original Filing (previously filed with the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2023)
23.2	Consent of independent registered public accountant – Friedman LLP relating to the Original Filing (previously filed with the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2023)
23.3*	Consent of independent registered public accountant – Marcum LLP relating to this Annual Report on Form 10-K/A
23.4*	Consent of independent registered public accountant – Friedman LLP relating to this Annual Report on Form 10-K/A

Exhibit No.	Description
31.1	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002 of Principal Executive Officer relating to the Original Filing (previously filed with the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2023)
31.2	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002 of Principal Financial and Accounting Officer relating to the Original Filing (previously filed with the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2023)
31.3*	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002 of Principal Executive Officer relating to this Annual Report on Form 10-K/A
31.4*	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002 of Principal Financial and Accounting Officer relating to this Annual Report on Form 10-K/A
32.1	Certification pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 of Principal Executive Officer, Principal Financial and Accounting Officer relating to the Original Filing (previously furnished with the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2023)
32.2**	Certification pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 of Principal Executive Officer, Principal Financial and Accounting Officer relating to this Annual Report on Form 10-K/A
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)
*	Filed herewith.
**	Furnished herewith.
#	Management contract or compensatory plan or arrangement.

SIGNATURES

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

ENVERIC BIOSCIENCES, INC.

June 8, 2023

By: *s/ Joseph Tucker*

Joseph Tucker
Chief Executive Officer
(Principal Executive Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Enveric Biosciences, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Enveric Biosciences, Inc. (the “Company”) as of December 31, 2022, the related consolidated statements operations and comprehensive loss, changes in temporary equity and shareholders’ equity and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also audited adjustments to the 2021 financial statements to retroactively apply the effects of the reverse stock split as described in Note 1. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Company’s 2021 financial statements other than with respect to the reverse stock split adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Explanatory Paragraph – Going Concern

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

Basis for Opinion

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

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

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

Critical Audit Matters

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

Impairment of Long-lived Assets

Critical Audit Matter Description As discussed in Notes 2 and 4 to the financial statements, the Company reviews goodwill on an annual basis for impairment, or when circumstances indicate the assets might be impaired. Additionally, the Company reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Due to a sustained decline in the Company's market capitalization, the Company performed an impairment analysis and determined that an impairment of goodwill and long-lived assets existed at December 31, 2022.

Auditing the Company's accounting for impairment of goodwill and long-lived assets required a high degree of subjective auditor judgment in evaluating the estimated discounted future cash flows used to test reporting units for recoverability and the determination of fair value of the relevant assets. The high degree of auditor judgement and increased extent of effort, including the need to involve valuation specialists, was required to evaluate the reasonableness of management's analysis related to the impairment of goodwill and long-lived assets.

How We Addressed the Matter in Our Audit We obtained an understanding and evaluated the procedures over management's impairment review process. We evaluated the reasonableness of management's inputs inclusive of forecasts and discount rates used in the impairment analysis. With the assistance of our valuation specialists, we evaluated the reasonableness of the valuation methodology, tested the mathematical accuracy of the calculation and developed a range of independent estimates to determine reasonableness of valuation conclusions.

Redeemable Non-controlling Interest and Derivative Liability

Critical Audit Matter Description As discussed in Notes 1, 2 and 8 to the financial statements, the Company announced plans to transfer and spin-off its cannabinoid clinical development pipeline assets to Akos Biosciences, Inc. ("Akos") a majority owned subsidiary of the Company. Akos entered into a Securities Purchase Agreement, pursuant to which Akos agreed to sell to an investor 1,000 shares of Akos' Series A Convertible Preferred Stock for \$1.0 million during the year ended December 31, 2022. If the Spin-Off does not occur, the Company has guaranteed the redeemable non-controlling interest associated with the put right option as defined in the Series A Convertible Preferred Stock agreement. Fees associated with the spin-off including, but not limited to, placement agent fees, are contingent upon the spin-off occurring.

Auditing the accounting conclusions for the issuance of the Series A Convertible Preferred Stock discussed above was challenging because of the complex provisions affecting classification and required extensive audit effort. The accounting for the Series A Convertible Preferred Stock involved an assessment of the particular features in the agreement and Certificate of Designation and the impact of those features on the accounting and classification of the Series A Convertible Preferred Stock. The determination of fair value requires significant judgement by management and third-party valuation specialists to develop significant estimates and assumptions including the probability of the spin off occurring. Auditing management's judgements involved especially challenging auditor judgement due to the nature and extent of audit effort required.

How We Addressed the Matter in Our Audit We obtained an understanding and evaluated the procedures over management's technical accounting analysis and valuation process. We inspected the governing agreements for the transaction and evaluated the application of the Company's technical accounting analyses including evaluating the terms and management's conclusion on the interpretation and application of the relevant accounting literature. With the assistance of our valuation specialists, we evaluated the reasonableness of the valuation methodology used, we evaluated the reasonableness of the inputs subject to assumptions and verified the accuracy and completeness of those inputs to the underlying transaction data utilized in the valuation of the preferred stock and derivative liability; we performed sensitivity analyses of the significant assumptions used in the valuation model to evaluate the change in fair value resulting from changes in the significant assumptions to determine reasonableness of the valuation conclusions.

/s/ Marcum LLP

We have served as the Company's auditor since 2021 (such date takes into account the acquisition of certain assets of Friedman LLP by Marcum LLP effective September 1, 2022).

East Hanover, New Jersey
March 31, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Enveric Biosciences, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Enveric Biosciences, Inc. (the Company) as of December 31, 2021, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review or apply any procedures to retroactively apply the effects of the reverse stock split described in Note 1, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by Marcum LLP.

Basis for Opinion

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

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

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

/s/ Friedman LLP

We have served as the Company's auditor from 2021 through 2022.
East Hanover, New Jersey
March 31, 2022

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2022	2021
ASSETS		
Current assets:		
Cash	\$ 17,723,884	\$ 17,355,999
Prepaid expenses and other current assets	708,053	380,838
Total current assets	18,431,937	17,736,837
Other assets:		
Property and equipment, net	677,485	294,430
Right-of-use operating lease asset.....	63,817	176,304
Intangible assets, net.....	379,686	6,923,928
Goodwill	—	1,587,634
Total other assets	1,120,988	8,982,296
Total assets	\$ 19,552,925	\$ 26,719,133
LIABILITIES, TEMPORARY EQUITY, AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 463,275	\$ 683,393
Accrued liabilities	1,705,655	1,292,721
Current portion of right-of-use operating lease obligation.....	63,820	107,442
Investment option liability	851,008	—
Warrant liability	185,215	653,674
Derivative liability	727,000	—
Total current liabilities	3,995,973	2,737,230
Non-current liabilities:		
Non-current portion of right-of-use operating lease obligation	—	68,861
Deferred tax liability	—	1,607,122
Total non-current liabilities	—	1,675,983
Total liabilities	\$ 3,995,973	\$ 4,413,213
Commitments and contingencies (Note 9)		
Temporary equity		
Series C redeemable preferred stock, \$0.01 par value, 100,000 shares authorized, and 52,684.548 and 0 shares issued and outstanding as of December 31, 2022 and 2021, respectively	—	—
Redeemable non-controlling interest	885,028	—
Total temporary equity	885,028	—
Shareholders' equity		
Preferred stock, \$0.01 par value, 20,000,000 shares authorized; Series B preferred stock, \$0.01 par value, 3,600,000 shares authorized, 0 shares issued and outstanding as of December 31, 2022 and 2021, respectively	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 2,078,271 and 651,921 shares issued and outstanding as of December 31, 2022 and 2021, respectively	20,782	6,519
Additional paid-in capital	94,395,662	83,066,656
Accumulated deficit	(79,207,786)	(60,736,453)
Accumulated other comprehensive loss.....	(536,734)	(30,802)
Total shareholders' equity	14,671,924	22,305,920
Total liabilities, temporary equity, and shareholders' equity	\$ 19,552,925	\$ 26,719,133

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Years Ended December 31,	
	2022	2021
Operating expenses		
General and administrative	\$ 11,605,761	\$ 20,499,052
Research and development	8,027,773	4,788,807
Impairment of intangible assets and goodwill	7,453,662	38,678,918
Depreciation and amortization	327,910	656,643
Total operating expenses	27,415,106	64,623,420
Loss from operations	(27,415,106)	(64,623,420)
Other income (expense)		
Inducement expense	—	(1,125,291)
Change in fair value of warrant liabilities	4,315,236	9,327,326
Change in fair value of investment option liability	3,472,726	—
Change in fair value of derivative liability	(325,000)	—
Interest expense	(5,249)	(10,316)
Total other income	7,457,713	8,191,719
Net loss before income taxes	(19,957,393)	(56,431,701)
Income tax benefit	1,486,060	7,454,805
Net loss	(18,471,333)	(48,976,896)
Less preferred dividends attributable to non-controlling interest	33,014	—
Less deemed dividends attributable to accretion of embedded derivative at redemption value	295,976	—
Net loss attributable to shareholders	(18,800,323)	(48,976,896)
Other comprehensive loss		
Foreign currency translation	(505,932)	150,475
Comprehensive loss	\$ (19,306,255)	\$ (48,826,421)
Net loss per share - basic and diluted	\$ (13.00)	\$ (103.69)
Weighted average shares outstanding, basic and diluted	1,446,007	472,343

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND SHAREHOLDERS'
EQUITY

	Series B Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	
Balance at January 1, 2021	3,275,407	\$ 32,754	202,249	\$ 2,022	\$15,321,699	\$ (11,759,557)	\$ (181,277)	\$ 3,415,641
January 2021 registered direct offering, net of offering costs	—	—	44,427	444	4,616,643	—	—	4,617,087
February 2021 registered direct offering, net of offering costs	—	—	60,141	601	7,015,800	—	—	7,016,401
Consideration paid pursuant to amalgamation agreement	—	—	199,025	1,990	39,040,292	—	—	39,042,282
Exercise of warrants	—	—	52,861	530	3,284,641	—	—	3,285,171
Exercise of options	—	—	2,685	27	(27)	—	—	—
Induced conversion of stock options into restricted stock awards	—	—	20,307	203	1,125,088	—	—	1,125,291
Stock-based compensation	—	—	—	—	12,597,001	—	—	12,597,001
Common stock issued in lieu of cash for services ...	—	—	283	3	33,464	—	—	33,467
Common stock issued pursuant to exercise of warrant put rights	—	—	4,434	44	(44)	—	—	—
Conversion of Series B preferred shares	(3,275,407)	(32,754)	65,509	655	32,099	—	—	—
Foreign exchange translation gain	—	—	—	—	—	—	150,475	150,475
Net loss	—	—	—	—	—	(48,976,896)	—	(48,976,896)
Balance at December 31, 2021	—	\$ —	651,921	\$ 6,519	\$83,066,656	\$ (60,736,453)	\$ (30,802)	\$ 22,305,920

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND SHAREHOLDERS'
EQUITY

	Series C Redeemable Preferred Stock		Redeemable Non-controlling Interest		Total Temporary Equity	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount				
		\$		\$			\$				
Balance at January 1, 2022..	—	\$ —	—	\$ —	\$ —	651,921	\$ 6,519	\$ 83,066,656	\$ (60,736,453)	\$ (30,802)	\$ 22,305,920
February 2022 registered direct offering, net of offering costs.....	—	—	—	—	—	400,000	4,000	5,798,464	—	—	5,802,464
Stock-based compensation .	—	—	—	—	—	—	—	2,620,671	—	—	2,620,671
Conversion of RSUs into common shares.....	—	—	—	—	—	899	9	(9)	—	—	—
Redeemable non-controlling interest, net of \$402,000 embedded derivative and net of issuance costs of \$41,962.....	—	—	1,000	556,038	556,038	—	—	—	—	—	—
Issuance of redeemable Series C preferred stock	52,685	527	—	—	527	—	—	(527)	—	—	(527)
Preferred dividends attributable to redeemable non-controlling interest.....	—	—	—	33,014	33,014	—	—	(33,014)	—	—	(33,014)
Accretion of embedded derivative to redemption value.....	—	—	—	295,976	295,976	—	—	(295,976)	—	—	(295,976)
Conversion of RSAs into common shares.....	—	—	—	—	—	1,223	12	(12)	—	—	—
July 2022 registered direct offering, PIPE offering, modification of warrants and exercise of pre-funded warrants, net of offering costs.....	—	—	—	—	—	1,000,000	10,000	3,239,124	—	—	3,249,124
Issuance of rounded shares as a result of the reverse stock split	—	—	—	—	—	24,228	242	(242)	—	—	—
Redemption of Series C preferred stock	(52,685)	(527)	—	—	(527)	—	—	527	—	—	527
Foreign exchange translation loss	—	—	—	—	—	—	—	—	—	(505,932)	(505,932)
Net loss.....	—	—	—	—	—	—	—	—	(18,471,333)	—	(18,471,333)
Balance at December 31, 2022	—	\$ —	1,000	\$ 885,028	\$ 885,028	2,078,271	\$ 20,782	\$ 94,395,662	\$ (79,207,786)	\$ (536,734)	\$ 14,671,924

