

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-38105



**180 LIFE SCIENCES CORP**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

90-1890354

(I.R.S. Employer  
Identification No.)

3000 El Camino Real  
Bldg. 4, Suite 200  
Palo Alto, CA 94306

(Address of principal executive offices)

94306

(Zip Code)

(650) 507-0669

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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, par value \$0.0001 per share	ATNF	The NASDAQ Stock Market LLC (The NASDAQ Capital Market)
Warrants to purchase Common Stock	ATNFW	The NASDAQ Stock Market LLC (The NASDAQ Capital Market)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of November 12, 2021, 34,016,456 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Report”), including this “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, regarding future events and the future results of the Company that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Report, including under “Risk Factors,” and in other reports the Company files with the Securities and Exchange Commission (“SEC”), including the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on July 9, 2021 (under the heading “Risk Factors” and in other parts of that report). The Company undertakes no obligation to revise or update publicly any forward-looking statements for any reason, except as otherwise required by law.

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

### Summary Risk Factors

We face risks and uncertainties related to our business, many of which are beyond our control. In particular, risks associated with our business include:

- We are a clinical stage biotechnology company that has no revenue to date, and we do not anticipate generating revenue for the near future;
- Our need for additional financing, both near term and long term, to support our operations, our ability to raise such financing as needed, the terms of such financing, if available, potential significant dilution associated therewith, and covenants and restrictions we may need to comply with in connection with such funding;
- Restrictions on our ability to issue securities, anti-dilution and most favored nation rights provided in connection therewith;
- Our dependence on the success of our future product candidates, some of which may not receive regulatory approval or be successfully commercialized; problems in our manufacturing process for our new products and/or our failure to comply with manufacturing regulations, or unexpected increases in our manufacturing costs; problems with distribution of our products; and failure to adequately market our products;
- Risks associated with the growth of our business, our ability to maintain such growth, difficulties in managing our growth, and executing our growth strategy;
- Liability for previously restated financial statements and associated with ineffective controls and procedures;
- Our dependence on our key personnel and our ability to attract and retain employees;
- Risks from intense competition from companies with greater resources and experience than we have;

- Risks that our future product candidates, if approved, may be unable to achieve the expected market acceptance and, consequently, limit our ability to generate revenue from new products;
- The fact that the majority of our license agreements provide the licensors and/or counter-parties the right to use and/or exploit such licensed intellectual property;
- Preclinical studies and earlier clinical trials may not necessarily be predictive of future results and may not have favorable results; we have limited marketing experience, and our future ability to successfully commercialize any of our product candidates, even if they are approved in the future is unknown; and business interruptions could delay us in the process of developing our future product candidates and could disrupt our product sales;
- Third-party payors may not provide coverage and adequate reimbursement levels for any future products;
- Liability from lawsuits (including product liability lawsuits, stockholder lawsuits and regulatory matters), including judgments, damages, fines and penalties;
- Security breaches, loss of data and other disruptions which could prevent us from accessing critical information or expose us to liabilities or damages;
- Risks associated with clinical trials that are expensive, time-consuming, uncertain and susceptible to change, delay or termination and which are open to differing interpretations;
- Our ability to comply with existing and future rules and regulations, including federal, state and foreign healthcare laws and regulations and implementation of, or changes to, such healthcare laws and regulations;
- Delays in the trials, testing, application, or approval process for drug candidates and/or our ability to obtain approval for promising drug candidates, and the costs associated therewith;
- Our ability to adequately protect our future product candidates or our proprietary technology in the marketplace, claims and liability from third parties regarding our alleged infringement of their intellectual property;
- Differences in laws and regulations between countries and other jurisdictions;
- Changes in laws or regulations, including, but not limited to tax laws and controlled substance laws, or a failure to comply with any laws and regulations;
- Conflicts of interest between our officers, directors, consultants and scientists;
- Penalties associated with our failure to comply with certain pre-agreed contractual obligations and restrictions;
- Dilution caused by future fund raising, the conversion/exercise of outstanding convertible securities, and downward pressure on the value of our securities caused by such future issuances/sales;
- Negative effects on our business from the COVID-19 pandemic and other potential future pandemics;
- The extremely volatile nature of our securities and potential lack of liquidity therefore;
- The fact that our Certificate of Incorporation provides for indemnification of officers and directors, limits the liability of officers and directors, allows for the authorization of preferred stock without stockholder approval, and includes certain anti-takeover provisions;
- Our ability to maintain the listing of our common stock and warrants on The NASDAQ Capital Market (“NASDAQ”) and the costs of compliance with SEC and NASDAQ rules and requirements;
- Risks associated with our status as an emerging growth company and the provisions of the JOBS Act, which we are able to take advantage of, due to such status;

- Risks associated with material weaknesses that we have identified in our disclosure controls and internal controls over financial reporting;
- Failure of our information technology systems, including cybersecurity attacks or other data security incidents, that could significantly disrupt the operation of our business;
- The fact that we may acquire other companies which could divert our management’s attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results and if we make any acquisitions, they may disrupt or have a negative impact on our business;
- The fact that we may apply working capital and future funding to uses that ultimately do not improve our operating results or increase the value of our securities; and
- That our growth depends in part on the success of our strategic relationships with third parties.

All forward-looking statements speak only at the date of the filing of this Report. The reader should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Report are reasonable, we provide no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Report and our Annual Report on Form 10-K for the year ended December 31, 2020. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. We do not undertake any obligation to update or revise publicly any forward-looking statements except as required by law, including the securities laws of the United States and the rules and regulations of the SEC.

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Expressed in US Dollars)  
(unaudited)

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	<u>(unaudited)</u>	
<b>Assets</b>		
Current Assets:		
Cash	\$ 11,687,800	\$ 2,108,544
Due from related parties	-	300,000
Prepaid expenses and other current assets	1,945,939	1,606,414
Total Current Assets	<u>13,633,739</u>	<u>4,014,958</u>
Intangible assets, net	1,970,131	2,047,818
In-process research and development	12,569,491	12,569,793
Goodwill	36,896,406	36,900,801
Total Assets	<u>\$ 65,069,767</u>	<u>\$ 55,533,370</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 638,582	\$ 8,529,259
Accounts payable - related parties	4,447	215,495
Accrued expenses	2,205,391	4,110,916
Accrued expenses - related parties	130,548	454,951
Loans payable - current portion	279,290	968,446
Loans payable - related parties	81,244	513,082
Convertible notes payable	-	1,916,195
Convertible notes payable - related parties	-	270,000
Derivative liabilities	20,885,316	4,442,970
Total Current Liabilities	<u>24,224,818</u>	<u>21,421,314</u>
Accrued issuable equity	-	43,095
Loans payable - non current portion	52,096	113,763
Deferred tax liability	3,652,054	3,668,329
Total Liabilities	<u>27,928,968</u>	<u>25,246,501</u>
Commitments and contingencies (Note 8)		
Stockholders' Equity:		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized; (see designations and shares authorized for Class C and Class K preferred stock)		
Class C Preferred Stock; 1 share authorized, issued and outstanding at September 30, 2021 and December 31, 2020	-	-
Class K Preferred Stock; 1 share authorized, issued and outstanding at September 30, 2021 and December 31, 2020	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 33,968,735 and 26,171,225 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	3,399	2,617
Additional paid-in capital	106,153,999	78,005,004
Accumulated other comprehensive income	701,904	636,886
Accumulated deficit	(69,718,503)	(48,357,638)
Total Stockholders' Equity	<u>37,140,799</u>	<u>30,286,869</u>
Total Liabilities and Stockholders' Equity	<u>\$ 65,069,767</u>	<u>\$ 55,533,370</u>

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

**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(Expressed in US Dollars)  
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Operating Expenses:</b>				
Research and development	\$ 316,473	\$ 386,949	\$ 689,217	\$ 1,210,816
Research and development - related parties	298,879	112,652	1,287,583	223,321
General and administrative	3,519,605	206,399	8,740,067	1,712,950
General and administrative - related parties	82,519	25,078	462,081	85,052
Total Operating Expenses	<u>4,217,476</u>	<u>731,078</u>	<u>11,178,948</u>	<u>3,232,139</u>
Loss From Operations	<u>(4,217,476)</u>	<u>(731,078)</u>	<u>(11,178,948)</u>	<u>(3,232,139)</u>
<b>Other (Expense) Income:</b>				
Gain on settlement of liabilities	472,677	-	927,698	-
Other income	12,308	2,603	12,308	15,208
Other income - related parties	-	-	-	240,000
Interest expense	(5,455)	(82,990)	(130,634)	(408,404)
Interest expense - related parties	(14,201)	(23,088)	(42,279)	(64,758)
Gain (loss) on extinguishment of convertible notes payable, net	-	-	(9,737)	491,624
Change in fair value of derivative liabilities	22,043,391	-	(10,342,337)	-
Change in fair value of accrued issuable equity	-	-	(9,405)	-
Offering costs allocated to warrant liabilities	-	-	(604,118)	-
Total Other (Expense) Income, Net	<u>22,508,720</u>	<u>(103,475)</u>	<u>(10,198,504)</u>	<u>273,670</u>
<b>(Loss) Income Before Income Taxes</b>	<u>18,291,244</u>	<u>(834,553)</u>	<u>(21,377,452)</u>	<u>(2,958,469)</u>
Income tax benefit	5,612	5,135	16,587	15,175
<b>Net (Loss) Income</b>	<u>18,296,856</u>	<u>(829,418)</u>	<u>(21,360,865)</u>	<u>(2,943,294)</u>
<b>Other Comprehensive Income (Loss):</b>				
Foreign currency translation adjustments	(530,817)	414,335	65,018	(562,626)
<b>Total Comprehensive (Loss) Income</b>	<u>\$ 17,766,039</u>	<u>\$ (415,083)</u>	<u>\$ (21,295,847)</u>	<u>\$ (3,505,920)</u>
<b>Basic and Diluted Net (Loss) Income per Common Share</b>				
Basic	<u>\$ 0.56</u>	<u>\$ (0.05)</u>	<u>\$ (0.70)</u>	<u>\$ (0.17)</u>
Diluted	<u>\$ 0.23</u>	<u>\$ (0.05)</u>	<u>\$ (0.70)</u>	<u>\$ (0.17)</u>
<b>Weighted Average Number of Common Shares Outstanding:</b>				
Basic	<u>32,728,295</u>	<u>16,850,379</u>	<u>30,491,082</u>	<u>16,847,069</u>
Diluted	<u>33,709,584</u>	<u>16,850,379</u>	<u>30,491,082</u>	<u>16,847,069</u>

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

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

For The Three and Nine Months Ended September 30, 2021

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
<b>Balance - January 1, 2021</b>	26,171,225	\$ 2,617	\$ 78,005,004	\$ 636,886	\$ (48,357,638)	\$ 30,286,869
Shares issued upon conversion of KBL debt	467,123	47	1,941,078	-	-	1,941,125
Shares issued upon conversion of 180 debt	158,383	16	432,367	-	-	432,383
Shares issued in connection with the financing, net of financing costs	2,564,000	256	10,730,814	-	-	10,731,070
Offering costs allocated to warrant liabilities	-	-	604,118	-	-	604,118
Warrants issued in connection with private offering, reclassified to derivative liabilities	-	-	(7,294,836)	-	-	(7,294,836)
Shares issued upon exchange of common stock equivalents	959,809	96	(96)	-	-	-
Stock based compensation:						
Common stock	197,790	20	925,384	-	-	925,404
Options	-	-	1,092,399	-	-	1,092,399
Comprehensive income (loss):						
Net loss	-	-	-	-	(16,198,585)	(16,198,585)
Other comprehensive income	-	-	-	189,348	-	189,348
<b>Balance - March 31, 2021</b>	30,518,330	3,052	86,436,232	826,234	(64,556,223)	22,709,295
Shares issued to settle accounts payable	225,000	23	1,973,227	-	-	1,973,250
Impact of transfer agent reconciliation	280,509	28	(28)	-	-	-
Stock based compensation:						
Common stock	37,515	4	378,655	-	-	378,659
Options	-	-	344,095	-	-	344,095
Correction of an error (see Note 11)	-	-	363,523	-	-	363,523
Comprehensive income (loss):						
Net loss	-	-	-	-	(23,459,136)	(23,459,136)
Other comprehensive income	-	-	-	406,487	-	406,487
<b>Balance - June 30, 2021</b>	31,061,354	3,107	89,495,704	1,232,721	(88,015,359)	2,716,173
Shares issued in connection with the August 2021 Offering, net of financing costs	2,500,000	250	13,879,750	-	-	13,880,000
Shares issued to settle convertible debt and derivative liabilities with Alpha Capital	150,000	15	1,060,485	-	-	1,060,500
Shares issued in connection with the repayment of related party loans and convertible notes	141,852	15	851,097	-	-	851,112
Shares issued upon exchange of common stock equivalents	44,240	4	(4)	-	-	-
Stock based compensation:						
Common stock	71,289	8	431,988	-	-	431,996
Options	-	-	434,979	-	-	434,979
Comprehensive income (loss):						
Net income	-	-	-	-	18,296,856	18,296,856
Other comprehensive loss	-	-	-	(530,817)	-	(530,817)
<b>Balance - September 30, 2021</b>	33,968,735	\$ 3,399	\$ 106,153,999	\$ 701,904	\$ (69,718,503)	\$ 37,140,799