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2022	2021
Cash Flows From Operating Activities:		
Net loss	\$ (18,471,333)	\$ (48,976,896)
Adjustments to reconcile net loss to cash used in operating activities		
Change in fair value of warrant liability	(4,315,236)	(9,327,326)
Change in fair value of investment option liability	(3,472,726)	—
Change in fair value of derivative liability	325,000	—
Stock-based compensation	2,620,671	12,597,001
Stock issued in lieu of cash for services	—	33,467
Impairment of intangible assets and goodwill	7,453,662	38,678,918
Non-cash income tax benefit	(1,504,302)	(7,454,805)
Inducement expense	—	1,125,291
Amortization of right-of-use asset	107,291	24,969
Amortization of intangible assets	168,750	643,333
Depreciation expense	159,160	13,310
Change in operating assets and liabilities:		
Prepaid expenses and other current assets	(374,058)	826,837
Accounts payable and accrued liabilities	263,686	383,199
Right-of-use operating lease liability	(107,288)	(24,969)
Net cash used in operating activities	(17,146,723)	(11,457,671)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(584,165)	(189,719)
Purchase of Diverse Bio license agreement	—	(675,000)
Cash accretive acquisition of MagicMed	—	3,055,328
Net cash (used in) provided by investing activities	(584,165)	2,190,609
Cash Flows From Financing Activities:		
Proceeds from sale of common stock, warrants, and investment options, net of offering costs	17,222,099	21,614,488
Proceeds from the sale of redeemable non-controlling interest, net of offering costs (see Note 8)	958,038	—
Proceeds from warrant exercises, net of fees	—	3,285,171
Net cash provided by financing activities	18,180,137	24,899,659
Effect of foreign exchange rate on cash	(81,364)	144,942
Net increase in cash	367,885	15,777,539
Cash at beginning of year	17,355,999	1,578,460
Cash at end of year	\$ 17,723,884	\$ 17,355,999
Supplemental disclosure of cash and non-cash transactions:		
Cash paid for interest	\$ 5,249	\$ 10,316
Income taxes paid	\$ —	\$ —
Investment options issued in conjunction with common stock issuance	\$ 4,323,734	\$ —
Modification of warrants as part of share capital raise	\$ 251,357	\$ —
Warrants issued in conjunction with common stock issuance	\$ 3,595,420	\$ —
Issuance of embedded derivative	\$ 402,000	\$ —
Preferred dividends attributable to redeemable non-controlling interest	\$ 33,014	\$ —
Accretion of embedded derivative to redemption value	\$ 295,976	\$ —
Issuance of Common Stock pursuant to MagicMed amalgamation	\$ —	\$ 39,042,282
Deferred tax liability incurred due to MagicMed amalgamation	\$ —	\$ 9,061,927
Conversion of preferred stock to common stock	\$ —	\$ 32,754
Fair value of warrants issued	\$ —	\$ 9,981,000
Right-of-use assets obtained in exchange for lease liabilities	\$ —	\$ 201,653

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

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BUSINESS AND LIQUIDITY AND OTHER UNCERTAINTIES

Nature of Operations

Enveric Biosciences, Inc. (“Enveric Biosciences, Inc.” “Enveric” or the “Company”) is a pharmaceutical company developing innovative, evidence-based cannabinoid medicines. The head office of the Company is located in Naples, Florida. The Company has the following wholly owned subsidiaries: Jay Pharma Inc. (“Jay Pharma”), 1306432 B.C. Ltd. (“HoldCo”), MagicMed Industries, Inc. (“MagicMed”), and Enveric Canada. The Company has an Amalgamation Agreement (“Amalgamation Agreement”) and tender agreement (“Tender Agreement”) with Jay Pharma, which were entered into in prior years.

On May 24, 2021, the Company entered into an Amalgamation Agreement (the “Amalgamation Agreement”) with 1306432 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of the Company (“HoldCo”), 1306436 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of HoldCo (“Purchaser”), and MagicMed Industries Inc., a corporation existing under the laws of the Province of British Columbia (“MagicMed”), pursuant to which, among other things, the Company, indirectly through Purchaser, acquired all of the outstanding securities of MagicMed in exchange for securities of the Company by way of an amalgamation under the British Columbia Business Corporations Act, upon the terms and conditions set forth in the Amalgamation Agreement, such that, upon completion of the Amalgamation (as defined herein), the amalgamated corporation (“Amalco”) will be an indirect wholly-owned subsidiary of the Company. The Amalgamation was completed on September 16, 2021.

MagicMed Industries develops and commercializes psychedelic-derived pharmaceutical candidates. MagicMed’s psychedelic derivatives library, the Psybrary™, is an essential building block from which industry can develop new patented products. The initial focus of the Psybrary™ is on psilocybin and DMT derivatives, and it is then expected to be expanded to other psychedelics.

Akos Spin-Off

On May 11, 2022, the Company announced plans to transfer and spin-off its cannabinoid clinical development pipeline assets to Akos Biosciences, Inc. (formerly known as Acanna Therapeutics, Inc.), a majority owned subsidiary of the Company (hereafter referred to as “Akos”), which was incorporated on April 13, 2022, by way of dividend to Enveric shareholders (the “Spin-Off”). The Spin-Off will be subject to various conditions, including Akos meeting the qualifications for listing on the Nasdaq Stock Market, and if successful, would result in two standalone public companies. The new company as a result of the Spin-Off will be referred to as Akos. If the Spin-Off does not occur, the Company has guaranteed the redeemable non-controlling interest (“RNCI”).

On May 5, 2022, the Company and Akos entered into a Securities Purchase Agreement (the “Akos Purchase Agreement”) with an accredited investor (the “Akos Investor”), pursuant to which Akos agreed to sell to the Akos Investor up to an aggregate of 5,000 shares of Akos’ Series A Convertible Preferred Stock (the “Akos Series A Preferred Stock”), par value \$0.01 per share at a price of \$1,000 per share, and warrants (the “Akos Warrants”) to purchase shares of Akos’ common stock (the “Akos Common Stock”), par value \$0.01 per share, for an aggregate purchase price of up to \$5,000,000 (the “Akos Private Placement”). Pursuant to the Akos Purchase Agreement, Akos has issued 1,000 shares of the Akos Series A Preferred Stock to the Akos Investor in exchange for \$1,000,000 on May 5, 2022 (See Note 8).

Reverse Stock Split

On July 14, 2022 the Company affected a 1-for-50 reverse stock split. All historical share and per share amounts reflected throughout this report have been adjusted to reflect the Reverse Stock Split.

Going Concern, Liquidity and Other Uncertainties

The Company has incurred a loss since inception resulting in an accumulated deficit of \$79,207,786 as of December 31, 2022 and further losses are anticipated in the development of its business. Further, the Company has operating cash outflows of \$17,146,723 for the year ended December 31, 2022. For the year ended December 31, 2022, the Company had a loss from operations of \$27,415,106. Since inception, being a research and development company, the Company has not yet generated revenue and the Company has incurred continuing losses from its operations. The Company’s operations have been funded principally through the issuance of debt and equity. These factors raise substantial doubt about the Company’s ability to continue as a going concern for a period of one year from the issuance of these financial statements.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In assessing the Company's ability to continue as a going concern, the Company monitors and analyzes its cash and its ability to generate sufficient cash flow in the future to support its operating and capital expenditure commitments. At December 31, 2022, the Company had cash of \$17,723,884 and working capital of \$14,435,964. The Company's current cash on hand is not sufficient enough to satisfy its operating cash needs for the 12 months from the filing of this Annual Report on Form 10-K. The Company believes that it has adequate cash on hand to cover anticipated outlays through December 31, 2023. These conditions raise substantial doubt regarding the Company's ability to continue as a going concern for a period of one year after the date the financial statements are issued. Management's plan to alleviate the conditions that raise substantial doubt include raising additional working capital through public or private equity or debt financings or other sources, which may include collaborations with third parties as well as disciplined cash spending. Adequate additional financing may not be available to us on acceptable terms, or at all. Should the Company be unable to raise sufficient additional capital, the Company may be required to undertake cost-cutting measures including delaying or discontinuing certain operating activities.

As a result of these factors, management has concluded that there is substantial doubt about the Company's ability to continue as a going concern for a period of one year after the date of the financial statements are issued. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Inflation Risks

The current inflationary trend existing in the North American economic environment is considered by the Company to be reasonably likely to have a material unfavorable impact on results of continuing operations. Higher rates of price inflation, as compared to recent prior levels of price inflation have caused a general increase the cost of labor and materials. In addition, there is an increased risk of the Company experiencing labor shortages as a result of a potential inability to attract and retain human resources due to increased labor costs resulting from the current inflationary environment.

Recent Developments

Nasdaq Notice

On February 18, 2022, the Company received a letter from the Listing Qualifications Department of the Nasdaq Stock Market indicating that, based upon the closing bid price of the Company's common stock for the 30 consecutive business day period between January 5, 2022, through February 17, 2022, the Company did not meet the minimum bid price of \$1.00 per share required for continued listing on the Nasdaq Capital Market ("Nasdaq") pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that the Company will be provided with a compliance period of 180 calendar days, or until August 17, 2022 (the "Compliance Period"), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

On July 29, 2022, the Company received a letter from the Listing Qualifications Department of the Nasdaq Stock Market stating that for the last ten consecutive business days, from July 15 to July 28, 2022, the closing bid price of the Company's common stock had been at \$1.00 per share or greater. Accordingly, the Company has regained compliance with Listing Rule 5550(a)(2).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principal of Consolidation

The accompanying consolidated financial statements have been prepared in accordance and in conformity with GAAP and the applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding consolidated financial information. All intercompany transactions have been eliminated in consolidation.

Reclassification

Certain reclassifications have been made to the prior period financial statements to conform to the current period financial statement presentation. These reclassifications had no effect on net earnings or cash flows as previously reported.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and expenses during the periods reported. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions include determining the fair value of transactions involving common stock and the valuation of stock-based compensation, accruals associated with third party providers supporting research and development efforts, estimated fair values of long lives assets used to record impairment charges related to intangible assets, acquired in-process research and development ("IPR&D"), and goodwill, and allocation of purchase price in business acquisitions. Actual results could differ from those estimates.

Foreign Currency Translation

From inception through December 31, 2022, the reporting currency of the Company was the United States dollar while the functional currency of certain of the Company's subsidiaries was the Canadian dollar. For the reporting periods ended December 31, 2022 and December 31, 2021, the Company engaged in a number of transactions denominated in Canadian dollars. As a result, the Company is subject to exposure from changes in the exchange rates of the Canadian dollar and the U.S. dollar.

The Company translates the assets and liabilities of its Canadian subsidiaries into the U.S. dollar at the exchange rate in effect on the balance sheet date. Revenues and expenses are translated at the average exchange rate in effect during each monthly period. Unrealized translation gains and losses are recorded as foreign currency translation gain (loss), which is included in the consolidated statements of shareholders' equity as a component of accumulated other comprehensive income (loss).

The Company has not entered into any financial derivative instruments that expose it to material market risk, including any instruments designed to hedge the impact of foreign currency exposures. The Company may, however, hedge such exposure to foreign currency exchange fluctuations in the future.

Adjustments that arise from exchange rate changes on transactions denominated in a currency other than the local currency are included in other comprehensive income (loss) in the consolidated statements of operations and comprehensive income (loss) as incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2022 and 2021.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, may exceed the federal depository insurance coverage of \$250,000 in the United States and \$100,000 in Canada. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts. As of December 31, 2022, the Company had greater than \$250,000 and \$100,000 at US and Canadian financial institutions, respectively.

Comprehensive Loss

Comprehensive loss consists of two components, net loss and other comprehensive income (loss). Other comprehensive loss refers to revenue, expenses, gains, and losses that under GAAP are recorded as an element of shareholders' equity but are excluded from net loss. Other comprehensive loss consists of foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations

The Company accounts for business combinations under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 805, “Business Combinations” (“ASC 805”) using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. For transactions that are business combinations, the Company evaluates the existence of goodwill. Goodwill represents the excess purchase price over the fair value of the tangible net assets and intangible assets acquired in a business combination. ASC 805-10 also specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported apart from goodwill. All acquisition costs are expensed as incurred. Upon acquisition, the accounts and results of operations are consolidated as of and subsequent to the acquisition date.

The estimated fair value of net assets acquired, including the allocation of the fair value to identifiable assets and liabilities, was determined using established valuation techniques. A fair value measurement is determined as the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the context of purchase accounting, the determination of fair value often involves significant judgments and estimates by management, including the selection of valuation methodologies, estimates of future revenues, costs and cash flows, discount rates, and selection of comparable companies. The estimated fair values reflected in the purchase accounting are subject to management’s judgment.

Intangible Assets

Intangible assets consist of the Psybrary™ and Patent Applications, In Process Research and Development (“IPR&D”) and license agreements. Psybrary™ and Patent Applications intangible assets are valued using the relief from royalty method. The cost of license agreements is amortized over the economic life of the license. The Company assesses the carrying value of its intangible assets for impairment each year.