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



**180 LIFE SCIENCES CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY, continued**  
(Expressed in US Dollars)  
(unaudited)

For The Three and Nine Months Ended September 30, 2020

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
<b>Balance - January 1, 2020</b>	13,846,925	\$ 1,384	\$ 75,890,295	\$ 152,803	\$ (37,473,580)	\$ 38,570,902
Common stock issued for cash	12,292	1	72,499	-	-	72,500
Shares issued upon exchange of common stock equivalents	410,170	41	(41)	-	-	-
Beneficial conversion feature on convertible debt issued	-	-	329,300	-	-	329,300
Comprehensive loss:						
Net loss	-	-	-	-	(2,381,260)	(2,381,260)
Other comprehensive loss	-	-	-	(1,844,205)	-	(1,844,205)
<b>Balance - March 31, 2020</b>	14,269,387	1,426	76,292,053	(1,691,402)	(39,854,840)	34,747,237
Shares issued upon exchange of common stock equivalents	56,743	6	(6)	-	-	-
Comprehensive income:						
Net income	-	-	-	-	267,383	267,383
Other comprehensive income	-	-	-	867,244	-	867,244
<b>Balance - June 30, 2020</b>	14,326,130	1,432	76,292,047	(824,158)	(39,587,457)	35,881,864
Shares issued upon exchange of common stock equivalents	168,210	17	(17)	-	-	-
Comprehensive income (loss):						
Net loss	-	-	-	-	(829,418)	(829,418)
Other comprehensive income	-	-	-	414,335	-	414,335
<b>Balance - September 30, 2020</b>	14,494,340	\$ 1,449	\$ 76,292,030	\$ (409,823)	\$ (40,416,875)	\$ 35,466,781

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

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

	<b>For the Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (21,360,865)	\$ (2,943,294)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation		
Shares issued for services	2,099,582	-
Amortization of stock options	1,871,473	-
Depreciation and amortization	93,139	93,480
Bad debt expense (recovery) - related parties	338,582	(1,156,750)
Interest expense capitalized to debt principal	-	313,363
Gain on settlement of liabilities, net	(927,698)	-
Loss (gain) on extinguishment of convertible note payable	9,737	(491,624)
Deferred tax benefit	(16,587)	(15,175)
Offering costs allocated to warrant liabilities	604,118	-
Change in fair value of derivative liabilities	10,342,337	-
Change in fair value of accrued issuable equity	9,405	-
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(443,531)	409,809
Due from related parties	-	(240,000)
Accounts payable	(5,669,923)	1,835,623
Accrued expenses	(1,241,167)	1,538,999
Accrued issuable equity	(52,500)	-
Total adjustments	<u>7,016,967</u>	<u>2,287,725</u>
Net Cash Used In Operating Activities	<u>(14,343,898)</u>	<u>(655,569)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from sale of common stock and warrants	26,666,200	72,500
Offering costs in connection with sale of common stock and warrants	(2,055,130)	-
Repayment of loans payable	(738,199)	-
Repayment of convertible debt	(10,000)	-
Proceeds from loans payable	-	220,056
Proceeds from convertible notes payable	-	82,500
Proceeds from Paycheck Protection Program loan	-	53,051
Proceeds from Bounce Back Loan Scheme loan	-	63,542
Cash Provided By Financing Activities	<u>23,862,871</u>	<u>491,649</u>

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

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

	For the Nine Months Ended September 30,	
	2021	2020
<b>Effect of Exchange Rate Changes on Cash</b>	60,283	113,215
<b>Net Increase (Decrease) In Cash</b>	9,579,256	(50,705)
Cash - Beginning of Period	2,108,544	83,396
Cash - End of Period	<u>\$ 11,687,800</u>	<u>\$ 32,691</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the period for interest	<u>\$ 31,428</u>	<u>\$ -</u>
<b>Non-cash investing and financing activities:</b>		
Conversion of convertible debt and accrued interest into common stock	\$ 1,340,184	\$ -
Common stock issued upon exchange of notes payable and accrued interest	\$ 1,283,496	\$ -
Shares and warrants issued for Alpha Settlement	\$ 1,156,177	\$ -
Exchange of common stock equivalents for common stock	\$ 100	\$ -
Shares issued to settle accounts payable	\$ 1,973,250	\$ -
Security deposit applied to accounts payable	\$ 7,078	\$ -
Recognition of beneficial conversion feature as loss on extinguishment of convertible note principal	\$ -	\$ 329,300
Redemption premium and restructuring fee recognized as an increase in convertible note principal	\$ -	\$ 557,436
Extinguishment of convertible note	\$ -	\$ 1,510,113
Non-convertible note issued to holder of extinguished convertible note	\$ -	\$ 150,000
Restructuring fee recognized as an increase in bridge note principal	\$ -	\$ 33,250
Loans payable for payments made by the counterparty directly to vendors in satisfaction of accounts payable	\$ -	\$ 38,467
Warrants issued in connection with the private offering	<u>\$ 7,294,836</u>	<u>\$ -</u>

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

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

180 Life Sciences Corp., formerly known as KBL Merger Corp. IV (“180LS”, or together with its subsidiaries, the “Company”), was a blank check company organized under the laws of the State of Delaware on September 7, 2016. The Company was formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses.

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

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

- fibrosis and anti-tumor necrosis factor (“TNF”);
- drugs which are derivatives of cannabidiol (“CBD”); and
- alpha 7 nicotinic acetylcholine receptor (“ $\alpha$ 7nAChR”).

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

The Company has not generated any revenues and has incurred significant losses since inception. For the nine months ended September 30, 2021, the Company incurred a net loss of \$21,360,865 and used cash in operations of \$14,343,898. As of September 30, 2021, the Company has an accumulated deficit of \$69,718,503 and a working capital deficit of \$10,591,080. The Company expects to invest a significant amount of capital to fund research and development. As a result, the Company expects that its operating expenses will increase significantly, and consequently will require significant revenues to become profitable. Even if the Company does become profitable, it may not be able to sustain or increase profitability on a quarterly or annual basis. The Company cannot predict when, if ever, it will be profitable. There can be no assurance that the intellectual property of the Company, or other technologies it may acquire, will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs, or be successfully marketed. The Company plans to undertake additional laboratory studies with respect to the intellectual property, and there can be no assurance that the results from such studies or trials will result in a commercially viable product or will not identify unwanted side effects.

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A worsening of the levels of market disruption and volatility seen in the recent past as the result of the COVID-19 pandemic could have an adverse effect on the Company's ability to access capital, on the Company's business, results of operations and financial condition. Management continues to monitor the developments and has taken active measures to protect the health of the Company's employees, their families and the Company's communities. The ultimate impact will depend heavily on the duration of the COVID-19 pandemic and public health responses, including seasonal outbreaks, the efficacy of vaccines, the effect of mutations of the virus on such efficacy, the availability of vaccines and boosters, and the willingness of individuals to receive such vaccines and boosters, as well as the substance and pace of macroeconomic recovery, all of which are uncertain and difficult to predict considering the continuing evolving landscape of the COVID-19 pandemic and the public health responses to contain it.

Management has evaluated, and will continue to evaluate, the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position or results of its operations, the specific impact is not readily determinable as of the date of these unaudited condensed consolidated financial statements (the "condensed consolidated financial statements"). To date, only the follow-up time for patient data and the statistical analysis for the Phase 2b Dupuytren's disease clinical trial has been delayed as a result of COVID-19, but such follow-up is now completed and the statistical analysis is underway. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

These condensed consolidated financial statements have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue its operations is dependent upon obtaining new financing for its ongoing operations. Future financing options available to the Company include equity financings and loans and if the Company is unable to obtain such additional financing timely, or on favorable terms, the Company may have to curtail its development, marketing and promotional activities, which would have a material adverse effect on its business, financial condition and results of operations, and it could ultimately be forced to discontinue its operations and liquidate. These matters raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that the condensed consolidated financial statements are issued. Realization of the Company's assets may be substantially different from the carrying amounts presented in these condensed consolidated financial statements and the accompanying condensed consolidated financial statements do not include any adjustments that may become necessary, should the Company be unable to continue as a going concern.

### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Significant Accounting Policies**

There have been no material changes to the Company's significant accounting policies as set forth in the Company's audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2020 under Note 3 - Summary of Significant Accounting Policies, except as disclosed in this note.

#### **Basis of Presentation and Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual consolidated financial statements. In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments which are considered necessary for a fair presentation of the unaudited condensed consolidated financial statements of the Company as of September 30, 2021, and for the three and nine months ended September 30, 2021 and 2020. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the operating results for the full year ending December 31, 2021 or any other period. For additional information, these condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements of and notes thereto included in the Company's Annual Report on Form 10-K filed with the SEC on July 9, 2021.

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On November 6, 2020 (the “Closing Date”), the Company consummated a business combination (the “Business Combination”) pursuant to which, among other things, a subsidiary of the Company merged with and into 180, with 180 continuing as the surviving entity and a wholly-owned subsidiary of the Company (the “Merger”, and the Company prior to the Merger sometimes referred to herein as “KBL”). The Business Combination was accounted for as a reverse recapitalization, and 180 is deemed to be the accounting acquirer. Consequently, the assets and liabilities and the historical operations that are reflected in these condensed consolidated financial statements prior to the Business Combination are those of 180 Life Corp. and its subsidiaries. The preferred stock, common stock, additional paid in capital and earnings per share amount in these condensed consolidated financial statements for the period prior to the Business Combination have been restated to reflect the recapitalization in accordance with the shares issued to the shareholders of the former parent, 180 Life Corp. as a result of the Business Combination.

The condensed consolidated financial statements include the historical accounts of 180 Life Corp. as accounting acquirer along with its wholly-owned subsidiaries, and, effective with the closing of the Business Combination, 180LS as the accounting acquiree. All intercompany transactions and balances have been eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the consolidated financial statements. The Company’s significant estimates and assumptions used in these financial statements include, but are not limited to, the fair value of financial instruments warrants, options and equity shares; the valuation of stock-based compensation; and the estimates and assumptions related to impairment analysis of goodwill and other intangible assets long-lived assets. Certain of the Company’s estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company’s estimates and may cause actual results to differ from those estimates.

**Foreign Currency Translation**

The Company’s reporting currency is the United States dollar. The functional currency of certain subsidiaries is the Canadian Dollar (“CAD”) (0.7867 and 0.7847 CAD to 1 US dollar each as of September 30, 2021 and December 31, 2020, respectively) or British Pound (“GBP”) (1.3458 and 1.3649 GBP to 1 US dollar, each as of September 30, 2021 and December 31, 2020, respectively), while expense accounts are translated at the weighted average exchange rate for the period (0.7992 and 0.7391 CAD, to 1 US dollar and 1.3847 and 1.2708 GBP to 1 US dollar for each of the nine months ended September 30, 2021 and 2020, respectively, and 0.7941 and 0.7504 CAD to 1 US dollar and 1.3784 and 1.2914 GBP to 1 US dollar for each of the three months ended September 30, 2021 and 2020, respectively). Equity accounts are translated at historical exchange rates. The resulting translation adjustments are recognized in stockholders’ equity as a component of accumulated other comprehensive income.

Comprehensive income (loss) is defined as the change in equity of an entity from all sources other than investments by owners or distributions to owners and includes foreign currency translation adjustments as described above. During the nine months ended September 30, 2021 and 2020, the Company recorded other comprehensive income (loss) of \$65,018 and (\$562,626), respectively, as a result of foreign currency translation adjustments. During the three months ended September 30, 2021 and 2020, the Company recorded other comprehensive income (loss) of (\$530,817) and \$414,335, respectively, as a result of foreign currency translation adjustments.

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Foreign currency gains and losses resulting from transactions denominated in foreign currencies, including intercompany transactions, are included in results of operations. The Company recognized (\$218,834) and (\$200,264) of foreign currency transaction gains (losses) for the three and nine months ended September 30, 2021, respectively, and recognized \$3,254 and \$1,822 of foreign currency transaction gains (losses) for the three and nine months ended September 30, 2020, respectively. Such amounts have been classified within general and administrative expenses in the accompanying condensed consolidated statements of operations and comprehensive loss.