IPR&D intangible assets are acquired in conjunction with the acquisition of a business and are assigned a fair value, using the multi-period excess earnings method, related to incomplete research projects which, at the time of acquisition, have not reached technological feasibility. The amounts are capitalized and are accounted for as indefinite-lived intangible assets, subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project, the Company will make a determination as to the then-useful life of the intangible asset, generally determined by the period in which the substantial majority of the cash flows are expected to be generated, and begin amortization. The Company tests its intangible assets for impairment at least annually and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others and without limitation: a significant decline in the Company’s expected future cash flows; a sustained, significant decline in the Company’s stock price and market capitalization; a significant adverse change in legal factors or in the business climate of the Company’s segments; unanticipated competition; and slower growth rates. If the fair value determined is less than the carrying amount, an impairment loss is recognized in operating results.

Goodwill

The Company tests goodwill for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that the reporting unit is the entire company, due to the integration of all of the Company’s activities. In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

Property & Equipment

Property and equipment are recorded at cost. Major property additions, replacements, and betterments are capitalized, while maintenance and repairs that do not extend the useful lives of an asset or add new functionality are expensed as incurred. Depreciation and amortization are recorded using the straight-line method over the respective estimated useful lives of the Company’s long-lived assets. The estimated useful lives are typically 3 to 5 years for office furniture and equipment and are depreciated on a straight-line basis.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Warrant Liability and Investment Options

The Company evaluates all of its financial instruments, including issued stock purchase warrants and investment options, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480 and FASB ASC 815. The Company accounts for warrants and investment options for shares of the Company's common stock that are not indexed to its own stock as derivative liabilities at fair value on the consolidated balance sheets. The Company accounts for common stock warrants and investment options with put options as liabilities under ASC 480. Such warrants and investment options are subject to remeasurement at each consolidated balance sheet date and any change in fair value is recognized as a component of other expense on the consolidated statements of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of such common stock warrants and investment options. At that time, the portion of the warrant liability and investment options related to such common stock warrants will be reclassified to additional paid-in capital.

Modification of Warrants

A change in any of the terms or conditions of warrants is accounted for as a modification. For a warrant modification accounted for under ASC 815, the effect of a modification shall be measured as the difference between the fair value of the modified warrant over the fair value of the original warrant immediately before its terms are modified, measured based on the fair value of the shares and other pertinent factors at the modification date. The accounting for incremental fair value of warrants is based on the specific facts and circumstances related to the modification. When a modification is directly attributable to equity offerings, the incremental change in fair value of the warrants are accounted for as equity issuance costs.

Derivative Liability

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC 815. For derivative financial instruments that are accounted for as assets or liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations and comprehensive loss. The classification of derivative instruments, including whether such instruments should be recorded as assets or liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the consolidated balance sheets as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

Offering Costs

The Company allocates offering costs to the different components of the capital raise on a pro rata basis. Any offering costs allocated to common stock are charged directly to additional paid-in capital. Any offering costs allocated to warrant liabilities are charged to general and administrative expenses on the Company's consolidated statement of operations and comprehensive loss.

Income Taxes

The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. The provision for income taxes is based upon income or loss after adjustment for those permanent items that are not considered in the determination of taxable income. Deferred income taxes represent the tax effects of differences between the financial reporting and tax basis of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse.

The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all the deferred tax assets will not be realized. Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liabilities. In management's opinion, adequate provisions for income taxes have been made. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in the Company's tax returns that do not meet these recognition and measurement standards. As of December 31, 2022 and 2021, no liability for unrecognized tax benefits was required to be recorded.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's policy for recording interest and penalties associated with tax audits is to record such items as a component of operating expenses. There were no amounts accrued for penalties and interest for the years ended December 31, 2022 and 2021. The Company does not expect its uncertain tax positions to change during the next twelve months. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

The Company has identified its United States and Canadian federal tax return, its state and provincial tax returns in Florida and Ontario, CA as its "major" tax jurisdictions. The Company is in the process of filing its corporate tax returns for the years ended December 31, 2022 and 2021. Net operating losses for these periods will not be available to reduce future taxable income until the returns are filed.

Stock-Based Compensation

The Company follows ASC 718, Compensation - Stock Compensation, which addresses the accounting for stock-based payment transactions, requiring such transactions to be accounted for using the fair value method. Awards of shares for property or services are recorded at the more readily measurable of the estimated fair value of the stock award and the estimated fair value of the service. The Company uses the Black-Scholes option-pricing model to determine the grant date fair value of certain stock-based awards under ASC 718. The assumptions used in calculating the fair value of stock-based awards represent management's reasonable estimates and involve inherent uncertainties and the application of management's judgment. Fair value of restricted stock units or restricted stock awards is determined by the closing price per share of the Company's common stock on the date of award grant.

The estimated fair value is amortized as a charge to earnings on a straight-line basis, for awards or portions of awards that do not require specified milestones or performance criteria as a vesting condition and also depending on the terms and conditions of the award, and the nature of the relationship of the recipient of the award to the Company. The Company records the grant date fair value in line with the period over which it was earned. For employees and consultants, this is typically considered to be the vesting period of the award. The Company accounts for forfeitures as they occur.

The estimated fair value of awards that require specified milestones or recipient performance are charged to expense when such milestones or performance criteria are probable to be met.

Restricted stock units, restricted stock awards, and stock options are granted at the discretion of the Compensation Committee of the Company's board of directors (the "Board of Directors"). These awards are restricted as to the transfer of ownership and generally vest over the requisite service periods, typically over a 12 to 48-month period. A significant portion of these awards may include vesting terms that include, without limitation, defined volume weighted average price levels being achieved by the Company's Common Stock, specific performance milestones, employment, or engagement by the Company, with no assurances of achievement of any such vesting conditions, if applicable.

The value of RSU's is equal to the product of the number of units awarded, multiplied by the closing price per share of the Company's Common Stock on the date of the award. The terms and conditions of each RSU is defined in the RSU agreement and includes vesting terms that consist of any or all of the following: immediate vesting, vesting over a defined period of time, vesting based on achievement of a defined volume weighted average price levels at specified times, vesting based on achievement of specific performance milestones within a specific time frame, change of control, termination of the employee without cause by the Company, resignation of the employee with good cause. The value assigned to each RSU is charged to expense based on the vesting terms, as follows: value of RSU's that vest immediately are charged to expense on the date awarded, value of RSU's that vest based upon time, or achievement of stock price levels over a period of time are charged to expense on a straight line basis over the time frame specified in the RSU and the value of RSU's that vest based upon achievement of specific performance milestones are charged to expense during the period that such milestone is achieved. Vested RSU's may be converted to shares of Common Stock of an equivalent number upon either the termination of the recipient's employment with the Company, or in the event of a change in control. If the recipient is not an employee, such person's engagement with the Company must either be terminated prior to such conversion of RSU's to shares of Common Stock, or in the event of a change in control. Furthermore, as required by Section 409A of the Internal Revenue Code, if the recipient is a "specified employee" (generally, certain officers and highly compensated employees of publicly traded companies), such recipient may only convert vested RSU's into shares of Common Stock no earlier than the first day of the seventh month following such recipients termination of employment with the Company, or the event of change in control.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The value of RSA's is equal to the product of the number of restricted shares awarded, multiplied by the closing price per share of the Company's Common Stock on the date of the award. The terms and conditions of each RSA is defined in the RSA agreement and includes vesting terms that consist of any or all of the following: immediate vesting, vesting over a defined period of time, or vesting based on achievement of a defined volume weighted average price levels at specified times. Upon vesting, the recipient may receive restricted stock which includes a legend prohibiting sale of the shares during a restriction period that is defined in the RSA agreement. Termination of employment by or engagement with the Company is not required for the recipient to receive restricted shares of Common Stock. The value assigned to each RSA is charged to expense based on the vesting terms, as follows: value of RSA's that vest immediately are charged to expense on the date awarded, value of RSA's that vest based upon time, or achievement of stock price levels over a period of time are charged to expense on a straight-line basis over the time frame specified in the RSU.

Net Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method). The computation of basic net loss per share for the years ended December 31, 2022 and 2021 excludes potentially dilutive securities. The computations of net loss per share for each period presented is the same for both basic and fully diluted. In accordance with ASC 260-10-45-13, penny warrants were included in the calculation of weighted average shares outstanding for purposes of calculating basic and diluted earnings per share.

During the year ended December 31, 2022 the Company issued 767,500 pre-funded common stock warrants, which were exercised on various dates during the year ended December 31, 2022. The pre-funded common stock warrants became exercisable on July 26, 2022 based on the terms and conditions of the agreements. As the pre-funded common stock warrants are exercisable for \$0.0001, these shares are considered outstanding common shares and are included in the computation of basic and diluted Earnings Per Share as the exercise of the pre-funded common stock warrants is virtually assured. The Company included these pre-funded common stock warrants in basic and diluted earnings per share when all conditions were met on July 26, 2022.

Potentially dilutive securities outlined in the table below have been excluded from the computation of diluted net loss per share the years ended December 31, 2022 and 2021 because the effect of their inclusion would have been anti-dilutive.

	For the years ended December 31,	
	2022	2021
Warrants to purchase shares of common stock.....	655,463	195,463
Restricted stock units - vested and unissued.....	62,492	55,717
Restricted stock units - unvested.....	64,053	62,013
Restricted stock awards - vested and unissued	708	642
Restricted stock awards - unvested.....	—	1,031
Investment options to purchase shares of common stock	1,070,000	—
Options to purchase shares of common stock.....	48,329	23,829
Total potentially dilutive securities.....	1,901,045	338,695

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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For certain financial instruments, including cash and accounts payable, the carrying amounts approximate their fair values as of December 31, 2022 and 2021 because of their short-term nature.

The following table provides the financial liabilities measured on a recurring basis and reported at fair value on the balance sheets as of December 31, 2022 and 2021 and indicates the fair value of the valuation inputs the Company utilized to determine such fair value of warrant liabilities, derivative liability, and investment options:

	<u>Level</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Warrant liabilities - January 2021 Warrants	3	\$ 81	\$ 333,471
Warrant liabilities - February 2021 Warrants	3	79	320,203
Warrant liabilities - February 2022 Warrants	3	185,055	—
Fair value of warrant liability as of December 31, 2022.....		<u>\$ 185,215</u>	<u>\$ 653,674</u>
	<u>Level</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Derivative liability - May 2022	3	\$ 727,000	\$ —
Fair value of derivative liability as of December 31, 2022.....		<u>\$ 727,000</u>	<u>\$ —</u>
	<u>Level</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wainwright investment options	3	\$ 44,904	\$ —
RD investment options	3	302,289	—
PIPE investment options	3	503,815	—
Fair value of investment option liability as of December 31, 2022		<u>\$ 851,008</u>	<u>\$ —</u>

The warrant liabilities, derivative liability, and investment options are all classified as Level 3, for which there is no current market for these securities such as the determination of fair value requires significant judgment or estimation. Changes in fair value measurement categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

Initial measurement

The Company established the initial fair value of its warrant liabilities at the respective dates of issuance. The Company used a Black Scholes valuation model in order to determine their value. The key inputs into the Black Scholes valuation model for the initial valuations of the warrant liabilities are below:

	<u>February 2022 Warrants February 15, 2022</u>	<u>February 2022 Post-Modification Warrants (See Note 7) July 26, 2022</u>
Term (years)	5.0	5.5
Stock price	\$ 15.75	\$ 6.33
Exercise price.....	\$ 27.50	\$ 7.78
Dividend yield	—%	—%
Expected volatility	74.1%	80.0%
Risk free interest rate	1.9%	2.9%
Number of warrants	460,000	122,000
Value (per share).....	\$ 8.00	\$ 4.07

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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The Company established the initial fair value of its derivative liability at the respective date of issuance. The Company used a Weighted Expected Return valuation model in order to determine their value. The key inputs into the Weighted Expected Return valuation model for the initial valuations of the warrant liabilities are below:

	May 2022 Derivative Liability May 5, 2022
Principal.....	\$ 1,000,000
Dividend rate	5.0%
Market rate.....	4.4%

The Company established the initial fair value of its investment options at the respective dates of issuance. The Company used a Black Scholes valuation model in order to determine their value. The key inputs into the Black Scholes valuation model for the initial valuations of the investment options are below:

	Wainwright Options July 26, 2022	RD Options July 26, 2022	PIPE Options July 26, 2022
Term (years)	5.0	5.5	5.5
Stock price	\$ 6.33	\$ 6.33	\$ 6.33
Exercise price.....	\$ 10.00	\$ 7.78	\$ 7.78
Dividend yield	—%	—%	—%
Expected volatility	80.0%	80.0%	80.0%
Risk free interest rate	2.9%	2.9%	2.9%
Number of investment options.....	70,000	375,000	625,000
Value (per share).....	\$ 3.60	\$ 4.07	\$ 4.07

Subsequent measurement

The following table presents the changes in fair value of the warrant liabilities, derivative liability, and investment options that are classified as Level 3:

	Total Warrant Liabilities
Fair value as of December 31, 2020	\$ —
Initial value of warrant liability	9,981,000
Change in fair value.....	(9,327,326)
Fair value as of December 31, 2021	\$ 653,674
Issuance of February 2022 warrants	3,595,420
Change in fair value due to modification of February 2022 warrants as part of July 2022 raise.....	251,357
Change in fair value.....	(4,315,236)
Fair value of warrant liability as of December 31, 2022.....	\$ 185,215
	Total Derivative Liability
Fair value as of December 31, 2021	\$ —
Issuance of May 2022 convertible preferred stock	402,000
Change in fair value.....	325,000
Fair value of derivative liability as of December 31, 2022.....	\$ 727,000
	Total Investment Options
Fair value as of December 31, 2021	\$ —
Issuance of July 2022 investment options.....	4,323,734
Change in fair value.....	(3,472,726)
Fair value of investment option liability as of December 31, 2022.....	\$ 851,008

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The key inputs into the Black Scholes valuation model for the Level 3 valuations of the warrant liabilities as of December 31, 2022 are below:

	January 2021	February	February	February 2022
	Warrants	2021	2022	Post-Modification
		Warrants	Warrants	Warrants
Term (years)	3.0	3.1	4.1	5.1
Stock price	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08
Exercise price.....	\$ 247.50	\$ 245.00	\$ 27.50	\$ 7.78
Dividend yield	—%	—%	—%	—%
Expected volatility	79.0%	78.0%	79.0%	77.0%
Risk free interest rate	4.20%	4.20%	4.10%	4.00%
Number of warrants	36,429	34,281	338,000	122,000
Value (per share).....	\$ —	\$ —	\$ 0.26	\$ 0.81

The key inputs into the Weighted Expected Return valuation model for the Level 3 valuations of the derivative liability as of December 31, 2022 are below:

	May 2022
	Derivative
	Liability
Principal.....	\$ 1,000,000
Dividend rate	5.0%
Market rate.....	6.1%

The key inputs into the Black Scholes valuation model for the Level 3 valuations of the investment options as of December 31, 2022 are below:

	Wainwright	RD Options	PIPE Options
	Options		
Term (years)	4.6	5.1	5.1
Stock price	\$ 2.08	\$ 2.08	\$ 2.08
Exercise price.....	\$ 10.00	\$ 7.78	\$ 7.78
Dividend yield	—%	—%	—%
Expected volatility	78.0%	77.0%	77.0%
Risk free interest rate	4.00%	4.00%	4.00%
Number of investment options.....	70,000	375,000	625,000
Value (per share).....	\$ 0.64	\$ 0.81	\$ 0.81

Research and Development

Research and development expenses are charged to operations as incurred. Research and development expenses include, among other things, internal and external costs associated with preclinical development, pre-commercialization manufacturing expenses, and clinical trials. The Company accrues for costs incurred as the services are being provided by monitoring the status of the trial or services provided and the invoices received from its external service providers. In the case of clinical trials, a portion of the estimated cost normally relates to the projected cost to treat a patient in the trials, and this cost is recognized based on the number of patients enrolled in the trial. As actual costs become known, the Company adjusts its accruals accordingly.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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Leases

Operating lease assets are included within right-of-use operating lease asset and operating lease liabilities are included in current portion of right-of-use operating lease obligation and non-current portion of right-of-use operating lease obligation on the consolidated balance sheets as of December 31, 2022 and 2021. The Company has elected not to present short-term leases as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that the Company is reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of the Company's leases do not provide an implicit rate of return, the Company used an incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments.

A lease qualifies as a finance lease if any of the following criteria are met at the inception of the lease: (i) there is a transfer of ownership of the leased asset to the Company by the end of the lease term, (ii) the Company holds an option to purchase the leased asset that it is reasonably certain to exercise, (iii) the lease term is for a major part of the remaining economic life of the leased asset, (iv) the present value of the sum of lease payments equals or exceeds substantially all of the fair value of the leased asset, or (v) the nature of the leased asset is specialized to the point that it is expected to provide the lessor no alternative use at the end of the lease term. All other leases are recorded as operating leases. Finance lease payments are bifurcated into (i) a portion that is recorded as interest expense and (ii) a portion that reduces the finance liability associated with the lease. The Company did not have any finance leases as of December 31, 2022 and 2021.

Redeemable Non-controlling Interest

In connection with the issuance of Akos Series A Preferred Stock, the Akos Purchase Agreement and certificate of designation contain a put right guaranteed by the Company as defined in Note 8. Applicable accounting guidance requires an equity instrument that is redeemable for cash or other assets to be classified outside of permanent equity if it is redeemable (a) at a fixed or determinable price on a fixed or determinable date, (b) at the option of the holder, or (c) upon the occurrence of an event that is not solely within the control of the issuer. As a result of this feature, the Company recorded the non-controlling interests as redeemable non-controlling interests and classified them in temporary equity within its consolidated balance sheet initially at its acquisition-date estimated redemption value or fair value. In addition, the Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument by accreting the embedded derivative at each reporting period over 12 months.

The Akos Series A Preferred Certificate of Designations provides that upon the earlier of (i) the one-year anniversary of May 5, 2022, and only in the event that the Spin-Off has not occurred; or (ii) such time that Akos and the Company have abandoned the Spin-Off or the Company is no longer pursuing the Spin-Off in good faith, the holders of the Akos Series A Preferred Stock shall have the right (the "Put Right"), but not the obligation, to cause Akos to purchase all or a portion of the Akos Series A Preferred Stock for a purchase price equal to \$1,000 per share, subject to certain adjustments as set forth in the Akos Series A Preferred Certificate of Designations, plus all the accrued but unpaid dividends per share. Pursuant to the Akos Purchase Agreement, the Company has guaranteed the payment of the purchase price for the shares purchased under the Put Right.

Segment Reporting

The Company determines its reporting units in accordance with FASB ASC 280, "Segment Reporting" ("ASC 280"). The Company evaluates a reporting unit by first identifying its operating segments under ASC 280. The Company then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has multiple operations related to psychedelics and cannabinoids. Both of these operations exist under one reporting unit: Enveric. The Company has one operating segment and reporting unit. The Company is organized and operated as one business. Management reviews its business as a single operating segment, using financial and other information rendered meaningful only by the fact that such information is presented and reviewed in the aggregate.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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Recent Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40) (“ASU 2020-06”) to simplify certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity’s own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity’s own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 and should be applied on a full or modified retrospective basis. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company will adopt ASU 2020-06 effective January 1, 2024.

NOTE 3. AMALGAMATION WITH MAGICMED INDUSTRIES INC.

On May 24, 2021, the Company entered into an Amalgamation Agreement (the “Amalgamation Agreement”) with 1306432 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of the Company (“HoldCo”), 1306436 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of HoldCo (“Purchaser”), and MagicMed Industries Inc., a corporation existing under the laws of the Province of British Columbia (“MagicMed”), pursuant to which, among other things, the Company, indirectly through Purchaser, acquired all of the outstanding securities of MagicMed in exchange for securities of the Company by way of an amalgamation under the British Columbia Business Corporations Act, upon the terms and conditions set forth in the Amalgamation Agreement, such that, upon completion of the Amalgamation (as defined herein), the amalgamated corporation (“Amalco”) will be an indirect wholly-owned subsidiary of the Company. The Amalgamation was completed on September 16, 2021.

At the effective time of the Amalgamation (the “Effective Time”), holders of outstanding common shares of MagicMed (the “MagicMed Shares”) received such number of shares of common stock of the Company (“Company Shares”) representing, together with the Company Shares issuable upon exercise of the Warrants and the Converted Options (each as defined herein), approximately 36.6% of the issued and outstanding Company Shares (on a fully diluted basis). The MagicMed Shares were initially converted into Amalco Redeemable Preferred Shares (as defined in the Amalgamation Agreement), which immediately following the Amalgamation were redeemed for 0.000001 of a Company Share. Following such redemption, the shareholders of MagicMed received additional Company Shares equal to the product of the Exchange Ratio (as defined in the Amalgamation Agreement) multiplied by the number of MagicMed Shares held by each such shareholder. Additionally, following the Effective Time (i) each outstanding MagicMed stock option was converted into and became an option to purchase (the “Converted Options”) the number of Company Shares equal to the Exchange Ratio multiplied by the number of MagicMed Shares subject to such MagicMed stock option, and (ii) each holder of an outstanding MagicMed warrant (including Company Broker Warrants (as defined in the Amalgamation Agreement), the “Warrants”) received upon exercise of such Warrant that number of Company Shares which the holder would have been entitled to receive as a result of the Amalgamation if, immediately prior to the date of the Amalgamation (the “Effective Date”), such holder had been the registered holder of the number of MagicMed Shares to which such holder would have been entitled if such holder had exercised such holder’s Warrants immediately prior to the Effective Time (the foregoing collectively, the “Amalgamation”). In aggregate, holders of MagicMed Shares received 199,025 Company Shares representing approximately 31.7% of the Company Shares following the consummation of the Amalgamation. The maximum number of Company Shares to be issued by the Company as in respect of the Warrants and Converted Options shall not exceed 148,083 Company Shares.

The aggregate number of Company Shares that the Company issued in connection with the Amalgamation (collectively, the “Share Consideration”) was in excess of 20% of the Company’s pre-transaction outstanding Company Shares. Accordingly, the Company sought and received stockholder approval of the issuance of the Share Consideration in the Amalgamation in accordance with the Nasdaq Listing Rules.

Pursuant to the terms of the Amalgamation Agreement, the Company appointed, effective as of the Effective Time two individuals selected by MagicMed to the Company Board of Directors, Dr. Joseph Tucker and Dr. Brad Thompson.

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The Amalgamation Agreement contained representations and warranties, closing deliveries and indemnification provisions customary for a transaction of this nature. The closing of the Amalgamation was conditioned upon, among other things, (i) the Share Consideration being approved for listing on Nasdaq, (ii) the effectiveness of a Registration Statement on Form S-4 registering the Share Consideration (the “S-4 Registration Statement”) and (iii) the approval (a) of the MagicMed stockholders of the Amalgamation and (b) of the Company’s stockholders of each of the Amalgamation and the issuance of the Share Consideration in the Amalgamation. The closing of the Amalgamation occurred on September 16, 2021.

MagicMed Industries develops and commercializes psychedelic-derived pharmaceutical candidates. MagicMed’s psychedelic derivatives library, the Psybrary™, is an essential building block from which industry can develop new patented products. The initial focus of the Psybrary™ is on psilocybin and DMT derivatives, and it is then expected to be expanded to other psychedelics.

On September 16, 2021, the Company completed the Acquisition. In exchange for a total purchase price valued at \$39,042,282 the Company acquired 37,463,673 shares of Common Stock from MagicMed, which represents 100% of the outstanding and issued shares of Common Stock of MagicMed, for equity consideration on the date of closing valued at \$27,067,310. The Purchaser also agreed that it would issue Company Shares in lieu of shares of MagicMed Shares for any warrants to purchase MagicMed Shares that were exercised, with the maximum number of Company Shares issuable pursuant to such warrant exercises being 118,274. The fair value of the warrants on the closing date of the Amalgamation was \$10,724,578. Additionally, the Purchaser agreed that it would issue issued Company Shares in lieu of shares of MagicMed Shares for any options to purchase MagicMed Shares that were exercised, with the maximum number of Company Shares issuable pursuant to such option exercises being 19,477. The fair value of the options on the closing date of the Amalgamation was \$1,535,790, with \$1,250,394 included in the purchase price and \$285,396 to be recognized as expense in the post combination period.

Aggregate goodwill of \$9,834,855 was recorded in relation to the Acquisition, with \$9,061,927 of this amount being related to deferred tax liabilities arising from the Company’s purchase of the MagicMed Shares and \$772,928 relating to the residual intangible asset that generates earnings in excess of a normal return on all other tangible and intangible assets.

The following table represents the purchase price:

Stock (199,025 common shares issued)	\$	27,067,310
Fair value of warrants		10,724,578
Fair value of options		1,250,394
Total Purchase Price	\$	<u>39,042,282</u>

The Acquisition is being accounted for as a business combination in accordance with ASC 805.

The following table summarizes the purchase price allocations relating to the Acquisition:

<u>Description</u>	<u>Fair Value</u>
Assets acquired:	
Cash	\$ 3,055,328
Prepaid expenses and other current assets	471,202
Government remittances recoverable	25,606
Property and equipment	118,935
Right-of-use lease assets	201,653
Other assets	10,155
In process research and development	18,900,000
Psybrary and patent applications	16,600,000
Goodwill	9,834,855
Total assets acquired	<u>\$ 49,217,734</u>
Liabilities assumed:	
Accounts payable	\$ 828,865
Accrued expenses and other liabilities	83,007
Right-of-use lease liabilities	201,653
Deferred tax liabilities	9,061,927
Total liabilities assumed	<u>10,175,452</u>
Estimated fair value of net assets acquired attributable to the Company	<u>\$ 39,042,282</u>

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The goodwill represents the excess fair value after the allocation to the identifiable net assets, with \$9,061,927 being specifically attributable to the deferred tax liabilities incurred and \$777,928 relating to the residual intangible asset that generates earnings in excess of a normal return on all other tangible and intangible assets. The calculated goodwill is not deductible for tax purposes.