**Net Income (Loss) Per Common Share**

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period, plus 1 share each of Class C and Class K Special Voting Shares (“Special Voting Shares”) exchangeable into an aggregate of 465,368 and 635,163 shares of 180LS common stock as of September 30, 2021 and 2020, respectively, without payment of additional consideration. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding, plus the number of additional common shares that would have been outstanding if the common share equivalents had been issued (computed using the treasury stock or if converted method), if dilutive.

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

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Numerator:				
Net income (loss)	\$ 18,296,856	\$ (829,418)	\$ (21,360,865)	\$ (2,943,294)
Less: decrease in fair value of dilutive warrants	10,487,783	-	-	-
Income (loss) available to common stockholders - diluted	<u>\$ 7,809,073</u>	<u>\$ (829,418)</u>	<u>\$ (21,360,865)</u>	<u>\$ (2,943,294)</u>
Weighted average shares outstanding (denominator for basic earnings per share)	<u>32,727,965</u>	<u>16,850,379</u>	<u>30,491,082</u>	<u>16,847,069</u>
Effects of dilutive securities:				
Assumed exercise of stock options, treasury stock method	182,727	-	-	-
Assumed exercise of warrants, treasury stock method	798,892	-	-	-
Dilutive potential common shares	<u>981,619</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average shares and assumed potential common shares (denominator for diluted earnings per share, treasury method)	<u>33,709,584</u>	<u>16,850,379</u>	<u>30,491,082</u>	<u>16,847,069</u>
Basic earnings per share	<u>\$ 0.56</u>	<u>\$ (0.05)</u>	<u>\$ (0.70)</u>	<u>\$ (0.17)</u>
Diluted earnings per share	<u>\$ 0.23</u>	<u>\$ (0.05)</u>	<u>\$ (0.70)</u>	<u>\$ (0.17)</u>

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

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Options	436,000	-	2,066,000	-
Warrants	8,526,250	-	11,153,908	-
Convertible debt <sup>(a)</sup>	-	586,833	-	586,833
Total potentially dilutive shares	<u>8,962,250</u>	<u>586,833</u>	<u>13,219,908</u>	<u>586,833</u>

a) Represents shares issuable upon conversion of debt at various conversion prices, some of which were calculated using the fair value of the Company's common stock at the respective balance sheet date.

**Warrant, Option and Convertible Instrument Valuation**

The Company has computed the fair value of warrants and options using a Black-Scholes model, while the embedded features associated with the convertible notes and convertible preferred stock issued were valued using the Monte-Carlo model. The expected term used for warrants, convertible notes and convertible preferred stock are the contractual life and the expected term used for options issued is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the "simplified" method to develop an estimate of the expected term of "plain vanilla" option grants. The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

**Subsequent Events**

The Company has evaluated events that have occurred after the balance sheet date but before these condensed consolidated financial statements were issued. Based upon that evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the financial statements, except as disclosed in Note 12 - Subsequent Events.

**Reclassification**

Certain prior year balances have been reclassified in order to conform to current year presentation. These reclassifications have no effect on previously reported results of operations or loss per share.

**Recently Adopted Accounting Pronouncements**

In December 2019, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The Company adopted ASU 2019-12 effective for January 1, 2021 and its adoption did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.



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**Recently Issued Accounting Pronouncements**

On May 3, 2021, FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. This new standard provides clarification and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (such as warrants) that remain equity classified after modification or exchange. This standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Issuers should apply the new standard prospectively to modifications or exchanges occurring after the effective date of the new standard. Early adoption is permitted, including adoption in an interim period. If an issuer elects to early adopt the new standard in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period. The Company is evaluating this new standard.

**NOTE 4 - ACCRUED EXPENSES**

Accrued expenses consist of the following as of September 30, 2021 and December 31, 2020:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Consulting fees	\$ 627,020	\$ 1,718,559
Professional fees	561,599	1,261,751
Litigation accrual (1)	450,000	-
Employee and director compensation	437,343	878,292
Research and development fees	106,891	17,817
Interest	22,538	184,576
Other	-	45,321
Travel expenses	-	4,600
	<u>\$ 2,205,391</u>	<u>\$ 4,110,916</u>

(1) See Note 8 - Commitments and Contingencies, *Potential Legal Matters*.

As of September 30, 2021 and December 31, 2020, accrued expenses - related parties were \$130,548 and \$454,951, respectively. See Note 10 - Related Parties for details.

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**NOTE 5 - DERIVATIVE LIABILITIES**

The following table sets forth a summary of the changes in the fair value of Level 3 derivative liabilities (except the Public SPAC warrants as defined below, which are Level 1 derivative liabilities) that are measured at fair value on a recurring basis:

	For the Nine Months Ended September 30, 2021						
	Warrants					Convertible Notes	Total
	Public SPAC	Private SPAC	PIPE	Other			
Balance as of January 1, 2021	\$ 3,795,000	\$ 256,275	\$ -	\$ 165,895	\$ 225,800	\$ 4,442,970	
Extinguishment of derivative liabilities in connection with conversion of debt <sup>[1]</sup>	-	-	-	-	(591,203)	(591,203)	
Warrants issued in connection with the financing	-	-	7,294,836	-	-	7,294,836	
Change in fair value of derivative liabilities	7,130,000	624,600	4,581,868	237,436	655,404	13,229,308	
Balance as of March 31, 2021	10,925,000	880,875	11,876,704	403,331	290,001	24,375,911	
Change in fair value of derivative liabilities	10,350,000	629,325	7,712,770	55,025	409,300	19,156,420	
Balance as of June 30, 2021	21,275,000	1,510,200	19,589,474	458,356	699,301	43,532,331	
Warrants issued relates to Alpha settlement [1]	-	-	-	95,677	-	95,677	
Extinguishment of derivative liabilities in connection with the Alpha settlement [1]	-	-	-	-	(699,301)	(699,301)	
Change in fair value of derivative liabilities	(10,695,000)	(831,825)	(10,232,374)	(284,192)	-	(22,043,391)	
Balance as of September 30, 2021	<u>\$ 10,580,000</u>	<u>\$ 678,375</u>	<u>\$ 9,357,100</u>	<u>\$ 269,841</u>	<u>\$ -</u>	<u>\$ 20,885,316</u>	

[1] See Note 7 - Convertible Notes Payable.

The fair value of the derivative liabilities as of September 30, 2021 were estimated using the Black Scholes option pricing model, with the following assumptions used:

	September 30, 2021
Risk-free interest rate	0.53% - 0.85%
Expected term in years	2.84 - 4.40
Expected volatility	85% - 90%
Expected dividends	0%

**SPAC Warrants**

*Public SPAC Warrants*

Participants in KBL's initial public offering received an aggregate of 11,500,000 Public SPAC Warrants ("Public SPAC Warrants"). Each Public SPAC Warrant entitles the holder to purchase one-half of one share of the Company's common stock at an exercise price of \$5.75 per half share (\$11.50 per whole share) until November 6, 2025, subject to adjustment. No fractional shares will be issued upon exercise of the Public SPAC Warrants. Management has determined that the Public SPAC Warrants contain a tender offer provision which could result in the Public SPAC Warrants settling for the tender offer consideration (including potentially cash) in a transaction that didn't result in a change-in-control. This feature results in the Public SPAC Warrants being precluded from equity classification. Accordingly, the Public SPAC Warrants are classified as liabilities measured at fair value, with changes in fair value each period reported in earnings. The Public SPAC Warrants were revalued on September 30, 2021 at \$10,580,000, which resulted in a \$10,695,000 decrease and a \$6,785,000 increase in the fair value of the derivative liabilities during the three and nine months ended September 30, 2021, respectively.

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*Private SPAC Warrants*

Participants in KBL's initial private placement received an aggregate of 502,500 Private SPAC Warrants ("Private SPAC Warrants"). Each Private SPAC Warrant entitles the holder to purchase one-half of one share of the Company's common stock at an exercise price of \$5.75 per half share (\$11.50 per whole share) until November 6, 2025, subject to adjustment. No fractional shares will be issued upon exercise of the Private SPAC Warrants. Management has determined that the Private SPAC Warrants contain a tender offer provision which could result in the Private SPAC Warrants settling for the tender offer consideration (including potentially cash) in a transaction that didn't result in a change-in-control. This feature (amongst others) results in the Private SPAC Warrants being precluded from equity classification. Accordingly, the Private SPAC Warrants are classified as liabilities measured at fair value, with changes in fair value each period reported in earnings. The Private SPAC Warrants were revalued on September 30, 2021 at \$678,375, which resulted in a \$831,825 decrease and a \$422,100 increase in the fair value of the derivative liabilities during the three and nine months ended September 30, 2021, respectively.

**PIPE Warrants**

On February 23, 2021, the Company issued five-year warrants (the "PIPE Warrants") to purchase 2,564,000 shares of common stock at an exercise price of \$5.00 per share in connection with the private offering (see Note 9 – Stockholders' Equity, Common Stock). The PIPE Warrants did not meet the requirements for equity classification due to the existence of a tender offer provision that could potentially result in cash settlement of the PIPE Warrants that didn't meet the limited exception in the case of a change-in-control. Accordingly, the PIPE Warrants are liability-classified and the Company recorded the \$7,294,836 fair value of the PIPE Warrants, which was determined using the Black-Scholes option pricing model, as derivative liabilities. The PIPE Warrants were revalued on September 30, 2021 at \$9,357,100, which resulted in a \$10,232,374 decrease and a \$2,062,264 increase in the fair value of the derivative liabilities during the three and nine months ended September 30, 2021, respectively. The following assumptions were used to value the PIPE Warrants at issuance:

	<b>February 23, 2021</b>
Risk-free interest rate	0.59%
Expected term in years	5.00
Expected volatility	85%
Expected dividends	0%

**Other Warrants**

*AGP Warrant*

In connection with the closing of the Business Combination on November 6, 2020, the Company became obligated to assume five-year warrants for the purchase of 63,658 shares of the Company's common stock at an exercise price of \$5.28 per share (the "AGP Warrant Liability") that had originally been issued by KBL to an investment banking firm in connection with a prior private placement.

On March 12, 2021, the Company issued a warrant to AGP (the "AGP Warrant") to purchase up to an aggregate of 63,658 shares of the Company's common stock at a purchase price of \$5.28 per share, subject to adjustment, in full satisfaction of the AGP Warrant Liability. The exercise of the AGP Warrant is limited at any given time to prevent AGP from exceeding beneficial ownership of 4.99% of the then total number of issued and outstanding shares of the Company's common stock upon such exercise. The warrant is exercisable at any time between May 2, 2021 and May 2, 2025. The newly issued AGP Warrant did not meet the requirements for equity classification due to the existence of a tender offer provision that could potentially result in cash settlement of the AGP Warrant that did not meet the limited exception in the case of a change-in-control. Accordingly, the AGP Warrant will continue to be liability-classified. The AGP Warrant was revalued on September 30, 2021 at \$202,947, which resulted in a \$255,409 decrease and a \$37,052 increase in the fair value of the derivative liabilities during the three and nine months ended September 30, 2021, respectively.

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*Alpha Warrant*

In connection with the Alpha Settlement Agreement (see Note 7 – Convertible Notes Payable) that was agreed to on July 29, 2021 (signed on July 31, 2021), the Company issued a three-year warrant for the purchase of 25,000 shares of the Company’s common stock at an exercise price of \$7.07 per share (the “Alpha Warrant Liability” and the “Alpha Warrant”). The exercise of shares of the Alpha Warrant is limited at any given time to prevent Alpha from exceeding a beneficial ownership of 4.99% of the then total number of issued and outstanding shares of the Company’s common stock upon such exercise. The warrant is exercisable until August 2, 2024. The newly issued Alpha Warrant did not meet the requirements for equity classification due to the existence of a tender offer provision that could potentially result in cash settlement of the Alpha Warrant that did not meet the limited exception in the case of a change-in-control. Accordingly, the Alpha Warrant is liability-classified and the Company recorded the \$95,677 fair value of the Alpha Warrant, which was determined using the Black-Scholes option pricing model, as a derivative liability. The Alpha Warrant was revalued on September 30, 2021 at \$66,894, which resulted in a \$28,783 decrease in the fair value of the derivative liabilities during the three and nine months ended September 30, 2021. The following assumptions were used to value the Alpha Warrant at issuance:

	<b>July 29, 2021</b>
Risk-free interest rate	0.37%
Expected term in years	3.00
Expected volatility	85%
Expected dividends	0%

**Convertible Notes**

The convertible notes issued in 2020 had embedded features that were bifurcated and recorded as derivative liabilities. Between January 15, 2021 and February 5, 2021, the fair value of derivative liabilities extinguished in connection with the conversion of debt was estimated using the Monte-Carlo and Black Scholes option pricing models with the following assumptions used:

	<b>January 15, 2021 to February 5, 2021</b>
Risk-free interest rate	0.00% - 0.14%
Expected term in years	0.02 - 0.18
Expected volatility	120% - 161%
Expected dividends	0%

As of June 30, 2021, the Alpha Capital Note (see Note 7 – Convertible Notes Payable) that was the only convertible note with an outstanding balance and the full amount of the July 31, 2021 Alpha Settlement Agreement was accrued as of that date. As of July 31, 2021, the Company recorded the extinguishment of the Alpha Capital Note, the related derivative liabilities and the balance of the settlement accrual. See Note 7, Convertible Notes Payable for additional details.

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**Warrant Activity**

A summary of the warrant activity (including the August 2021 PIPE Warrants which are equity-classified; see Note 9, Stockholders' Equity, *Sale of Common Stock and Warrants in the August 2021 Offering*) during the nine months ended September 30, 2021 is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life in Years</u>	<u>Intrinsic Value</u>
Outstanding, December 31, 2020	6,001,250	11.50		
Issued	5,152,658	6.23		
Exercised	-	-		
Cancelled	-	-		
Expired	-	-		
Outstanding, September 30, 2021	<u>11,153,908</u>	<u>\$ 9.06</u>	<u>4.3</u>	<u>\$ 1,059,516</u>
Exercisable, September 30, 2021	<u>11,153,908</u>	<u>\$ 9.06</u>	<u>4.3</u>	<u>\$ 1,059,516</u>

A summary of outstanding and exercisable warrants as of September 30, 2021 is presented below:

<u>Warrants Outstanding</u>		<u>Warrants Exercisable</u>	
<u>Exercise Price</u>	<u>Number of Shares</u>	<u>Weighted Average Remaining Life in Years</u>	<u>Number of Shares</u>
\$ 5.00	2,564,000	4.4	2,564,000
\$ 5.28	63,658	3.6	63,658
\$ 7.07	25,000	2.8	25,000
\$ 7.50	2,500,000	4.9	2,500,000
\$ 11.50	6,001,250	4.1	6,001,250
	<u>11,153,908</u>	4.3	<u>11,153,908</u>

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**NOTE 6 - LOANS PAYABLE**

**Loans Payable**

The following table summarizes the activity of loans payable during the nine months ended September 30, 2021:

	Principal Balance at December 31, 2020	Forgiveness	Principal Repaid in Cash	Adjustment	Effect of Foreign Exchange Rates	Principal Balance at September 30, 2021
Kingsbrook	\$ 150,000	\$ -	\$ (150,000)	\$ -	\$ -	\$ -
Paycheck Protection Program	53,051	(9,670)	-	(2,000)	-	41,381
Bounce Back Loan Scheme	68,245	-	(3,168)	-	(954)	64,123
First Assurance Funding	655,593	-	(585,031)	-	-	70,562
Other loans payable	155,320	-	-	-	-	155,320
Total loans payable	<u>1,082,209</u>	<u>\$ (9,670)</u>	<u>\$ (738,199)</u>	<u>\$ (2,000)</u>	<u>\$ (954)</u>	<u>331,386</u>
Less: loans payable - current portion	968,446					279,290
Loans payable - non-current portion	<u>\$ 113,763</u>					<u>\$ 52,096</u>

On March 3, 2021, the Company repaid the Kingsbrook Opportunities Master Fund LP (“Kingsbrook”) loans payable in cash for an aggregate of \$166,313, which included the principal amount of \$150,000 and accrued interest of \$16,313.

During the nine months ended September 30, 2021, the Company paid an aggregate of \$585,031 and \$3,168 in partial satisfaction of the First Assurance Funding and the Bounce Back Loan Scheme, respectively.

On May 19, 2021, the Company applied for loan forgiveness for the amount of \$51,051 in connection with amounts borrowed by Katexco under the Paycheck Protection Program. On August 5, 2021, the Company was notified that \$9,670 was forgiven in connection with the PPP loan. The Company is in the process of filing an appeal for the remainder of the balance.

On September 30, 2021, the Company adjusted a portion of the PPP loan of \$2,000 to other income since that was a grant that was given to 180LS by the government and it does not need to be repaid.

**Loans Payable – Related Parties**

The below table summarizes the activities of loans payable – related parties during the nine months ended September 30, 2021:

	Principal Balance at December 31, 2020	Principal Exchanged into Common Stock	Effect of Foreign Exchange Rates	Principal Balance at September 30, 2021
Loans payable issued between September 18, 2019 through November 4, 2020	<u>\$ 513,082</u>	<u>\$ (433,374)</u>	<u>\$ 1,536</u>	<u>\$ 81,244</u>

On February 10, 2021, the Company entered into amended loan agreements to modify the terms of certain loan agreements in the aggregate principal amount of \$432,699, previously entered into with Sir Marc Feldmann and Dr. Lawrence Steinman, the Co-Executive Chairmen of the Board of Directors. The loan agreements were extended and modified to be paid back at the Company’s discretion, either by 1) repayment in cash, or 2) by converting the outstanding amounts into shares of common stock at the same price per share as the next financing transaction. Subsequently, on February 25, 2021, and effective as of the date of the original February 10, 2021 amendments, the Company determined that such amendments were entered into in error and each of Sir Feldmann and Dr. Steinman rescinded such February 10, 2021 amendments pursuant to their entry into Confirmations of Rescission acknowledgements. As such, the amendments to allow Sir Feldmann and Dr. Steinman the option to convert such loans into shares of common stock were never effective.

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On April 12, 2021, the Company entered into amended loan agreements with Sir Marc Feldmann and Dr. Lawrence Steinman, the Co-Executive Chairman of the Board of Directors, which extended the maturity date of all of their outstanding loan agreements to September 30, 2021.

*Exchanges of Related Party Loans*

On September 30, 2021, certain related party noteholders elected to exchange an aggregate principal of \$433,374 and aggregate accrued interest of \$61,530 into an aggregate of 82,484 shares of the Company's common stock at a price of \$6.00 per share, pursuant to the terms of the agreement. (see Note 9 - Stockholders' Equity, *Exchanges of Related Party Loans and Convertible Notes*)

**Interest Expense on Loans Payable**

During the three months ended September 30, 2021 and 2020, the Company recognized interest expense associated with loans payable of \$2,315 and \$5,724, respectively, and interest expense associated with loans payable – related parties of \$10,566 and \$9,402, respectively. During the nine months ended September 30, 2021 and 2020, the Company recognized interest expense associated with loans payable of \$20,498 and \$40,583, respectively, and recognized interest expense associated with loans payable – related parties of \$30,898 and \$24,193, respectively.

As of September 30, 2021, the Company had accrued interest and accrued interest — related parties associated with loans payable of \$22,453 and \$10,719, respectively. As of December 31, 2020, the Company had accrued interest and accrued interest — related parties associated with loans of \$24,824 and \$37,539, respectively. See Note 10 - Related Parties for additional details.

**NOTE 7 - CONVERTIBLE NOTES PAYABLE**

The table below summarizes the activity of convertible notes payable during the nine months ended September 30, 2021:

	<b>Principal Balance</b>			<b>September 30, 2021</b>
	<b>December 31, 2020</b>	<b>Converted to Equity</b>	<b>Extinguished</b>	
Dominion	\$ 833,334	\$ (833,334)	\$ -	\$ -
Kingsbrook	101,000	(101,000)	-	-
Alpha	616,111	(300,000)	(316,111)	-
Sub-Total	1,550,445	(1,234,334)	(316,111)	-
Bridge Notes	365,750	(365,750)	-	-
Total	<u>\$ 1,916,195</u>	<u>\$ (1,600,084)</u>	<u>\$ (316,111)</u>	<u>\$ -</u>

**Dominion, Kingsbrook and Alpha – Conversions (“KBL Debt”)**

During the nine months ended September 30, 2021, certain noteholders elected to convert certain convertible notes payable with an aggregate principal balance of \$1,234,334 and an aggregate accrued interest balance of \$105,850 into an aggregate of 467,123 shares of the Company's common stock at conversion prices ranging from \$2.45-\$3.29 per share. The shares issued upon the conversion of the convertible promissory notes had a fair value at issuance of \$1,941,125. In connection with the conversion of the convertible notes payable, derivative liabilities in the amount of \$591,203 related to the bifurcated embedded conversion feature of such notes were extinguished. The Company recorded a loss on extinguishment of convertible notes payable of \$9,737 during the nine months ended September 30, 2021 as a result of the conversion of debt and the extinguishment of the related derivative liabilities (also see Note 5 - Derivative Liabilities).

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**Bridge Notes – Conversions (“180 Debt”)**

During the nine months ended September 30, 2021, certain noteholders elected to exchange bridge notes with an aggregate principal balance of \$365,750 and an aggregate accrued interest balance of \$66,633 into an aggregate of 158,383 shares of the Company’s common stock at a conversion price of \$2.73 per share.

**Alpha – Extinguishment**

On February 3, 2021, an event of default was triggered under a convertible note held by Alpha Capital Anstalt (“Alpha” and the “Alpha Capital Note”), which resulted in an increase in the fair value of the bifurcated derivative liability (the default provision) associated with the remaining principal of the Alpha Capital Note.

On July 29, 2021, the Company reached a settlement agreement with Alpha (the “Alpha Settlement Agreement”), which was signed on July 31, 2021, which provided for Alpha to convert the remaining principal and accrued interest associated with the convertible note in exchange for 150,000 shares of the Company’s common stock plus a three-year warrant to purchase 25,000 additional shares of the Company’s common stock at an exercise price of \$7.07 per share. The Company determined that the shares and warrants had an aggregate value of \$1,156,177 as of July 29, 2021, which exceeded the aggregate \$1,109,008 carrying value of the combined principal, accrued interest and derivative liability associated with the Alpha Capital Note as of July 29, 2021. Because the settlement amount provides additional information about a situation that existed as of July 29, 2021, the Company recorded an accrual as of June 30, 2021 for the \$47,169 difference between the value of the securities offered in settlement and the carrying value of the liabilities, which was reflected within (loss) gain on settlement of liabilities in the accompanying condensed consolidated statements of operations. On July 29, 2021, the \$1,156,177 aggregate carrying value of the principal, accrued interest, derivative liability and settlement accrual associated with the Alpha Capital Note were extinguished while the \$1,060,500 fair value of the common stock was recorded within equity and the \$95,677 fair value of the Alpha Warrant was recorded as a derivative liability (see Note 5, Derivative Liabilities for additional information).

**Convertible Notes – Related Parties**

During the nine months ended September 30, 2021, the Company repaid a certain related party convertible note payable in cash for the principal amount of \$10,000 and \$1,873 of accrued interest. See Note 10, Related Parties for additional information.

On September 30, 2021, the \$260,000 remaining principal balance of convertible notes payable owed to a related party, plus \$96,208 of related accrued interest, was converted into 59,368 shares of the Company’s common stock, pursuant to a debt conversion agreement dated September 30, 2021.

**Interest on Convertible Notes**

During the three months ended September 30, 2021 and 2020, the Company recognized interest expense associated with convertible notes payable of \$628 and \$69,674, respectively, and recognized interest expense associated with convertible notes payable – related parties of \$3,633 and \$11,915, respectively. During the nine months ended September 30, 2021 and 2020, the Company recognized interest expense associated with convertible notes payable of \$109,767 and \$340,759, respectively, and recognized interest expense associated with convertible notes payable – related parties of \$11,380 and \$38,794, respectively.

As of September 30, 2021 and December 31, 2020, accrued interest related to convertible notes payable was \$0 and \$182,181, respectively, and accrued interest expense - related parties related to convertible notes payable - related parties was \$0 and \$124,833, respectively, which is included in accrued expenses and accrued expenses - related parties, respectively, on the accompanying condensed consolidated balance sheets.



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**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**Litigation and Other Loss Contingencies**

The Company records liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company has no liabilities recorded for loss contingencies as of December 31, 2020. See Potential Legal Matters – *Action Against Former Executives of KBL and Cantor Fitzgerald & Co. Breach of Contract* below for information related to a September 30, 2021 accrual.

**Potential Legal Matters**

*Action Against Former Executives of KBL*

The Company has initiated legal action against former executives of KBL for non-disclosure in the original KBL June 30, 2020 and September 30, 2020 Quarterly Reports on Form 10-Q of the matters disclosed in Note 14 (as restated) of the Company's September 30, 2020 financial statements in the Company's amended Quarterly Report on Form 10-Q filed on February 5, 2021. The Company is seeking damages resulting from unauthorized monetary transfers by the former CEO of KBL, Dr. Marlene Krauss ("Dr. Krauss"), discrepancies in the financial statements of KBL, and inappropriate redemption of the shares associated with KBL. There can be no assurance that the Company will be successful in its legal actions. As of September 30, 2021, the Company recorded a settlement accrual of \$250,000 to cover the legal expenses of the former executives of KBL.