Certain adjustments to the assessed fair values of the assets and liabilities made subsequent to the acquisition date, but within the measurement period, which is up to one year, are recorded as adjustments to goodwill. Any adjustments subsequent to the measurement period are recorded in income.

During the fourth quarter of 2021, the Company finalized the opening balance sheet and valuations for the assets acquired and liabilities assumed related to the acquisition of MagicMed and adjusted provisional amounts as follows:

- The Company recorded a \$16.6 million indefinite lived Psybrary™ and Patent Applications asset with a corresponding decrease to IPR&D;
- The Company further decreased the IPR&D asset by \$0.7 million with a corresponding increase to Goodwill; and,
- The Company recorded a \$0.2 million right of use asset, with offsetting right of use operating lease liability related to identified leases in accordance with ASC 842 – Leases.

Total acquisition-related costs for the Acquisition incurred by the Company during the year ended December 31, 2021 was approximately \$650,000 and is included in general and administrative expenses in the consolidated statement of operations.

Historical and Proforma Financial Information

The amounts of MagicMed’s revenues and net loss included in the Company’s consolidated statements of operations and comprehensive loss for the period from the acquisition date to December 31, 2021 were \$— and \$33,556,532 respectively. The following unaudited proforma financial information presents the consolidated results of operations of the Company and MagicMed for the year ended December 31, 2021, as if the acquisition had occurred as of the beginning of the first period presented instead of on September 16, 2021. The proforma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods.

	For the year ended
	December 31,
	2021
Revenues.....	\$ —
Net loss	\$ (54,127,203)

NOTE 4. INTANGIBLE ASSETS AND GOODWILL

The Company performs an annual impairment test at the reporting unit level as of December 31 of each fiscal year. As of December 31, 2022, the Company qualitatively assessed whether it is more likely than not that the respective fair value of the Company’s reporting unit is less than its carrying amount, including goodwill. Beginning with the fourth quarter of 2021 and throughout 2022, the Company experienced a sustained decline in the quoted market price of the Company’s common stock and as a result the Company determined that as of December 31, 2022 it was more likely than not that the carrying value of these acquired intangibles exceeded their estimated fair value. Accordingly, the Company performed an impairment analysis as of December 31, 2022 using the income approach. This analysis required significant judgments, including primarily the estimation of future development costs, the probability of success in various phases of its development programs, potential post launch cash flows and a risk-adjusted weighted average cost of capital. Pursuant to ASU 2017-04, the Company recorded a goodwill and intangible asset impairment charge as of December 31, 2022 and a goodwill and intangible asset impairment charge as of December 31, 2021 for the excess of the reporting unit’s carrying value over its fair value. The following table provides the Company’s goodwill, indefinite and definite lives intangible assets as of December 31, 2022 and 2021.

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As of December 31, 2022 and 2021, the Company's intangible assets consisted of:

Goodwill	
Balance at December 31, 2020	\$ —
Acquired during the year	9,834,855
Impairment losses	(8,225,862)
Loss on currency translation	(21,359)
Balance at December 31, 2021	<u>\$ 1,587,634</u>
Impairment losses	(1,486,060)
Loss on currency translation	(101,574)
Balance at December 31, 2022	<u><u>\$ —</u></u>
Indefinite lived intangible assets	
Balance at December 31, 2020	\$ —
Acquired during the year	35,500,000
Impairment losses	(29,048,164)
Loss on currency translation	(76,344)
Balance at December 31, 2021	<u>\$ 6,375,492</u>
Impairment losses	(5,967,602)
Loss on currency translation	(407,890)
Balance at December 31, 2022	<u><u>\$ —</u></u>
Definite lived intangible assets	
Balance at December 31, 2020	\$ 1,817,721
Acquired during the year	675,000
Amortization	(643,333)
Impairment loss	(1,404,892)
Gain on currency translation	103,940
Balance at December 31, 2021	<u>\$ 548,436</u>
Amortization	(168,750)
Balance at December 31, 2022	<u><u>\$ 379,686</u></u>

For goodwill, impairment losses amounted to \$1,486,060 and \$8,225,862 as of December 31, 2022 and 2021, respectively. For the identified indefinite lived assets, impairment losses amounted to \$5,967,602 and \$29,048,164 as of December 31, 2022 and 2021, respectively. For identified definite lived intangible assets, impairment losses amounted to \$— and \$1,404,892 as of December 31, 2022 and 2021, respectively. For identified definite lived intangible assets, amortization expense amounted to \$168,750 and \$643,333 during the years ended December 31, 2022 and 2021, respectively. For identified definite lived intangible assets, accumulated amortization amounted to \$295,314 and \$126,564 as of December 31, 2022 and 2021, respectively.

For goodwill, aggregate impairment amounted to \$9,711,922 and \$8,225,862 as of December 31, 2022 and 2021, respectively. For the identified indefinite lived assets, aggregate impairment amounted to \$35,015,766 and \$29,048,164 as of December 31, 2022 and 2021, respectively. For identified definite lived intangible assets, aggregate impairment amounted to \$1,404,892 as of December 31, 2022 and 2021.

The Company amortizes definite lived intangible assets on a straight-line basis over their estimated useful lives. Amortization expense of identified intangible assets based on the carrying amount as of December 31, 2022 is as follows:

Year ending December 31,	
2023	\$ 168,750
2024	168,750
2025	42,186
	<u><u>\$ 379,686</u></u>

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Acquisition of Diverse Bio License Agreement

On March 5, 2021, the Company entered into an Exclusive License Agreement (the “DB Agreement”) with Diverse Biotech, Inc. (“Diverse”), pursuant to which the Company acquired an exclusive, perpetual license to develop five therapeutic candidates (collectively, the “Agents”) with the goal of alleviating the side effects that cancer patients experience. Under the terms of the DB Agreement, Diverse has granted the Company an exclusive license to its intellectual property rights covering the Agents and its products. In exchange, the Company has granted Diverse the right to information relating to the Agents developed for the express purpose of using such information to obtain patent rights, which right terminates upon the issuance or denial of the patent rights.

Under the DB Agreement, the Company will maintain sole responsibility and ownership of the development and commercialization of the Agents and its products. Diverse has agreed not to develop or commercialize any agent or product that would compete with the Agents, or its products containing the Agents, at any time during or after the term of the DB Agreement. If Diverse intends to license, sell, or transfer any other molecules linked with cannabinoids not granted to the Company under the terms of the DB Agreement, the Company will have the first right, but not the obligation, to negotiate an agreement with Diverse for such cannabinoids. The Company agreed to pay Diverse an up-front investment payment in the amount of \$675,000, as well as a running royalty starting with the first commercial sale by the Company to a third party in an arm’s length transaction.

The term of the DB Agreement shall continue for as long as the Company intends to develop or commercialize the new drugs, unless earlier terminated by either Party. The Agreement may be terminated by either party upon ninety (90) days written notice of an uncured material breach or in the event of bankruptcy or insolvency. In addition, the Company has the right to terminate the DB Agreement at any time upon sixty (60) days’ prior written notice to Diverse.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following assets which are located in Calgary, Canada and placed in service by Enveric Biosciences Canada, Inc (“EBCI”), with all amounts translated into U.S. dollars:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lab equipment	\$ 831,123	\$ 310,957
Computer equipment and leasehold improvements	25,137	10,818
Less: Accumulated depreciation	<u>(178,775)</u>	<u>(27,345)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 677,485</u>	<u>\$ 294,430</u>

Depreciation expense was \$159,160 and \$13,310 for the years ended December 31, 2022 and 2021, respectively.

NOTE 6. ACCRUED LIABILITIES

As of December 31, 2022 and December 31, 2021, the accrued liabilities of the Company consisted of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Product development	\$ 195,104	\$ 224,536
Accrued salaries and wages	1,175,963	594,784
Professional fees	83,255	335,401
Patent costs	251,333	138,000
Total accrued expenses	<u>\$ 1,705,655</u>	<u>\$ 1,292,721</u>

NOTE 7. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

Authorized Capital

The holders of the Company’s common stock are entitled to one vote per share. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds. Upon the liquidation, dissolution, or winding up of the Company, holders of common stock are entitled to share ratably in all assets of the Company that are legally available for distribution. As of December 31, 2022, 100,000,000 shares of common stock were authorized under the Company’s articles of incorporation.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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On December 30, 2020, the Company amended its articles of incorporation to designate and authorize 20,000,000 shares of preferred stock. The Company issued Series B preferred stock (“Series B Preferred Stock”), which has a certificate of designation authorizing issuance of 3,600,000 preferred shares. During the year ended December 31, 2021, holders of an aggregate of 3,275,407 shares of Series B Preferred Stock converted their shares into 65,509 shares of common stock. Following those conversions, no Series B Preferred stock shares remain outstanding.

Series C Preferred Shares

On May 3, 2022, the Board of Directors (the “Board”) declared a dividend of one one-thousandth of a share of the Company’s Series C Preferred Stock (“Series C Preferred Stock”) for each outstanding share of the Company’s Common Stock (the “Common Stock”) held of record as of 5:00 p.m. Eastern Time on May 13, 2022 (the “Record Date”). This dividend was based on the number of outstanding shares of Common Stock prior to the Reverse Stock Split. The outstanding shares of Series C Preferred Stock were entitled to vote together with the outstanding shares of the Company’s Common Stock, as a single class, exclusively with respect to a proposal giving the Board the authority, as it determines appropriate, to implement a reverse stock split within twelve months following the approval of such proposal by the Company’s stockholders (the “Reverse Stock Split Proposal”), as well as any proposal to adjourn any meeting of stockholders called for the purpose of voting on the Reverse Stock Split Proposal (the “Adjournment Proposal”).

The Company held a special meeting of stockholders on July 14, 2022 (the “Special Meeting”) for the purpose of voting on, among other proposals, a Reverse Stock Split Proposal and an Adjournment Proposal. All shares of Series C Preferred Stock that were not present in person or by proxy at the Special Meeting were automatically redeemed by the Company immediately prior to the opening of the polls at Special Meeting (the “Initial Redemption”). All shares that were not redeemed pursuant to the Initial Redemption were redeemed automatically upon the approval by the Company’s stockholders of the Reverse Stock Split Proposal at the Special Meeting (the “Subsequent Redemption” and, together with the Initial Redemption, the “Redemption”). Each share of Series C Preferred Stock was entitled to receive \$0.10 in cash for each 10 whole shares of Series C Preferred Stock immediately prior to the Redemption. As of June 30, 2022, there were 52,684.548 shares of Series C Preferred Stock issued and outstanding. As of December 31, 2022, both the Initial Redemption and the Subsequent Redemption have occurred. As a result, no shares of Series C Preferred Stock remain outstanding. As of December 31, 2022, there are 100,000 shares of Series C Preferred Stock authorized for future issuances.

Common Stock Activity

On February 15, 2022, the Company completed a public offering of 400,000 shares of Common Stock and warrants to purchase up to 400,000 shares of Common Stock for gross proceeds of approximately \$10 million, before deducting underwriting discounts and commissions and other offering expenses. A.G.P./Alliance Global Partners acted as sole book-running manager for the offering. In addition, Enveric granted the underwriter a 45-day option to purchase up to an additional 60,000 shares of Common Stock and/or warrants to purchase up to an additional 60,000 shares of Common Stock at the public offering price, which the underwriter has partially exercised for warrants to purchase up to 60,000 shares of common stock. At closing, Enveric received net proceeds from the offering of approximately \$9.1 million, after deducting underwriting discounts and commissions and estimated offering expenses with \$5.8 million allocated to equity, \$3.6 million to warrant liability and the remaining \$0.3 million recorded as an expense.

On July 22, 2022, the Company entered into a securities purchase agreement (the “Registered Direct Securities Purchase Agreement”) with an institutional investor for the purchase and sale of 116,500 shares of the Company’s common stock, pre-funded warrants to purchase up to 258,500 shares of common stock (the “RD Pre-Funded Warrants”), and unregistered preferred investment options (the “RD Preferred Investment Options”) to purchase up to 375,000 shares of common stock (the “RD Offering”). The gross proceeds from the RD Offering were approximately \$3,000,000. Subject to certain ownership limitations, the RD Pre-Funded Warrants became immediately exercisable at an exercise price equal to \$0.0001 per share of common stock. On August 3, 2022, all of the issued RD Pre-Funded Warrants were exercised.