On October 5, 2021, Dr. Krauss and her affiliate companies filed an Answer, Counterclaims and Third-Party Complaint against the Company and twelve current or former directors and/or officers of the Company, alleging that the Company and the Third-Party Defendants breached fiduciary duties to Dr. Krauss, and that the Company breached contracts between the Company and Dr. Krauss. On October 27, 2021, the Company and one of its executives filed an Answer to the Krauss Claims, and the other Third-Party Defendants filed a motion to dismiss as to the Third-Party Complaint, for which a hearing has not yet been set. The Company and the Third-Party Defendants will vigorously defend against all of Dr. Krauss' claims, however, there can be no assurance that they will be successful in the legal defense of such claims.

*Action Against the Company by Dr. Krauss*

Dr. Krauss initiated legal action against the Company on August 19, 2021, alleging that the Company is obligated to advance expenses including, attorney's fees, to Dr. Krauss for the costs of defending against, inter alia: (a) Third-Party Complaint in the Tyche action referenced below, and (b) the Company's Complaint against Dr. Krauss as referenced above. On September 23, 2021, the Company filed its Answer and denied each of such claims, as well as raising numerous affirmative defenses. The Company will vigorously defend against all of Dr. Krauss' claims, however, there can be no assurance that the Company will be successful in its legal defense of this action.

*Action Against Tyche Capital LLC*

The Company initiated legal action against Tyche Capital LLC ("Tyche") on April 15, 2021, for breaching its obligations under a Term Sheet entered into between KBL, KBL IV Sponsor, LLC, 180 and Tyche on April 10, 2019 and for breaching its obligations under the Guarantee and Commitment Agreement entered into between KBL and Tyche on July 25, 2019 (the "Guarantee"). The Company is seeking damages to bring the net tangible asset balance of KBL as of November 6, 2020, the closing date of the Business Combination, to \$5,000,001. There can be no assurance that the Company will be successful in its legal action. On May 17, 2021, Tyche filed a counterclaim against the Company alleging that it was the Company, rather than Tyche, that had breached the Guarantee, and also filed a Third-Party Complaint against six third-party defendants, including three members of the Company's management, Sir Marc Feldman, Dr. James Woody, and Ozan Pamir, claiming that they allegedly breached fiduciary duties to Tyche with regards to the Guarantee and seeking compensatory damages. The Company denies all of such claims, as do the three individual members of the Company's management, and will vigorously defend against all of Tyche's claims. The Company has brought a motion to dismiss the three individual defendants and a hearing has been set on such motion for February 14, 2022. The Company and the Third-Party Defendants will vigorously defend against all of Tyche's claims, however, there can be no assurance that they will be successful in the legal defense of such claims.

*Cantor Fitzgerald & Co. Breach of Contract*

Cantor Fitzgerald & Co. ("Cantor") initiated legal action against the Company on April 22, 2021 in the Supreme Court of the State of New York, County of New York (Index No. 652709/2021), alleging causes of action against the Company relating to the claimed breach of a fee agreement between the parties which required the Company to pay Cantor a transaction fee in cash in the event the Company completed a business transaction, as well as the alleged breach of a settlement agreement subsequently entered into with Cantor, both described below. The fee agreement was entered into on February 27, 2018, and provided that Cantor would receive a transaction fee in cash arising out of any contemplated business combination by the Company. On July 25, 2019, KBL entered into the Business Combination Agreement whereby Cantor became entitled to a transaction fee of \$1,500,000 (the "Transaction Fee"). On November 6, 2020, the Company and Cantor entered into a settlement agreement (the "Settlement Agreement") whereby Cantor agreed to release the Company from the obligation to pay the Transaction Fee in cash and to instead accept 150,000 fully paid shares of the Company's common stock, but only if the Company would take all necessary action to permit the sale of the shares by filing with the Securities and Exchange Commission (the "SEC") a shelf registration statement within 30 days following the closing of the merger. On November 6, 2020, the Company closed the merger but did not file a registration statement with the SEC within 30 days of the November 6, 2020 closing, due to the need to restate the previously filed KBL financial statements. Although the Company was served with the complaint in the action, it did not respond pursuant to an extension that was granted to file a response. The Company subsequently settled this matter in full after September 30, 2021 (See Note 12, Subsequent Events, Cantor Fitzgerald & Co. Litigation Settlement for an update on this legal matter).

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**Operating Leases**

The Company leased office space in London, UK, through an operating lease agreement, which was terminated pursuant to the terms of the lease in August 2020. Total operating lease expenses were \$16,203 and \$38,452 for the three and nine months ended September 30, 2020, respectively. The expense is recorded in general and administrative expenses on the condensed consolidated statements of operations.

**Consulting Agreement**

*Related Party Consulting Agreement*

On February 22, 2021, the Company entered into a consultancy agreement (as amended, the "Consulting Agreement") with a related party, Prof. Jagdeep Nanchahal (the "Consultant"). The Consulting Agreement was effective December 1, 2020.

Pursuant to the Consulting Agreement, the Company agreed to pay the Consultant 15,000 British Pounds (GBP) per month (approximately \$20,800) during the term of the agreement, increasing to 23,000 GBP per month (approximately \$32,000) on the date (a) of publication of the data from the phase 2b clinical trial for Dupuytren's disease (RIDD) and (b) the date that the Company has successfully raised over \$15 million in capital. The Company also agreed to pay the Consultant the following bonus amounts:

- The sum of £100,000 (approximately \$138,000) upon submission of the Dupuytren's disease clinical trial data for publication in a peer-reviewed journal ("Bonus 1");
- The sum of £434,673 GBP (approximately \$605,000) ("Bonus 2"), which is earned and payable upon the Company raising a minimum of \$15 million in additional funding, through the sale of debt or equity, after December 1, 2020 (the "Vesting Date"). Bonus 2 is payable within 30 days of the Vesting Date and shall not be accrued, due or payable prior to the Vesting Date. Bonus 2 is payable, at the election of the Consultant, at least 50% (fifty percent) in shares of the Company's common stock, at the lower of (i) \$3.00 per share, or (ii) the trading price on the date of the grant, with the remainder paid in GBP;
- The sum of £5,000 (approximately \$7,000) on enrollment of the first patient to the phase 2 frozen shoulder trial ("Bonus 3"); and
- The sum of £5,000 (approximately \$7,000) for enrollment of the first patient to the phase 2 delirium/POCD trial ("Bonus 4").

The Consulting Agreement has an initial term of three years, and renews thereafter for additional three-year terms, until terminated as provided in the agreement. The Consulting Agreement can be terminated by either party with 12 months prior written notice (provided the Company's right to terminate the agreement may only be exercised if the Consultant fails to perform his required duties under the Consulting Agreement), or by the Company immediately under certain conditions specified in the Consulting Agreement if (a) the Consultant fails or neglects efficiently and diligently to perform the services required thereunder or is guilty of any breach of its or his obligations under the agreement (including any consent granted under it); (b) the Consultant is guilty of any fraud or dishonesty or acts in a manner (whether in the performance of the services or otherwise) which, in the reasonable opinion of the Company, has brought or is likely to bring the Consultant, the Company or any of its affiliates into disrepute or is convicted of an arrestable offence (other than a road traffic offence for which a non-custodial penalty is imposed); or (c) the Consultant becomes bankrupt or makes any arrangement or composition with his creditors. If the Consulting Agreement is terminated by the Company for any reason other than cause, the Consultant is entitled to a lump sum payment of 12 months of his fee as of the date of termination.

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Effective March 30, 2021, in satisfaction of amounts owed to the Consultant for 50% of Bonus 2, the Company issued 100,699 shares of the Company's common stock to the Consultant. Additionally, on April 15, 2021, in satisfaction of amounts owed to the Consultant for an additional 19% of Bonus 2, the Company issued 37,715 of the Company's common stock to the Consultant.

Effective August 27, 2021, in satisfaction of amounts owed to the Consultant for the remainder of Bonus 2, the Company issued 61,535 shares of the Company's common stock to the Consultant since the Company raised \$15 million in a financing transaction, as per the agreement. All issuances were made under the Company's 2020 Omnibus Incentive Plan. See Note 9 – Stockholders' Equity, Common Stock.

*Larsen Consulting Agreement*

On April 29, 2021, the Company entered into a consulting agreement with Glenn Larsen, the former Chief Executive Officer of 180 LP, to act in the capacity as negotiator for the licensing of four patents. In consideration for services provided, the Company agreed to compensate Mr. Larsen with \$50,000 of its restricted common stock (valued based on the closing sales price of the Company's common stock on the date the Board of Directors approved the agreement, which shares have not been issued to date). The fully vested shares will be issued to Mr. Larsen pursuant to the 2020 Omnibus Incentive Plan, upon the Company entering into a licensing transaction with the assistance of Mr. Larsen. On November 2, 2021, the Company and Oxford University entered into a license agreement and therefore the shares are now due to Mr. Larsen (see Note 12 – Subsequent Events, *New License Technology Agreement with Oxford University*).

**University of Oxford Agreement**

On May 24, 2021, the Company entered into a research agreement with the University of Oxford ("Oxford" and the "Fifth Oxford Agreement"), pursuant to which the Company will sponsor work at the University of Oxford to conduct a multi-center, randomized, double blind, parallel group, feasibility study of anti-TNF injection for the treatment of adults with frozen shoulder during the pain-predominant phase. As consideration, the Company agreed to make the following payments to Oxford:

<b>Milestone</b>	<b>Amount Due (excluding VAT)</b>	
Upon signing of the Fifth Oxford Agreement	£	70,546
6 months post signing of the Fifth Oxford Agreement	£	70,546
12 months post signing of the Fifth Oxford Agreement	£	70,546
24 months post signing of the Fifth Oxford Agreement	£	70,546

The Company paid the first milestone of \$97,900 (£70,546) on September 3, 2021, which was due upon signing of the Fifth Oxford Agreement, which was recorded to prepaid expenses and will be amortized over the term of the agreement on a straight-line basis. During the three and nine months ended September 30, 2021, the Company recorded \$48,949 and \$65,266, respectively, of research and development expenses. As of September 30, 2021, the Company has a prepaid balance of \$31,647 related to the Fifth Oxford Agreement.

**Employment Agreement of Chief Executive Officer**

On February 25, 2021, the Company entered into an amended agreement with Dr. James Woody, the Chief Executive Officer of the Company (the "CEO") (the "A&R Agreement"), dated February 24, 2021, and effective November 6, 2020, which replaced the CEO's prior agreement with the Company. Pursuant to the A&R Agreement, the CEO agreed to serve as an officer of the Company for a term of three years, which is automatically renewable thereafter for additional one-year periods, unless either party provides the other at least 90 days written notice of their intent to not renew the agreement. The CEO's annual base salary under the agreement will initially be \$450,000 per year, with automatic increases of 5% per annum.

As additional consideration for the CEO agreeing to enter into the agreement, the Company awarded him options to purchase 1,400,000 shares of the Company's common stock, which have a term of 10 years, and an exercise price of \$4.43 per share (the closing sales price on the date the board of directors approved the grant (February 26, 2021)). The options as subject to the Company's 2020 Omnibus Incentive Plan and vest at the rate of (a) 1/5th of such options on the grant date; and (b) 4/5th of such options vesting ratably on a monthly basis over the following 36 months on the last day of each calendar month; provided, however, that such options vest immediately upon the CEO's death or disability, termination without cause or a termination by the CEO for good reason (as defined in the agreement), a change in control of the Company or upon a sale of the Company.

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The CEO is also eligible to receive an annual bonus, with a target bonus equal to 45% of his then-current base salary, based upon the Company's achievement of performance and management objectives as set and approved by the Board of Directors and/or Compensation Committee in consultation with the CEO. At the CEO's option, the annual bonus can be paid in cash or the equivalent value of the Company's common stock or a combination. The Board of Directors, as recommended by the Compensation Committee, may also award the CEO bonuses from time to time (in stock, options, cash, or other forms of consideration) in its discretion. Under the A&R Agreement, the CEO is also eligible to participate in any stock option plans and receive other equity awards, as determined by the Board of Directors from time to time. As of September 30, 2021, the Company recorded \$151,875 of accrued bonus payable to the CEO.

The A&R agreement can be terminated any time by the Company for cause (subject to the cure provisions of the agreement), or without cause (with 60 days prior written notice to the CEO), by the CEO for good reason (as described in the agreement, and subject to the cure provisions of the agreement), or by the CEO without good reason. The agreement also expires automatically at the end of the initial term or any renewal term if either party provides notice of non-renewal as discussed above.

In the event the A&R Agreement is terminated without cause by the Company, or by the CEO for good reason, the Company agreed to pay him the lesser of 18 months of salary or the remaining term of the agreement, the payment of any accrued bonus from the prior year, his pro rata portion of any current year's bonus and health insurance premiums for the same period that he is to receive severance payments (as discussed above).

The A&R Agreement contains standard and customary invention assignment, indemnification, confidentiality and non-solicitation provisions, which remain in effect for a period of 24 months following the termination of his agreement.

**Employment Agreement of Chief Financial Officer**

On February 25, 2021, the Company entered into an Employment Agreement (the "CFO Agreement") dated February 24, 2021, and effective November 6, 2020, with the Company's Interim Chief Financial Officer, Ozan Pamir. Pursuant to the agreement, the CFO agreed to serve as the Interim Chief Financial Officer ("CFO") of the Company for an initial salary of \$300,000 per year, subject to increase to a mutually determined amount upon the closing of a new financing as well as annual increases.

As additional consideration for the CFO agreeing to enter into the agreement, the Company awarded him options to purchase 180,000 shares of the Company's common stock, which have a term of 10 years, and an exercise price of \$4.43 per share (the closing sales price on the date the board of directors approved the grant (February 26, 2021)). The options are subject to the Company's 2020 Omnibus Incentive Plan and vest at the rate of (a) 1/5th of such options upon the grant date; and (b) 4/5th of such options vesting ratably on a monthly basis over the following 36 months on the last day of each calendar month; provided, however, that such options vest immediately upon the CFO's death or disability, termination without cause or a termination by the CFO for good reason (as defined in the agreement), a change in control of the Company or upon a sale of the Company.

Under the agreement, the CFO is eligible to receive an annual bonus, in a targeted amount of 30% of his then salary, based upon the Company's achievement of performance and management objectives as set and approved by the CEO, in consultation with the CFO. The bonus amount is subject to adjustment. The Board of Directors, as recommended by the Compensation Committee of the Company (and/or the Compensation Committee), may also award the CFO bonuses from time to time (in stock, options, cash, or other forms of consideration) in its discretion. Under the CFO Agreement, the CFO is also eligible to participate in any stock option plans and receive other equity awards, as determined by the Board of Directors from time to time. As of September 30, 2021, the Company recorded \$67,500 of accrued bonus payable to the CFO.

The agreement can be terminated any time by the Company with or without cause with 60 days prior written notice and may be terminated by the CFO at any time with 60 days prior written notice. The agreement may also be terminated by the Company with six days' notice in the event the agreement is terminated for cause under certain circumstances. Upon the termination of the CFO's agreement by the Company without cause or by the CFO for good reason, the Company agreed to pay him three months of severance pay.

The agreement contains standard and customary invention assignment, indemnification, confidentiality and non-solicitation provisions, which remain in effect for a period of 24 months following the termination of his agreement.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in US Dollars, except share amounts)**  
**(unaudited)**

**NOTE 9 – STOCKHOLDERS’ EQUITY**

**Common Stock**

*Sale of Common Stock and Warrants in the February 2021 Private Offering*

On February 19, 2021, the Company entered into a Securities Purchase Agreement with certain purchasers (the “Purchasers”), pursuant to which the Company agreed to sell an aggregate of 2,564,000 shares of common stock (the “PIPE Shares”) and warrants to purchase up to an aggregate of 2,564,000 shares of common stock (the “PIPE Warrants”), at a combined purchase price of \$4.55 per share and PIPE Warrant (the “Offering”). Aggregate gross proceeds from the offering were approximately \$11.7 million. Net proceeds to the Company from the offering, after deducting the placement agent fees and estimated offering expenses payable by the Company, were approximately \$10.7 million.

The PIPE Warrants have an exercise price equal to \$5.00 per share, were immediately exercisable and are subject to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. However, the exercise price of the PIPE Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than the then-current exercise price. The PIPE Warrants are exercisable for 5 years following the closing date. The PIPE Warrants are subject to a provision prohibiting the exercise of such PIPE Warrants to the extent that, after giving effect to such exercise, the holder of such PIPE Warrant (together with the holder’s affiliates, and any other persons acting as a group together with the holder or any of the holder’s affiliates), would beneficially own in excess of 4.99% of the Company’s outstanding common stock (which may be increased to 9.99% on a holder by holder basis, with 61 days prior written consent of the applicable holder). The PIPE Warrants were determined to be liability-classified (see Note 5, Derivative Liabilities, *PIPE Warrants*). Of the \$968,930 of placement agent fees and offering expenses, \$364,812 was allocated to the PIPE Shares and \$604,118 was allocated to the PIPE Warrant. Because the PIPE Warrants are liability classified, the \$604,118 allocated to the warrants was immediately expensed.

In connection with the offering, the Company also entered into a Registration Rights Agreement, dated as of February 23, 2021, with the Purchasers (the “Registration Rights Agreement”). Pursuant to the Registration Rights Agreement, the Company agreed to file a registration statement with the SEC on or prior to April 24, 2021 to register the resale of the PIPE Shares and the shares of common stock issuable upon exercise of the PIPE Warrants (the “PIPE Warrant Shares”), and to cause such registration statement to be declared effective on or prior to June 23, 2021 (or, in the event of a “full review” by the SEC, August 22, 2021). The Company was in default of the terms of the Registration Rights Agreement as the registration statement to register the PIPE Shares and PIPE Warrant Shares was not filed by April 24, 2021; provided that such registration statement has been filed. As a result of this default, the Company was required to pay damages to the Purchasers in the aggregate amount of \$174,993 each month, up to a maximum of \$583,310. The Company incurred \$524,979 of damages during the nine months ended September 30, 2021, which amount was paid, and as a result the Company is no longer in default.

*Common Stock Issued for Settlement of Liabilities*

On April 23, 2021, the Company settled the amounts due pursuant to a certain finder agreement entered into with EarlyBird Capital, Inc. (“EarlyBird”) on October 17, 2017 (the “Finder Agreement”). The Company’s Board of Directors determined it was in the best interests to settle all claims which had been made or could be made with respect to the Finder Agreement and entered into a settlement agreement (the “Settlement Agreement”). Pursuant to the Settlement Agreement, the Company paid EarlyBird a cash payment of \$275,000 and issued Early Bird 225,000 shares of the Company’s restricted common stock with a grant date value of \$1,973,250, in full satisfaction of accounts payable in the amount of \$1,750,000. The Company recorded a loss of \$223,250 in connection with the Settlement Agreement, which is included in (loss) gain on settlement of liabilities in the accompanying condensed consolidated statements of operations.

*Sale of Common Stock and Warrants in the August 2021 Offering*

On August 23, 2021, the Company entered into a Securities Purchase Agreement with certain purchasers, pursuant to which the Company agreed to sell an aggregate of 2,500,000 shares of common stock and warrants to purchase up to an aggregate of 2,500,000 shares of common stock (the “August 2021 PIPE Warrants”), at a combined purchase price of \$6.00 per share and August 2021 PIPE Warrant (the “August 2021 Offering”). Aggregate gross proceeds from the August 2021 Offering were approximately \$15,000,000. Net proceeds to the Company from the August 2021 Offering, after deducting the placement agent fees and estimated offering expenses payable by the Company, were approximately \$13.9 million.

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The August 2021 PIPE Warrants have an exercise price equal to \$7.50 per share, are immediately exercisable and are subject to customary anti-dilution adjustments for stock splits or dividends or other similar transactions. However, the exercise price of the August 2021 PIPE Warrants will not be subject to adjustment as a result of subsequent equity issuances at effective prices lower than the then-current exercise price. The August 2021 PIPE Warrants are exercisable for 5 years following the closing date. The August 2021 PIPE Warrants are subject to a provision prohibiting the exercise of such August 2021 PIPE Warrants to the extent that, after giving effect to such exercise, the holder of such August 2021 PIPE Warrant (together with the holder's affiliates, and any other persons acting as a group together with the holder or any of the holder's affiliates), would beneficially own in excess of 4.99% of the Company's outstanding common stock (which may be increased to 9.99% on a holder by holder basis, with 61 days prior written consent of the applicable holder). Although the PIPE Warrants have a tender offer provision, the August 2021 PIPE Warrants were determined to be equity-classified because they met the limited exception in the case of a change-in-control. Because the August 2021 PIPE Warrants are equity-classified, the \$1,120,000 of placement agent fees and offering expenses were fully accounted for as a reduction of additional paid in capital.

In connection with the August 2021 Offering, the Company also entered into a Registration Rights Agreement, dated as of August 23, 2021, with the purchasers (the "August 2021 Registration Rights Agreement"). Pursuant to the August 2021 Registration Rights Agreement, the Company agreed to file a registration statement with the SEC on or prior to September 12, 2021 to register the resale of the shares and the shares of common stock issuable upon exercise of the August 2021 PIPE Warrants (the "Warrant Shares") sold in the August 2021 Offering, and to cause such registration statement to be declared effective on or prior to October 22, 2021 (or, in the event of a "full review" by the SEC, November 21, 2021). The registration statement was filed on August 31, 2021 and the SEC declared it effective on September 9, 2021, prior to the deadline set forth in the August 2021 Registration Rights Agreement.

*Common Stock Issued for Services*

During the three and nine months ended September 30, 2021, the Company issued an aggregate 71,289 and 306,594, respectively, of immediately vested shares of the Company's common stock, respectively, as compensation to consultants, directors, and officers, with an aggregate issuance date fair value of \$431,996 and \$2,099,581, respectively, which was charged immediately to the condensed consolidated statement of operations for the three and nine months ended September 30, 2021. During the nine months ended September 30, 2021, the Company issued 24,685 shares of common stock that were not part of the Omnibus Incentive Plan.

*Special Voting Shares*

The Special Voting Shares were issued to the former shareholders of CBR Pharma and Katexco in connection with the reorganization of 180 prior to the Business Combination. The Special Voting Shares are exchangeable by the holder for shares of the Company's common stock and vote together as a single class with the Company's common stockholders. Special Voting Shares are not entitled to receive any dividend or distributions.

During the nine months ended September 30, 2021, the Company issued 1,004,049 shares of its common stock upon the exchange of common stock equivalents.

The following table summarizes the Special Voting Shares activity during the nine months ended September 30, 2021:

Balance, January 1, 2021	1,469,417
Shares issued	-
Shares exchanged	(1,004,049)
Balance, September 30, 2021	<u>465,368</u>

*Convertible Note Conversions*

During the nine months ended September 30, 2021, certain noteholders elected to convert certain convertible notes payable with an aggregate principal balance of \$1,234,334 and an aggregate accrued interest balance of \$105,850 into an aggregate of 467,123 shares of the Company's common stock at conversion prices ranging from \$2.45-\$3.29 per share, pursuant to the terms of such notes. (see Note 7 - Convertible Notes Payable).

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During the nine months ended September 30, 2021, the Company issued 150,000 shares of common stock and warrants to purchase 25,000 shares in connection with a settlement entered into with Alpha Capital. (see Note 7, Convertible Notes Payable).

*Bridge Note Conversions*

During the nine months ended September 30, 2021, certain noteholders elected to convert bridge notes with an aggregate principal balance of \$365,750 and an aggregate accrued interest balance of \$66,633 into an aggregate of 158,383 shares of the Company's common stock at a conversion price of \$2.73 per share, pursuant to the terms of such notes. (see Note 7, Convertible Notes Payable).

*Exchanges of Related Party Loans and Convertible Notes*

On September 30, 2021, Dr. Lawrence Steinman and Sir Marc Feldmann, Ph.D., each of whom serve as Co-Executive Chairmen of the Company's Board of Directors, agreed with the Company to convert amounts owed under outstanding loans with an aggregate principal balance of \$693,371 and an aggregate accrued interest balance of \$157,741 into an aggregate of 141,852 shares of the Company's common stock at the conversion price of \$6.00 per share, pursuant to the terms of the agreement, which conversion rate was above the closing consolidated bid price of the Company's common stock on the date the binding agreement was entered into. (See Note 6, Loans Payable and Note 7, Convertible Notes Payable for more information.)

**Stock Options**

A summary of the option activity during the nine months ended September 30, 2021 is present below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs)	Intrinsic Value
Outstanding, January 1, 2021	50,000	2.49		
Granted	2,016,000	5.11		
Exercised	-	-		
Expired	-	-		
Forfeited	-	-		
Outstanding, September 30, 2021	<u>2,066,000</u>	<u>5.04</u>	<u>9.50</u>	<u>\$ 1,694,400</u>
Exercisable, September 30, 2021	<u>617,444</u>	<u>4.40</u>	<u>9.23</u>	<u>\$ 660,042</u>

A summary of outstanding and exercisable stock options as of September 30, 2021 is presented below:

Stock Options Outstanding		Stock Options Exercisable	
Exercise Price	Number of Shares	Weighted Average Remaining Life in Years	Number of Shares
\$ 2.49	50,000	9.2	37,500
\$ 4.43	1,580,000	9.4	561,778
\$ 7.56	436,000	9.8	18,167
	<u>2,066,000</u>	<u>9.5</u>	<u>617,444</u>

On February 26, 2021, the Company issued ten-year options to purchase an aggregate of 1,580,000 shares of the Company's common stock to two officers of the Company, pursuant to the 2020 Omnibus Incentive Plan. The options have an exercise price of \$4.43 per share and vest at the rate of 20% on the date of grant and the remaining 80% on a monthly basis thereafter over the following 36 months. The options had a grant date fair value of \$5,280,632, which will be recognized over the vesting term.