Concurrently with the RD Offering, the Company entered into a securities purchase agreement (the “PIPE Securities Purchase Agreement”) with institutional investors for the purchase and sale of 116,000 shares of common stock, pre-funded warrants to purchase up to 509,000 shares of common stock (the “PIPE Pre-Funded Warrants”), and preferred investment options (the “PIPE Preferred Investment Options”) to purchase up to 625,000 shares of the common stock in a private placement (the “PIPE Offering”). The gross proceeds from the PIPE Offering were approximately \$5,000,000. Subject to certain ownership limitations, the PIPE Pre-Funded Warrants became immediately exercisable at an exercise price equal to \$0.0001 per share of common stock. All of the issued PIPE Pre-Funded Warrants were exercised on various dates prior to August 18, 2022.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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The RD offering and PIPE Offering closed on July 26, 2022, with aggregate gross proceeds of approximately \$8 million. The aggregate net proceeds from the offerings, after deducting the placement agent fees and other estimated offering expenses, were approximately \$7.1 million with \$3.2 million allocated to equity, \$4.3 million to investment option liability, and the remaining \$0.4 million recorded as an expense.

During the year ended December 31, 2022, a total of 1,223 and 899 shares of Common Stock were issued pursuant to the conversion of restricted stock awards and restricted stock units, respectively.

On January 14, 2021, the Company completed an offering of 44,427 shares of Common Stock and pre-funded warrants at approximately \$225.00 per share and a concurrent private placement of warrants to purchase 33,321 shares of Common Stock at \$247.50 per share, exercisable immediately and terminating five years after the date of issuance for gross proceeds of approximately \$10,000,000. The net proceeds to the Company after deducting financial advisory fees and other costs and expenses were approximately \$8,800,087, with \$4,617,087 of such amount allocated to share capital and \$4,846,000 allocated to warrant liability and the remaining \$663,000 recorded as an expense.

On February 11, 2021, the Company completed an offering of 60,141 shares of Common Stock and a concurrent private placement of warrants to purchase 1,503,513 shares of Common Stock at \$245.00 per share, exercisable immediately and terminating five year from the date of issuance for gross proceeds of approximately \$12,800,000. The net proceeds to Enveric from the offering after deducting financial advisory fees and other costs and expenses were approximately \$11,624,401, with \$7,016,401 of such amount allocated to share capital and \$5,135,000 allocated to warrant liability and the remaining \$527,000 recorded as an expense.

On September 16, 2021, the Company, in connection with the Amalgamation Agreement entered into on May 24, 2021, acquired MagicMed Industries Inc., and its wholly owned subsidiary MagicMed USA, Inc. The Company issued a total of 199,025 shares of Common Stock, valued at \$39,042,282 on the date of closing. See Note 3 for further details.

During the year ended December 31, 2021, a total of 55,861 Common Shares were issued pursuant to exercise of warrants to purchase Common Stock for cash proceeds totaling \$3,285,171.

During the year ended December 31, 2021, a total of 2,685 Common Shares were issued pursuant to cashless exercise of options to purchase Common Stock.

During the year ended December 31, 2021, a total of 20,307 Common Shares were issued as inducement for the conversion of certain warrants and options. The Company recognized an inducement expense of \$1,125,291 in relation to these issuances.

During the year ended December 31, 2021, the Company issued 283 shares to a consultant in exchange for services valued at \$33,467.

During the year ended December 31, 2021, the Company issued a total of 4,434 shares of Common Stock pursuant to exercise of put rights contained in warrants originally issued by Ameri and assumed by the Company.

Issuance and Conversion of Series B Preferred Shares

During the year ended December 31, 2021, the Company issued a total of 65,509 shares of Common Stock pursuant to the conversion of 3,275,407 shares of Series B Preferred Stock.

Stock Options

Amendment to 2020 Long-Term Incentive Plan

On May 3, 2022, our Board adopted the First Amendment (the “Plan Amendment”) to the Enveric Biosciences, Inc. 2020 Long-Term Incentive Plan (the “Incentive Plan”) to (i) increase the aggregate number of shares available for the grant of awards by 146,083 shares to a total of 200,000 shares, and (ii) add an “evergreen” provision whereby the number of shares authorized for issuance pursuant to awards under the Incentive Plan will be automatically increased on the first trading date immediately following the date the Company issues any share of Common Stock (defined below) to any person or entity, to the extent necessary so that the number of shares of the Company’s Common Stock authorized for issuance under the Incentive Plan will equal the greater of (x) 200,000 shares, and (y) 15% of the total number of shares of the Company’s Common Stock outstanding as of such issuance date. The Plan Amendment was approved by the Company’s stockholders at a special meeting of the Company’s stockholders held on July 14, 2022.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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A summary of activity under the Company's incentive plan for the years ended December 31, 2022 and 2021 is presented below:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Weighted Average Remaining Contractual Term (years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2020.....	18,596	\$ 76.50	\$ 125.00	6.1	\$ 2,537,245
Granted	2,482	\$ 149.00	\$ 116.00	—	\$ —
Options assumed pursuant to acquisition of MagicMed	19,477	\$ 67.00	\$ 92.00	—	\$ —
Exercised	(2,876)	\$ 11.50	\$ 284.50	—	\$ —
Expired, forfeited, or cancelled.....	(13,850)	\$ 84.50	\$ 81.00	—	\$ —
Outstanding at December 31, 2021.....	<u>23,829</u>	<u>\$ 79.00</u>	<u>\$ 103.50</u>	<u>5.3</u>	<u>\$ 34,333</u>
Granted	25,500	\$ 3.07	\$ 2.58	—	—
Forfeited.....	(1,000)	\$ 175.00	\$ 140.50	—	—
Outstanding at December 31, 2022.....	<u>48,329</u>	<u>\$ 37.05</u>	<u>\$ 44.82</u>	<u>4.1</u>	<u>\$ —</u>
Exercisable at December 31, 2022.....	<u>20,774</u>	<u>\$ 74.65</u>	<u>\$ 100.49</u>	<u>3.7</u>	<u>\$ —</u>

During the years ended December 31, 2022 and 2021, — and 2,876 options were exercised via a cashless exercise resulting in the issuance of — and 2,685 shares of common stock.

Options granted during the years ended December 31, 2022 and 2021 were valued using the Black Scholes model with the following assumptions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Term (years)	5.5	2.5 - 7.0
Stock price	\$ 3.07	\$102.00 - \$175.00
Exercise price.....	\$ 3.07	\$102.00 - \$175.00
Dividend yield	—%	—%
Expected volatility	112%	76% - 79%
Risk free interest rate	3.9%	1.1% - 1.6%

The above assumptions are determined by the Company as follows:

- Stock price – Based on closing price of the Company's common stock on the date of grant.
- Weighted average risk-free interest rate — Based on the daily yield curve rates for U.S. Treasury obligations with maturities, which correspond to the expected term of the Company's stock options.
- Dividend yield — The Company has not paid any dividends on common stock since its inception and does not anticipate paying dividends on its common stock in the foreseeable future.
- Expected volatility — Based on the historical volatility of comparable companies in a similar industry.
- Expected term — The Company has had no stock options exercised since inception. The expected option term represents the period that stock-based awards are expected to be outstanding based on the simplified method provided in Staff Accounting Bulletin ("SAB") No. 107, Share-Based Payment, which averages an award's weighted-average vesting period and expected term for "plain vanilla" share options.

The Company's stock based compensation expense, recorded within general and administrative expense, related to stock options for the years ended December 31, 2022 and 2021 was \$180,042 and \$60,856, respectively. As of December 31, 2022, the Company had \$240,850 in unamortized stock option expense, which will be recognized over a weighted average period of 1.9 years.

During the year ended December 31, 2021, the Company exchanged options to purchase 11,209 shares of common stock for 6,509 restricted stock units and 843 restricted stock awards. In connection with this exchange, the Company recognized \$298,714 in inducement expense related to the increase in fair value of the new awards over the old awards, which is included in other expenses on the Company's consolidated statement of operations and comprehensive loss.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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Restricted Stock Awards

The Company's activity in restricted common stock was as follows for the years ended December 31, 2022 and 2021:

	<u>Number of shares</u>	<u>Weighted average fair value</u>
Non-vested at December 31, 2020.....	—	\$ —
Granted	2,516	\$ 178.50
Vested	(1,485)	\$ 204.50
Non-vested at December 31, 2021	<u>1,031</u>	<u>\$ 141.50</u>
Forfeited.....	(700)	\$ 146.50
Vested	(331)	\$ 130.40
Non-vested at December 31, 2022.....	<u>—</u>	<u>\$ —</u>

For the years ended December 31, 2022 and 2021, the Company recorded \$24,363 and \$231,631, respectively, in stock-based compensation expense within general and administrative expense, related to restricted stock awards. As of December 31, 2022, there were no unamortized stock-based compensation costs related to restricted share awards. The balance of Common Shares related to the vested restricted stock awards as of December 31, 2022 will be issued during the 2023 calendar year. There are 708 vested and unissued shares of restricted stock awards as of December 31, 2022.

Issuance of Restricted Stock Units

The Company's activity in restricted stock units was as follows for the year ended December 31, 2022:

	<u>Number of shares</u>	<u>Weighted average fair value</u>
Non-vested at December 31, 2020.....	—	\$ —
Granted	125,169	\$ 172.00
Forfeited.....	(7,439)	\$ 152.00
Vested	(55,717)	\$ 226.00
Non-vested at December 31, 2021	<u>62,013</u>	<u>\$ 126.00</u>
Granted	37,445	\$ 33.50
Forfeited.....	(26,772)	\$ 79.64
Vested	(8,633)	\$ 130.55
Non-vested at December 31, 2022.....	<u>64,053</u>	<u>\$ 92.57</u>

For the years ended December 31, 2022 and 2021, the Company recorded \$2,416,266 and \$12,304,514, respectively, in stock-based compensation expense related to restricted stock units, which is a component of both general and administrative and research and development expenses in the consolidated statement of operations and comprehensive loss.

As of December 31, 2022, the Company had unamortized stock-based compensation costs related to restricted stock units of \$3,225,701 which will be recognized over a weighted average period of 2.8 years and unamortized stock-based costs related to restricted stock units which will be recognized upon achievement of specified milestones.

As of December 31, 2022, 1,856 shares of Common Stock have been issued in relation to vested restricted stock units and 62,492 restricted stock units are vested without shares of Common Stock being issued.

The following table summarizes the Company's recognition of stock-based compensation for restricted stock units for the following periods:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Stock-based compensation for RSUs		
General and administrative	\$ 1,389,359	\$ 11,463,870
Research and development	1,026,907	840,644
Total.....	<u>\$ 2,416,266</u>	<u>\$ 12,304,514</u>

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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As of the end of the fiscal years ended December 31, 2022 and 2021, there were 126,545 and 117,730 shares of common stock underlying outstanding restricted stock units, of which (i) 62,492 and 55,717 shares are underlying vested restricted stock units and issuable, subject to certain conditions for settlement, which includes either termination of employment with the Company or a change of control, and (ii) 64,053 and 62,013 shares are issuable upon the vesting of such restricted stock units, subject to achievement of vesting conditions, certain conditions of settlement which includes either termination of employment with the Company or a change of control, and further subject to the increase in the number of shares authorized for issuance of awards under the Long-Term Incentive Plan upon approval by the Company's stockholders.

Warrants

The following table summarizes information about shares issuable under warrants outstanding at December 31, 2022 and 2021:

	Warrant shares outstanding	Weighted average exercise price	Weighted average remaining life	Intrinsic value
Outstanding at December 31, 2020.....	74,617	\$ 102.50	5.2	\$ 8,923,797
Issued.....	82,923	\$ 210.00	—	\$ —
Assumed pursuant to acquisition of MagicMed.....	118,274	\$ 65.50	—	\$ —
Exercised	(64,988)	\$ 50.50	—	\$ —
Exchanged for common stock.....	(15,363)	\$ 232.50	—	\$ —
Outstanding at December 31, 2021.....	<u>195,463</u>	<u>\$ 131.00</u>	<u>3.4</u>	<u>\$ 801,024</u>
Issued.....	1,227,500	\$ 10.31	—	\$ —
Exercised	(767,500)	\$ —	—	\$ —
Exchanged for common stock.....	—	\$ —	—	\$ —
Outstanding at December 31, 2022.....	<u>655,463</u>	<u>\$ 58.36</u>	<u>3.6</u>	<u>\$ 5,514</u>
Exercisable at December 31, 2022.....	<u>655,463</u>	<u>\$ 58.36</u>	<u>3.6</u>	<u>\$ 5,514</u>

On February 11, 2022, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with A.G.P./Alliance Global Partners (the “Underwriter”). Pursuant to the Underwriting Agreement, the Company agreed to sell, in a firm commitment offering, 400,000 shares of the Company's Common Stock and accompanying warrants to purchase up to an aggregate of 400,000 shares of its common stock (“February 2022 Warrants”), as well as up to 60,000 additional shares of common stock and/or warrants to purchase an aggregate of up to 60,000 shares of its common stock that may be purchased by the Underwriter pursuant to a 45-day option granted to the Underwriter by the Company (the “Offering”). Each share of common stock was sold together with a common warrant to purchase one share of common stock, at an exercise price of \$27.50 per share. Such common warrants were immediately exercisable and will expire five years from the date of issuance. There is not expected to be any trading market for the common warrants issued in the Offering. The combined public offering price of each share of common stock and accompanying common warrant sold in the Offering was \$25.00. On February 14, 2022, the Underwriter exercised its option to purchase an additional 60,000 warrants.