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On August 4, 2021, the Company granted ten-year options for the purchase of an aggregate of 436,000 shares of common stock at an exercise price of \$7.56 per share, to six independent directors of the Company, pursuant to the 2020 Omnibus Incentive Plan. The options had an aggregate grant date value of \$2,181,219, and vest monthly over four years.

The assumptions used in the Black-Scholes valuation method were as follows:

Risk free interest rate	0.75% - 0.96%
Expected term (years)	5.27 - 6.02
Expected volatility	84% - 100%
Expected dividends	0%

The Company recognized stock-based compensation expense of \$434,979 and \$1,871,473 for the three and nine months ended September 30, 2021, respectively, related to the amortization of stock options. The expense is included within general and administrative expenses or research and development expenses on the condensed consolidated statements of operations. There was no stock option amortization expense for the three and nine months ended September 30, 2020. As of September 30, 2021, there was \$5,206,048 of unrecognized stock-based compensation expense that will be recognized over the weighted average remaining vesting period of 2.98 years.

**NOTE 10 - RELATED PARTIES**

**Due from Related Parties**

Due from related parties of \$300,000 as of December 31, 2020 consisted of a receivable due from a research and development company that has shared officers and directors. Management now believes that the receivable is not collectible, and the receivable is fully reserved as of September 30, 2021.

**Accounts Payable - Related Parties**

Accounts payable - related parties was \$4,447 as of September 30, 2021 and represents amounts due for consulting services provided by a director of the Company. Accounts payable - related parties was \$215,495 as of December 31, 2020 and consists of \$196,377 for professional services provided by the Company's directors and \$19,118 for accounting fees for services provided by a former director and his company.

**Accrued Expenses - Related Parties**

Accrued expenses - related parties was \$130,548 as of September 30, 2021 and consists of \$10,343 of interest accrued on loans and convertible notes due to certain officers and directors of the Company and \$120,205 of accrued professional fees for services provided by certain directors of the Company. Accrued expenses - related parties of \$454,951 as of December 31, 2020, consists of \$124,833 of interest accrued on loans and convertible notes due to certain officers and directors of the Company and \$330,118 of accrued professional fees for services provided by certain directors of the Company.

**Loans Payable - Related Parties**

Loans payable - related parties consists of \$81,244 and \$513,082 as of September 30, 2021 and December 31, 2020, respectively. See Note 6, Loans Payable for more information.

**Convertible Notes Payable - Related Parties**

Convertible notes payable - related parties of \$0 as of September 30, 2021 and \$270,000 as of December 31, 2020 represents the principal balance of convertible notes owed to certain officers and directors of the Company. See Note 7, Convertible Notes Payable for more information.



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**Research and Development Expenses - Related Parties**

Research and Development Expenses – Related Parties of \$298,879 and \$112,652 during the three months ended September 30, 2021 and 2020, respectively, and \$1,287,583 and \$223,321 during the nine months ended September 30, 2021 and 2020, respectively, is related to consulting and professional fees paid to current or former officers, directors or greater than 10% investors, or affiliates thereof.

**General and Administrative Expenses - Related Parties**

General and Administrative Expenses – Related Parties during the three months ended September 30, 2021 and 2020, were \$82,519 and \$25,078, respectively. Of the expenses incurred through the three months ended September 30, 2021 approximately \$38,600 represents bad debt expenses incurred in connection with a receivable from a related party and approximately \$45,400 relates to professional fees paid to current or former officers, directors or greater than 10% investors, or affiliates thereof. Of the expenses incurred through the three months ended September 30, 2020 approximately 25,000 relates to professional fees paid to current or former officers, directors or greater than 10% investors, or affiliates thereof.

General and Administrative Expenses – Related Parties during the nine months ended September 30, 2021 and 2020, were \$462,081 and \$85,052, respectively. Of the expenses incurred through the nine months ended September 30, 2021 approximately \$338,000 represents bad debt expense incurred in connection with a receivable from related parties, and approximately \$123,499 represents professional fees paid to current or former officers, directors or greater than 10% investors, or affiliates thereof. Of the expenses incurred through the nine months ended September 30, 2020, \$85,052 represents services for professional and consulting fees earned by current or former officers, directors or greater than 10% investors of the Company, or affiliates thereof.

**Other Income - Related Parties**

During the nine months ended September 30, 2020, the Company recorded \$240,000 of other income related to a one-year research and development agreement with a company who shares common officers and directors with the Company. There was no other income - related parties recorded during the three and nine months ended September 30, 2021 or the three months ended September 30, 2020.

**Interest Expense - Related Parties**

During the three months ended September 30, 2021 and 2020, the Company recorded \$14,201 and \$23,088, respectively, of interest expense - related parties, of which \$3,633 and \$11,915, respectively, related to interest on certain convertible notes held by officers and directors of the Company and \$10,567 and \$9,402, respectively, related to interest expense on loans from officers, directors and a greater than 10% investor of the Company.

During the nine months ended September 30, 2021 and 2020, the Company recorded \$42,279 and \$64,758, respectively, of interest expense - related parties, of which \$11,380 and \$40,565, respectively related to interest on certain convertible notes held by officers and directors of the Company and \$30,899 and \$24,193, respectively related to interest expense on loans from officers, directors and a greater than 10% investor of the Company.

**NOTE 11 – CORRECTION OF AN ERROR**

In finalizing the financial reporting close process for the three months ended June 30, 2021, the Company discovered an error resulting in the understatement in the amount of \$363,523 of stock-based compensation in connection with shares issued for services during the three months ended March 31, 2021. The Company recorded \$363,523 of stock-based compensation during the three months ended June 30, 2021 in order to correct the error. Accordingly, this adjustment represents a timing error, such that the expense for the six-month period has been reported correctly and no other periods are impacted by this error. In evaluating and determining the appropriateness of applying the SEC’s Staff Accounting Bulletin (“SAB”) No. 108 to this error, the Company considered materiality both quantitatively and qualitatively as prescribed by SAB 99, and concluded that the error was not qualitatively or quantitatively material to the financial statements taken as whole. SAB 108 does not require restatement of previously filed financial statements for corrections of immaterial errors. During the three months ended September 30, 2021, there has been no change or modification related to the correction of an error.

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**NOTE 12 - SUBSEQUENT EVENTS**

**Common Stock**

Subsequent to September 30, 2021, the Company issued 451,986 shares of its common stock upon the exchange of common stock equivalents.

**Cantor Fitzgerald & Co. Litigation Settlement**

On October 12, 2021, the Company and Cantor entered into a settlement agreement, whereby the Company agreed to pay to Cantor \$200,000 in return for dismissal of its case against the Company. The Company sent the funds to Cantor on October 13, 2021. As of September 30, 2021, the Company recorded an accrual for the settlement amount as per the agreement.

On October 21, 2021, the Company received a notice of discontinuance and as a result, the matter between the Company and Cantor is settled and closed. See Note 8, Commitments and Contingencies, *Potential Legal Matters* for more details (see Note 8 – Commitments and Contingencies, *Cantor Fitzgerald & Co. Breach of Contract* for more details).

**Employment Agreement of Chief Operating Officer/Chief Business Officer**

On October 29, 2021, the Company entered into an Employment Agreement (the “COO/CBO Agreement”) dated October 27, 2021, and effective November 1, 2021, with Quan Vu. Pursuant to the agreement, Mr. Vu agreed to serve as the Chief Operating Officer/Chief Business Officer (“COO/CBO”) of the Company for an initial salary of \$390,000 per year, subject to a \$10,000 increase upon completion of a \$50 Million financing and a yearly increase of five percent (5%) on each start-day anniversary.

As additional consideration for the COO/CBO agreeing to enter into the agreement, the Company awarded him options to purchase 275,000 shares of the Company’s common stock, which have a term of 10 years, and an exercise price equal to the Fair Market Value of the Company’s common stock on the date of grant which is still to be determined. The options are subject to the Company’s 2020 Omnibus Incentive Plan and vest ratably on a monthly basis over the following 48 months on the last day of each calendar month; provided, however, that such options vest immediately upon the COO/CBO death or disability, termination without cause or a termination by the COO/CBO for good reason (as defined in the agreement), a change in control of the Company or upon a sale of the Company.

Under the agreement, the COO/CBO is eligible to receive an annual bonus, in a targeted amount of 50% of his then salary, based upon the Company’s achievement of performance and management objectives as set and approved by the CEO, in consultation with the CFO. The annual bonus shall be paid on or before March 31 of the year following the year in which the bonus is earned. At the choice of the Executive, the annual bonus can be paid in cash or the equivalent value of the Company’s common stock or a combination of both. For calendar 2021, such Bonus payment, if any, will be prorated for the approximately 2 months after the Start Date. The CEO, as approved by the Compensation Committee, may also award the Executive a bonus from time to time (in stock, options, cash, or other forms of consideration) in his discretion.

The agreement can be terminated any time by the Company with or without cause with 30 days prior written notice and may be terminated by the COO/CBO at any time with 30 days prior written notice. The agreement may also be terminated by the Company with ten days’ notice in the event the agreement is terminated for cause under certain circumstances. Upon the termination of the COO/CBO’s agreement by the Company without cause or by the COO/CBO for good reason, the Company agreed to pay him twelve months of severance pay, except if Executive separates from the Company prior to a one year anniversary.

The agreement contains standard and customary invention assignment, indemnification, confidentiality and non-solicitation provisions, which remain in effect for a period of 24 months following the termination of his agreement.

**New License Technology Agreement with Oxford University**

On November 2, 2021, the Company and Oxford University entered into a twenty-year licensed technology agreement of the HMGB1 molecule, which is related to tissue regeneration, whereby Oxford University agreed to license the technology to the Company for research, development and use of the licensed patents. The Company agreed to pay Oxford University for past patent costs \$66,223 (£49,207), an initial License fee of \$13,458 (£10,000), future royalties based on sales and milestones, and an annual maintenance fee of \$4,037 (£3,000). The Company has the option to terminate the agreement after the third anniversary of the agreement.

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

### General Information

This information should be read in conjunction with the interim unaudited condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the audited financial statements and notes thereto and "Part II. Other Information – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", contained in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on July 9, 2021 (the "Annual Report").

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

Please see the section entitled "Glossary" beginning on page ii of our Annual Report for a list of abbreviations and definitions used throughout this Report.

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

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

See also "Cautionary Note Regarding Forward-Looking Statements", above, which includes information on forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, used herein and other matters which are applicable to this Report, including, but not limited to this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

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

“CAD” refers to Canadian dollars;

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

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

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

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

### ***Where You Can Find Other Information***

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

### **Organization of MD&A**

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

- **Business Overview and Recent Events.** A summary of the Company’s business and certain material recent events;
- **Significant Financial Statement Components.** A summary of the Company’s significant financial statement components;
- **Consolidated Results of Operations.** An analysis of our financial results comparing the three and nine months ended September 30, 2021 and 2020;
- **Liquidity and Capital Resources.** An analysis of changes in our balance sheets and cash flows and discussion of our financial condition; and
- **Critical Accounting Policies and Estimates** Accounting estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.

## Business Overview and Recent Events

On November 6, 2020 (the “Closing Date”), the previously announced Business Combination was consummated following a special meeting of stockholders, where the stockholders of KBL considered and approved, among other matters, a proposal to adopt the Business Combination Agreement. Pursuant to the Business Combination Agreement, KBL Merger Sub, Inc. merged with 180 Life Corp (f/k/a 180 Life Sciences Corp.), with 180 continuing as the surviving entity and becoming a wholly owned subsidiary of KBL. As part of the Business Combination, KBL issued 17,500,000 shares of common stock and equivalents to the stockholders of 180, in exchange for all of the outstanding capital stock of 180. The Business Combination became effective November 6, 2020 and 180 filed a Certificate of Amendment of its Certificate of Incorporation in Delaware to change its name to 180 Life Corp., and KBL changed its name to 180 Life Sciences Corp.

This MD&A and the related financial statements for the three and nine months ended September 30, 2021 included herein includes the combined operations of KBL and 180 because the results are combined after the Closing Date.

This MD&A and the related financial statements for the three and nine months ended September 30, 2020 includes the combined operations of 180 and its three operating entities but does not include KBL because this period precedes the Business Combination.

Following the Closing of the Business Combination, we transitioned our operations to those of 180, which is a clinical stage biotechnology company headquartered in Palo Alto, California, focused on the development of therapeutics for unmet medical needs in chronic pain, inflammation, fibrosis and other inflammatory diseases, where anti-TNF (defined below) therapy will provide a clear benefit to patients, by employing innovative research, and, where appropriate, combination therapy. We have three product development platforms:

- fibrosis and anti-tumor necrosis factor (“TNF”);
- drugs which are derivatives of cannabidiol (“CBD”); and
- alpha 7 nicotinic acetylcholine receptor (“α7nAChR”).