In connection with the Registered Direct (“RD”) Offering and the Private Investment in Public Entity (“PIPE”) Offering entered into on July 22, 2022, the Company entered into Warrant Amendment (the “Warrant Amendments”) with the investors in both offerings to amend certain existing warrants to purchase up to an aggregate of 122,000 shares of Common Stock that were previously issued to the investors, with an exercise price of \$27.50 per share (subsequent to the 1-for-50 reverse stock split that occurred on July 14, 2022) and expiration date of February 15, 2027. Pursuant to the Warrant Amendments, the previously issued warrants were amended, effective upon the closing of the offerings, so that the amended warrants have a reduced exercise price of \$7.78 per share and expire five and one-half years following the closing of the offerings. In connection with this transaction, the Company determined the fair value of the February 2022 Warrants immediately prior to the Warrant Amendment and the fair value of the amended warrants immediately after the Warrant Amendment. The incremental change in fair value was deemed to be \$251,357, which was included as equity issuance costs related to the RD and PIPE financing transactions.

The warrants assumed pursuant to the acquisition of MagicMed contain certain down round features, which were not triggered by the February 2022 and July 2022 public offerings, that would require adjustment to the exercise price upon certain events when the offering price is less than the stated exercise price.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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During the year ended December 31, 2021, warrants exchanged for Common Stock consisted of an aggregate of 4,434 shares of Common Stock being issued in exchange for an aggregate of 2,188 warrants issued by Ameri and containing put rights that were exercised by the Holder and an aggregate of 19,464 shares of Common Stock being issued in exchange for an aggregate of 13,176 warrants containing certain terms wherein management determined it to be beneficial to the Company to exchange Common Shares for these warrants.

The aggregate of 4,434 Common Shares issued in exchange for the aggregate of 2,188 warrants issued by Ameri and containing put rights were issued in lieu of cash payments, in accordance with the terms of the put rights contained in the warrants.

The aggregate of 19,464 shares of common stock issued in exchange for certain outstanding warrants to purchase an aggregate of 13,176 shares of the Company's common stock at an exercise price of \$233.00 were issued pursuant to exchange agreements with the holders of such warrants. The Company believes that these exchanges are beneficial to the Company because the reacquired warrants contained provisions that required the Company to repurchase the warrants for cash at the holder's option and/or "full ratchet" anti-dilution adjustments that may result in a reduction in the exercise price of such warrants and an increase in the number of shares issuable upon exercise thereof under certain circumstances. The Company has cancelled all of the warrants reacquired in such exchanges and they will not be reissued. In connection with this exchange, the Company recognized \$826,577 in inducement expense related to the increase in fair value of the new awards over the old awards, which is included in other expenses on the Company's consolidated statement of operations and comprehensive loss.

Preferred Investment Options

In connection with the Registered Direct Securities Purchase Agreement the Company issued unregistered preferred investment options to purchase up to 375,000 shares of common stock. Subject to certain ownership limitations, the RD Preferred Investment Options became immediately exercisable at an exercise price equal to \$7.78 per share of common stock. The RD Preferred Investment Options are exercisable for five and one-half years from the date of issuance.

In connection with the PIPE Securities Purchase Agreement the Company issued unregistered preferred investment options to purchase up to 625,000 shares of the common stock. Subject to certain ownership limitations, PIPE Preferred Investment Options became immediately exercisable at an exercise price equal to \$7.78 per share of common stock. The PIPE Preferred Investment Options are exercisable for five and one-half years from the date of issuance.

On July 26, 2022, in connection with the RD Offering and PIPE Offering, the Company issued preferred investment options (the "Placement Agent Preferred Investment Options") to an entity to purchase up to 70,000 shares of the common stock for acting as a placement agent. The Placement Agent Preferred Investment Options have substantially the same terms as the RD Preferred Investment Options and the PIPE Preferred Investments Options, except the Placement Agent Preferred Investment Options have an exercise price of \$10.00 per share. The Placement Agent Preferred Investment Options are exercisable for five years from the date of the commencement of the RD Offering and PIPE Offering.

The following table summarizes information about investment options outstanding at December 31, 2022 (there were no investment options issued for the year ended December 31, 2021):

	Investment options outstanding	Weighted average exercise price	Weighted average remaining life	Intrinsic value
Outstanding at January 1, 2022.....	—	\$ —	—	\$ —
Issued.....	1,070,000	\$ 7.93	—	—
Outstanding at December 31, 2022.....	<u>1,070,000</u>	<u>\$ 7.93</u>	<u>5.1</u>	<u>\$ —</u>
Exercisable at December 31, 2022.....	<u>1,070,000</u>	<u>\$ 7.93</u>	<u>5.1</u>	<u>\$ —</u>

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NOTE 8. REDEEMABLE NON-CONTROLLING INTEREST

Spin-Off and Related Private Placement

In connection with the planned Spin-Off, on May 5, 2022, Akos and the Company entered into the Akos Purchase Agreement with the Akos Investor, pursuant to which Akos agreed to sell up to an aggregate of 5,000 shares of Akos Series A Preferred Stock, at price of \$1,000 per share, and Akos Warrants to purchase shares of Akos' common stock, par value \$0.01 per share (the "Akos Common Stock"), for an aggregate purchase price of up to \$5,000,000. The Akos Purchase Agreement is guaranteed by the Company. Pursuant to the Akos Purchase Agreement, Akos has issued 1,000 shares of the Akos Series A Preferred Stock to the Akos Investor in exchange for \$1,000,000 on May 5, 2022. The additional \$4,000,000 will be received on or immediately prior to the Spin-Off. The issuance of the Akos Series A Preferred Stock results in RNCI (see Note 2). Palladium Capital Advisors, LLC ("Palladium") acted as placement agent for the Akos Private Placement. Pursuant to the Akos Purchase Agreement, Akos has agreed to pay Palladium a fee equal to 9% of the aggregate gross proceeds raised from the sale of the shares of the Akos Series A Preferred Stock and a non-accountable expense allowance of 1% of the aggregate gross proceeds raised the sale of the Akos Series A Preferred Stock in the Akos Private Placement. The fee due in connection with the Akos Private Placement shall be paid to Palladium in the form of convertible preferred stock and warrants on similar terms to the securities issued in the Akos Private Placement. As of December 31, 2022, there have been no accruals recorded for the fees or warrants since the closing of the spin-off is not probable. Palladium is also entitled to warrants to purchase Akos Common Stock in an amount up to 8% of the number of shares of Akos Common Stock underlying the shares issuable upon conversion of the Akos Series A Preferred Stock.

Terms of Akos Series A Preferred Stock

Under the Certificate of the Designations, Preferences and Rights of Series A Convertible Preferred Stock of Akos (the "Akos Series A Preferred Certificate of Designations"), on or immediately prior to the completion of the spin-off of Akos into an independent, separately traded public company listed on the Nasdaq Stock Market, the outstanding Akos Series A Preferred Stock will be automatically converted into a number of shares of Akos Common Stock equal to 25% of the then issued and outstanding Akos Common Stock, subject to the Beneficial Ownership Limitation (as defined in the Akos Purchase Agreement). Cumulative dividends on each share of Akos Series A Preferred Stock accrue at the rate of 5% annually.

The Akos Series A Preferred Certificate of Designations provides that upon the earlier of (i) the one-year anniversary of May 5, 2022, and only in the event that the Spin-Off has not occurred; or (ii) such time that Akos and the Company have abandoned the Spin-Off or the Company is no longer pursuing the Spin-Off in good faith, the holders of the Akos Series A Preferred Stock shall have the right (the "Put Right"), but not the obligation, to cause Akos to purchase all or a portion of the Akos Series A Preferred Stock for a purchase price equal to \$1,000 per share, subject to certain adjustments as set forth in the Akos Series A Preferred Certificate of Designations (the "Stated Value"), plus all the accrued but unpaid dividends per share. In addition, after the one-year anniversary of May 5, 2022, and only in the event that the Spin-Off has not occurred and Akos is not in material default of any of the transaction documents, Akos may, at its option, at any time and from time to time, redeem the outstanding shares of Akos Series A Preferred Stock, in whole or in part, for a purchase price equal to the aggregate Stated Value of the shares of Akos Series A Preferred Stock being redeemed and the accrued and unpaid dividends on such shares. Pursuant to the Akos Purchase Agreement, the Company has guaranteed the payment of the purchase price for the shares purchased under the Put Right.

The Akos Series A Preferred Certificate of Designations contains limitations that prevent the holder thereof from acquiring shares of Akos Common Stock upon conversion of the Akos Series A Preferred Stock that would result in the number of shares of Akos Common Stock beneficially owned by such holder and its affiliates exceeding 9.99% of the total number of shares of Akos Common Stock outstanding immediately after giving effect to the conversion (the "Beneficial Ownership Limitation"), except that upon notice from the holder to Akos, the holder may increase or decrease the limit of the amount of ownership of outstanding shares of Akos Common Stock after converting the holder's shares of Akos Series A Preferred Stock, provided that any change in the Beneficial Ownership Limitation shall not be effective until 61 days following notice to Akos.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
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Accounting for Akos Series A Preferred Stock

Since the shares of Akos Series A Preferred Stock are redeemable at the option of the holder and the redemption is not solely in the control of the Company, the shares of Akos Series A Preferred Stock are accounted for as a redeemable non-controlling interest and classified within temporary equity in the Company’s consolidated balance sheets. The redeemable non-controlling interest was initially measured at fair value. Dividends on the shares of Akos Series A Preferred Stock are recognized as preferred dividends attributable to redeemable non-controlling interest in the Company’s consolidated statement of operations and comprehensive loss.

The table below presents the reconciliation of changes in redeemable non-controlling interest:

Balance at December 31, 2021	\$	—
Redeemable non-controlling interest, net of initial value embedded derivative of \$402,000 and net of issuance costs of \$41,962		556,038
Preferred dividends attributable to redeemable non-controlling interest		33,014
Accretion of embedded derivative and transaction costs associated with Series A Preferred Stock		295,976
Balance at December 31, 2022	<u>\$</u>	<u>885,028</u>

As of December 31, 2022, the redemption value of the redeemable non-controlling interest is \$1,000,000 plus cumulative dividends which accrue at the rate of 5% annually, or approximately \$1,033,000. The Company has guaranteed this redemption on behalf of Akos.

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Company is periodically involved in legal proceedings, legal actions and claims arising in the normal course of business. Management believes that the outcome of such legal proceedings, legal actions and claims will not have a significant adverse effect on the Company’s financial position, results of operations or cash flows.

Development and Clinical Supply Agreement

On February 22, 2021, the Company entered into a Development and Clinical Supply Agreement (the “PureForm Agreement”) with PureForm Global, Inc. (“PureForm”), pursuant to which PureForm will be the exclusive provider of synthetic cannabidiol (“API”) for the Company’s development plans for cancer treatment and supportive care. Under the terms of the PureForm Agreement, PureForm has granted the Company the exclusive right to purchase API and related product for cancer treatment and supportive care during the term of the Agreement (contingent upon an initial minimum order of 1 kilogram during the first thirty (30) days from the effective date) and has agreed to manufacture, package and test the API and related product in accordance with specifications established by the parties. All inventions that are developed jointly by the parties in the course of performing activities under the PureForm Agreement will be owned jointly by the parties in accordance with applicable law; however, if the Company funds additional research and development efforts by PureForm, the parties may enter into a further agreement whereby PureForm would assign any resulting inventions or technical information to the Company.

The initial term of the PureForm Agreement is three (3) years commencing on the effective date of the PureForm Agreement, subject to extension by mutual agreement of the parties. The PureForm Agreement may be terminated by either party upon thirty (30) days written notice of an uncured material breach or immediately in the event of bankruptcy or insolvency. The PureForm Agreement contains, among other provisions, representation and warranties, indemnification obligations and confidentiality provisions in favor of each party that are customary for an agreement of this nature.

The Company has met the minimum purchase requirement of 1 kilogram during the first thirty days of the PureForm Agreement’s effectiveness.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Purchase agreement with Prof. Zvi Vogel and Dr. Ilana Nathan

On December 26, 2017, Jay Pharma entered into a purchase agreement with Prof. Zvi Vogel and Dr. Ilana Nathan (the “Vogel-Nathan Purchase Agreement”), pursuant to which Jay Pharma was assigned ownership rights to certain patents, which were filed and unissued as of the date of the Vogel-Nathan Purchase Agreement. The Vogel-Nathan Purchase Agreement includes a commitment to pay a one-time milestone totaling \$200,000 upon the issuance of a utility patent in the United States or by the European Patent Office, as defined in the agreement. The Company has accrued such amount as of December 31, 2021, as a result of the milestone criteria being achieved. Payment was made during January 2022. In addition, a milestone payment totaling \$300,000 is due upon initiation of a Phase II(b) study. Research activities related to the relevant patents are still in pre-clinical stage, and accordingly, this milestone has not been achieved. The Vogel-Nathan Purchase Agreement contains a commitment for payment of royalties equaling 2% of the first \$20 million in net sales derived from the commercialization of products utilizing the relevant patent. As these products are still in the preclinical phase of development, no royalties have been earned.

Agreement with Tikkun

License Agreement

Jay Pharma, Tikkun Olam LLC (“TO LLC”) and Tikkun Olam Hemp LLC (“TOH”) entered into a license agreement dated on January 10, 2020, pursuant to which Jay Pharma would acquire certain in-licensed and owned intellectual property rights related to the cannabis products in the United States (presently excluding the state of New York) from TO LLC and TOH, each of which is an affiliate of TO Holdings Group LLC, in exchange for royalty payments of (i) four percent (4.0%) of net sales of OTC cancer products made via consumer channels; and (ii) five percent (5.0%) of net sales of beauty products made via consumer channels; and (iii) three percent (3.0%) of net sales of OTC cancer products made via professional channels, along with a minimum net royalty payment starting in January 1, 2022 and progressively increasing up to a cap of \$400,000 maximum each year for the first 10 years, then \$600,000 maximum each year for the next 5 years, and an annual maximum cap of \$750,000 each year thereafter during the term of the agreement. The licensed intellectual property rights relate to beauty products and OTC cancer products, and branding rights related thereto. The beauty products include any topical or transdermal cannabis-containing or cannabis-derived (including hemp-based) skin care or body care beauty products, and the OTC cancer products means any cancer-related products, in each case excluding those regulated as a drug, medicine, or controlled substance by the FDA or any other relevant governmental authority, such as the USDA.

On August 12, 2020, Jay Pharma, TO LLC and TOH entered into the First Amendment to the License Agreement, pursuant to which all references to the Original Amalgamation Agreement and the amalgamation were revised to be references to the Tender Agreement and the Offer, as applicable.

On October 2, 2020, Jay Pharma, TO LLC and TOH entered into the Second Amendment to the License Agreement, pursuant to which the effective date of the transactions was revised to occur as of October 2, 2020.

On December 30, 2022, the Tikun Olam License was formally terminated by mutual agreement between the Company and Tikun Olam.

Other Consulting and Vendor Agreements

The Company has entered into a number of agreements and work orders for future consulting, clinical trial support, and testing services, with terms ranging between 1 and 12 months. These agreements, in aggregate, commit the Company to approximately \$0.4 million in future cash payments.

Right-of-use lease

On August 1, 2021, MagicMed entered into a lease agreement (the “LSIH Lease”) with the University of Calgary for the use and occupation of lab and office space at the University of Calgary’s Life Science Innovation Hub building located in Calgary, Alberta, Canada (the “LSIH Facility”). The Company acquired all rights and obligations contained in the LSIH Lease concurrent with its amalgamation with MagicMed.

The Company assesses whether an arrangement is a lease or contains a lease at inception. For arrangements considered leases or that contain a lease that is accounted for separately, the Company determines the classification and initial measurement of the right-of-use asset and lease liability at the lease commencement date, which is the date that the underlying asset becomes available for use. The Company has elected to account for non-lease components associated with its leases and lease components as a single lease component.

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognizes a right-of-use asset, which represents the Company's right to use the underlying asset for the lease term, and a lease liability, which represents the present value of the Company's obligation to make payments arising over the lease term. The present value of the lease payments is calculated using either the implicit interest rate in the lease or an incremental borrowing rate.

Lease assets and liabilities are classified as follows on the consolidated balance sheet:

<u>Lease</u>	<u>Classification</u>	<u>As of December 31, 2022</u>	<u>As of December 31, 2021</u>
Assets			
Operating	Right of use operating lease asset, net	\$ 63,817	\$ 176,304
Total leased assets.....		<u>\$ 63,817</u>	<u>\$ 176,304</u>
Liabilities			
Current			
Operating	Current portion of right-of-use operating lease obligation	\$ 63,820	\$ 107,442
Long-term			
Operating	Non-current portion of right-of-use operating lease obligation	—	68,861
Total lease liabilities....		<u>\$ 63,820</u>	<u>\$ 176,303</u>

Rent expense is recorded on the straight-line basis. Rent expense under the LSIH Lease for the years ended December 31, 2022 and 2021 was \$120,667 and \$30,586, respectively. Rent expense is recorded in research and development costs on the consolidated statements of operations and comprehensive loss.

The table below shows the future minimum rental payments, exclusive of taxes, insurance, and other costs, under the LSIH Lease:

<u>Years ending December 31,</u>	<u>Amount</u>
2023	\$ 64,235
Total future minimum lease payments.....	<u>64,235</u>
Less: present value adjustment	<u>(415)</u>
Present value of lease payments	<u>\$ 63,820</u>

The weighted-average remaining lease term and the weighted-average discount rate of the lease was as follows:

<u>Lease Term and Discount Rate</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Remaining lease term (years)		
Operating leases.....	0.6	1.6
Discount rate		
Operating leases.....	12.0%	12.0%

NOTE 10. INCOME TAXES

The Company's U.S. and foreign loss before income taxes are set forth below:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
United States.....	\$ (7,251,228)	\$ (15,420,364)
Foreign.....	(12,706,165)	(41,011,337)
Total.....	<u>\$ (19,957,393)</u>	<u>\$ (56,431,701)</u>

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021, the Company recorded an income tax benefit of \$1,486,060 and \$7,454,805, respectively. The income tax benefit is as follows:

	December 31,	
	2022	2021
Deferred tax benefit - United States.....	\$ —	\$ —
Deferred tax benefit - Foreign.....	1,486,060	7,454,805
Total income tax benefit	<u>\$ 1,486,060</u>	<u>\$ 7,454,805</u>

The Company's deferred tax assets and deferred tax liabilities consist of the following:

	December 31,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforwards.....	\$ 8,927,330	\$ 5,509,522
Stock-based compensation.....	1,348,928	858,791
Accrued bonus	—	121,051
Research and development capitalized expenses.....	614,041	—
Intangible amortization.....	54,141	23,204
Other	33,453	35,456
Less valuation allowances	(10,977,893)	(6,548,024)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>
Deferred tax liabilities:		
Indefinite lived intangible assets.....	—	(1,607,122)
Net deferred tax liabilities.....	<u>\$ —</u>	<u>\$ (1,607,122)</u>

The Company had the following potentially utilizable net operating loss tax carryforwards:

	December 31,	
	2022	2021
Federal	\$ 18,349,753	\$ 9,411,533
State	16,892,754	8,664,242
Foreign.....	16,377,435	11,911,845

The Tax Cuts and Jobs Act of 2017 (the "Act") limits the net operating loss deduction to 80% of taxable income for losses arising in tax years beginning after December 31, 2017. As of December 31, 2022, the Company had federal net operating loss carryforwards and state net operating loss carryforwards of \$18,349,753 of \$16,892,754, respectively, which can be carried forward indefinitely. In addition, the Company has Canadian net operating loss carryforwards of \$16,377,435 which will begin to expire in 2030.

The Company's effective tax rate varied from the statutory rate as follows:

	December 31,	
	2022	2021
Federal income tax at the statutory rate	(21.0)%	(21.0)%
State income tax rate (net of federal).....	(2.6)%	(1.0)%
Foreign tax rate differential	(3.1)%	(4.0)%
Intangible asset impairment.....	—%	4.3%
Non-deductible expenses	(4.0)%	1.4%
Change in valuation allowance	23.3%	7.0%
Effective income tax rate	<u>(7.4)%</u>	<u>(13.3)%</u>

ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On September 16, 2021, the Company acquired MagicMed. In connection with the acquisition, the Company recorded intangible assets from IPR&D valued at \$35,500,000, which would be tested for impairment for book purposes, but without a tax basis, creating a deferred tax liability of \$9,061,927. The deferred tax liability decreased to \$1,607,122 due to an impairment on intangible asset of \$29,048,164 and an impairment of goodwill of \$8,225,862 for the year ended December 31, 2021. The deferred tax liability decreased to \$— due to an impairment on goodwill and intangible assets of \$7,453,662 for the year ended December 31, 2022.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The valuation allowance increased by \$4,429,869 and \$5,207,872 during the years ended December 31, 2022 and 2021, respectively.

The Company files U.S. federal and state returns. The Company's foreign subsidiary also files a local tax return in their local jurisdiction. From a U.S. federal, state and Canadian perspective the years that remain open to examination are consistent with each jurisdiction's statute of limitations. As of March 30, 2023, the Company has not filed tax returns for the fiscal years 2022 and 2021.

Section 382

The utilization of the Company's net operating losses may be subject to a substantial limitation in the event of any significant future changes in its ownership structure under Section 382 of the Internal Revenue Code and similar state provisions. Such limitation may result in the expiration of the net operating loss carryforwards before their utilization.

Section 174

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminated the option to deduct research and development expenditures in the current year and requires taxpayers to amortize US expenses over five years and foreign expense over fifteen years pursuant to IRC Section 174. The Company has estimated and capitalized gross \$2,684,319 of research and development expenditures that will be amortized primarily over five years. This did not have a material impact on the Company's tax liability for the year ended December 31, 2022. The Company will continue to evaluate the impact of these tax law changes on the current and future periods.

Inflation Reduction Act

On August 16, 2022, President Joe Biden signed the Inflation Reduction Act of 2022 (the "Act") into law. The Act includes a new 15% corporate minimum tax and a 1% excise tax on the value of corporate stock repurchases, net of new share issuances, after December 31, 2022. The Company does not expect these provisions to have a material impact on the Company's consolidated financial position; however, the Company will continue to evaluate their impact as further information becomes available.

NOTE 11. SUBSEQUENT EVENTS

Australian Subsidiary

On March 21, 2023, the Company established Enveric Therapeutics, Pty. Ltd. ("Enveric Therapeutics"), an Australia-based subsidiary, to support the Company's plans to advance its EVM201 Series towards the clinic. Enveric Therapeutics will oversee the Company's preclinical, clinical, and regulatory activities in Australia, including ongoing interactions with the local Human Research Ethics Committees (HREC) and the Therapeutic Goods Administration (TGA), Australia's regulatory authority.

On March 23, 2023, the Company issued a press release announcing the selection of Australian CRO, Avance Clinical, in preparation for Phase 1 Study of EB-373, the Company's lead candidate targeting the treatment of anxiety disorders. The Phase 1 clinical trial is expected to initiate in the fourth quarter of 2023. Under the agreement, Avance Clinical will manage the Phase 1 clinical trial of EB-373 in coordination with the Company's newly established Australian subsidiary, Enveric Therapeutics Pty. Ltd. The Phase 1 clinical trial is designed as a multi-cohort, dose-ascending study to measure the safety and tolerability of EB-373. EB-373, a next-generation proprietary psilocin prodrug, has been recognized as a New Chemical Entity (NCE) by Australia's Therapeutic Goods Administration (TGA) and is currently in preclinical development targeting the treatment of anxiety disorder. The total cost of the Avance Clinical contract is approximately 3,000,000 AUD, which translates to approximately \$1,500,000 as of the contract date of March 23, 2023.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Enveric Biosciences, Inc. on Form S-3 (File No.'s 333-233260, 333-253196, 333-257690 and 333-266579) and Form S-8 (File No. 333-269330) of our report dated March 31, 2023, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audit of the consolidated financial statements of Enveric Biosciences, Inc. as of and for the year ended December 31, 2022, which report is included in this Amendment No.1 to the Annual Report on Form 10-K of Enveric Biosciences, Inc. for the year ended December 31, 2022.

/s/ Marcum LLP

Marcum LLP
East Hanover, New Jersey
June 8, 2023

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements of Enveric Biosciences, Inc. on Form S-3 (File No.'s 333-233260, 333-253196, 333-257690 and 333-266579) and Form S-8 (File No. 333-269330) of our report dated March 31, 2022, with respect to our audit of the consolidated financial statements as of and for the year ended December 31, 2021, which report is included in this Amendment No. 1 to the Annual Report on Form 10-K of Enveric Biosciences, Inc. for the year ended December 31, 2022. We were dismissed as auditors on September 20, 2022 and, accordingly, we have not performed any audit or review procedures with respect to any consolidated financial statements incorporated by reference for the periods after the date of our dismissal.

/s/ Friedman LLP

Friedman LLP
East Hanover, NJ
June 8, 2023

CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002

I, Dr. Joseph Tucker, certify that:

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

June 8, 2023

By: /s/ Dr. Joseph Tucker

Dr. Joseph Tucker
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002

I, Kevin Coveney, certify that:

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

June 8, 2023

By: /s/ Kevin Coveney

Kevin Coveney
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the Annual Report of Enveric Biosciences, Inc. (the “Company”) on Form 10-K/A for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

June 8, 2023

By: /s/ Dr. Joseph Tucker

Dr. Joseph Tucker
Chief Executive Officer
(Principal Executive Officer)

June 8, 2023

By: /s/ Kevin Coveney

Kevin Coveney
Chief Financial Officer
(Principal Financial and Accounting Officer)