We have several future product candidates in development, including one product candidate in a Phase 2b/3 clinical trial in the United Kingdom for Dupuytren’s disease, a condition that affects the development of fibrous connective tissue in the palm of the hand. 180 was founded by several world-leading scientists in the biotechnology and pharmaceutical sectors.

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

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

### ***COVID-19 Pandemic***

In December 2019, a novel strain of coronavirus, which causes the infectious disease known as COVID-19, was reported in Wuhan, China. The World Health Organization declared COVID-19 a “Public Health Emergency of International Concern” on January 30, 2020 and a global pandemic on March 11, 2020. The effects of the COVID-19 pandemic and the responses to combat such pandemic have included government-mandated closures, stay-at-home orders and other related measures, the majority of which have since expired, but which, together with COVID-19 itself, have significantly impacted global economic activity and business investment in general, including causing supply chain issues and continuing disruptions in the labor markets. 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, and on our business, results of operations and financial condition. We have been closely monitoring the developments and have taken active measures to protect the health of our employees, their families, and our communities. The ultimate impact of the pandemic on us, our operations and prospects, will depend heavily on the continued duration of the COVID-19 pandemic and public health responses, including, vaccine availability and efficacy, the willingness of individuals to be vaccinated and to obtain booster shots, and virus mutations and seasonal outbreaks, as well as the substance and pace of macroeconomic recovery, all of which are uncertain and difficult to predict at this time. As of September 30, 2021, only the follow-up time for patient data for the Phase 2b Dupuytren’s disease clinical trial has been delayed as a result of COVID-19, but such follow-up is now completed and the statistical analysis is underway. However, COVID-19 may delay the initiation of certain clinical trials in the future or otherwise have a material adverse effect on our future operations.

### ***Close of Business Combination***

As described above, on November 6, 2020 (the “Closing Date”), the Company consummated the previously announced business combination. The Business Combination was accounted for as a reverse recapitalization of 180. All of 180’s capital stock outstanding immediately prior to the merger was exchanged for (i) 15,736,348 shares of 180LS common stock, and (ii) 2 shares of Class C and Class K Special Voting Shares exchangeable into 1,763,652 shares of 180LS common stock which are presented as outstanding in the accompanying Statement of Changes in Stockholders’ Equity due to the reverse recapitalization. KBL’s 6,928,645 outstanding shares of common stock are presented as being issued on the date of the Business Combination.

### ***Recent Financing***

#### ***Private Offering***

On February 19, 2021, the Company entered into a Securities Purchase Agreement with a number of institutional investors (the “Purchasers”) pursuant to which the Company agreed to sell to the Purchasers an aggregate of 2,564,000 shares (the “Shares”) of the Company’s common stock and warrants to purchase up to an aggregate of 2,564,000 shares of the Company’s common stock (the “SPA Warrants”), at a combined purchase price of \$4.55 per Share and accompanying SPA Warrant (the “Offering”). Aggregate gross proceeds from the Offering were approximately \$11.7 million, prior to deducting placement agent fees and estimated offering expenses payable by the Company. Net proceeds to the Company from the Offering, after deducting the placement agent fees and offering expenses payable by the Company, were approximately \$10.8 million. The Offering closed on February 23, 2021.

Maxim Group LLC (the “Placement Agent”) acted as exclusive placement agent in connection with the Offering pursuant to an Engagement Letter between the Company and the Placement Agent dated January 26, 2021 (as amended on February 18, 2021). Pursuant to the Engagement Letter, the Placement Agent received a commission equal to seven percent (7%) of the aggregate gross proceeds of the Offering, or \$816,634.

#### *August 2021 Offering*

On August 23, 2021, the Company entered into a Securities Purchase Agreement with certain purchasers (the “August 2021 Purchasers”), pursuant to which the Company agreed to sell an aggregate of 2,500,000 shares of common stock (the “August 2021 Shares”) and warrants to purchase up to an aggregate of 2,500,000 shares of common stock (the “August 2021 PIPE Warrants”), at a combined purchase price of \$6.00 per share and August 2021 PIPE Warrant (the “August 2021 Offering”). Aggregate gross proceeds from the offering were approximately \$15 million. Net proceeds to the Company from the offering, after deducting the placement agent fees and estimated offering expenses payable by the Company, were approximately \$13.9 million. The placement agent fees and offering expenses were accounted for as a reduction of additional paid in capital. The Placement Agent received a commission equal to seven percent (7%) of the aggregate gross proceeds of the Offering, or \$1,050,000. The offering closed on August 23, 2021.

In connection with the August 2021 Offering, the Company also entered into a Registration Rights Agreement, dated as of August 23, 2021, with the August 2021 Purchasers (the “August 2021 Registration Rights Agreement”). Pursuant to the August 2021 Registration Rights Agreement, the Company agreed to file a registration statement with the SEC on or prior to September 12, 2021 to register the resale of the August 2021 Shares and the shares of common stock issuable upon exercise of the August 2021 PIPE Warrants (the “Warrant Shares”), and to cause such registration statement to be declared effective on or prior to October 22, 2021 (or, in the event of a “full review” by the SEC, November 21, 2021). The registration statement was filed with the SEC on August 31, 2021 and the SEC declared it effective on September 9, 2021.

#### *Conversion of Bridge Notes*

On March 8, 2021, the holders of the Company’s convertible bridge notes, which were issued on December 27, 2019 and January 3, 2020 to various purchasers, converted an aggregate of \$432,383, which included accrued interest of \$66,633 owed under such convertible bridge notes, into an aggregate of 158,383 shares of common stock pursuant to the terms of such notes, as amended, at a conversion price of \$2.73 per share.

#### *Convertible Debt Conversions*

From November 27, 2020 to February 5, 2021, the holders of the Company’s convertible promissory notes converted an aggregate of \$4,782,107 owed under such convertible notes into an aggregate of 1,986,751 shares of common stock, pursuant to the terms of such notes, as amended, at conversion prices of between \$2.00 and \$3.29 per share.

### ***Alpha Capital Settlement Agreement***

On July 31, 2021, the Company reached an agreement to settle the amounts allegedly due pursuant to a certain convertible note agreement entered into with Alpha Capital Anstalt (“Alpha”) on September 8, 2020 (the “Alpha Note”). The Company’s Board of Directors determined it was in the best interest of the Company to settle all claims which had been made or could be made with respect to the Alpha Note and entered into a settlement agreement (“Alpha Settlement Agreement”). Pursuant to the Alpha Settlement Agreement, the Company issued 150,000 shares of common stock and three-year warrants to purchase 25,000 shares of the Company’s common stock at an exercise price of \$7.07 per share, in exchange for full and complete satisfaction of the Alpha Note.

### ***Stock Options and Compensation Shares***

On August 4, 2021, the Company granted 10-year options for the purchase of an aggregate of 436,000 shares of common stock at an exercise price of \$7.56 per share, to six independent directors of the Company, pursuant to the 2020 Omnibus Incentive Plan. The options had an aggregate grant date value of \$2,181,219, and vest monthly over four years.

On August 4, 2021, the Company issued 9,754 shares of common stock to two independent directors in consideration for \$73,750 of accrued fees owed for service to the Board of Directors, pursuant to the 2020 Omnibus Incentive Plan.

### ***Mintz Levin Settlement***

In September 2021, the Company entered into a settlement agreement with Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (“Mintz”), whereby the Company agreed to pay \$800,000 to Mintz for legal services rendered. Mintz had billed the Company an aggregate of \$1,454,239.57 before factoring any interest charges. The Company recorded a gain of approximately \$650,000 after making payment pursuant to the settlement agreement.

### ***Cantor Fitzgerald & Co. Litigation Settlement***

On October 12, 2021, the Company and Cantor Fitzgerald & Co. entered into a settlement agreement, whereby the Company agreed to pay to Cantor \$200,000 in return for dismissal of the case against the Company. The Company sent the funds to Cantor on October 13, 2021. As of September 30, 2021, the Company recorded an accrual for the settlement amount as per the agreement.

On October 21, 2021, the Company received a notice of discontinuance and as a result, the matter between the Company and Cantor is settled and closed.

### ***Significant Financial Statement Components***

#### ***Research and Development***

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

- expenses incurred under agreements with 180’s collaboration partners and third-party contract organizations, investigative clinical trial sites that conduct research and development activities on its behalf, and consultants;



- costs related to production of clinical materials, including fees paid to contract manufacturers;
- laboratory and vendor expenses related to the execution of preclinical and clinical trials;
- employee-related expenses, which include salaries, benefits and stock-based compensation; and
- facilities and other expenses, which include expenses for rent and maintenance of facilities, depreciation and amortization expense and other supplies.

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

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

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

- per patient trial costs;
- the number of patients that participate in the trials;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up; and
- the efficacy and safety profile of the product candidates.

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

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

#### ***General and Administrative***

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

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

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

#### ***Gain (Loss) on Extinguishment of Convertible Notes***

Gain (loss) on extinguishment of convertible notes represents the shortfall (excess) of the reacquisition cost of convertible notes as compared to their carrying value.

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

Change in fair value of derivative liabilities represents the non-cash change in fair value of derivative liabilities during the reporting period. Gains resulting from change in fair value of derivative liabilities during the three and nine months ended September 30, 2021 were driven by decreases in stock price during the period, resulting in a lower fair value of the underlying liability.

## CONSOLIDATED RESULTS OF OPERATIONS

*For the Three Months Ended September 30, 2021 Compared to the Three Months Ended September 30, 2020*

	For the Three Months Ended September 30,	
	2021	2020
<b>Operating Expenses:</b>		
Research and development	\$ 316,473	\$ 386,949
Research and development - related parties	298,879	112,652
General and administrative	3,519,605	206,399
General and administrative - related parties	82,519	25,078
Total Operating Expenses	<u>4,217,476</u>	<u>731,078</u>
Loss From Operations	<u>(4,217,476)</u>	<u>(731,078)</u>
<b>Other (Expense) Income:</b>		
Gain (loss) on settlement of liabilities	472,677	-
Other income	12,308	2,603
Interest expense	(5,455)	(82,990)
Interest expense - related parties	(14,201)	(23,088)
Change in fair value of derivative liabilities	22,043,391	-
Total Other (Expense) Income, Net	<u>22,508,720</u>	<u>(103,475)</u>
<b>(Loss) Income Before Income Taxes</b>	<u>18,291,244</u>	<u>(834,553)</u>
Income tax benefit	5,612	5,135
<b>Net (Loss) Income</b>	<u>\$ 18,296,856</u>	<u>\$ (829,418)</u>

### Research and Development

We incurred research and development expenses of \$316,473 for the three months ended September 30, 2021, compared to \$386,949 for the three months ended September 30, 2020, representing a decrease of \$70,476 or approximately 18%. Decreases of approximately \$336,000 resulted from incremental research tax credits earned during the quarter, a decrease of approximately \$28,000 relating to consulting fees, as well as a decrease of approximately \$25,000 related to the temporary pausing of the Alpha-7 project, which were partially offset by increases of approximately \$181,000 primarily resulting from the Company's new research agreements with Oxford University and approximately \$139,000 increase from the Company's research agreements with Yissum University.

### Research and Development – Related Parties

We incurred research and development expenses – related parties of \$298,879 for the three months ended September 30, 2021, compared to \$112,652 for the three months ended September 30, 2020, representing an increase of \$186,227, or approximately 165%. The increase is primarily attributable to approximately \$360,000 of stock-based compensation relating to awards granted to a related party consultant, partially offset by and approximate \$51,000 decrease in other consulting fees and approximately \$123,000 of incremental research tax credits earned during the third quarter of 2021.

#### General and Administrative

We incurred general and administrative expenses of \$3,519,605 and \$206,399 for the three months ended September 30, 2021 and 2020, respectively, representing an increase of \$3,351,788 or approximately 1,624%. Increases resulted from (i) an increase of approximately \$1,197,000 of legal, accounting professional and regulatory filing fees incurred in connection with becoming a public company and complying with public company audit and reporting requirements; (ii) an increase of approximately \$819,000 due to a recovery of bad debts recognized during the three months ended September 30, 2020 of that amount; (iii) an increase of approximately \$513,000 of stock-based compensation; (iv) an increase of approximately \$250,000 in settlement fees incurred during the three months ended September 30, 2021; (v) an increase of approximately \$233,000 of insurance expenses including D&O run-off premiums related to the merger consummated in November 2020; (vi) an increase of approximately \$228,000 in salaries and other payroll fees in connection with new hire salaries and an increase in salaries and bonuses for existing employees; and (vii) an increase of approximately \$221,000 of gains resulting from changes in foreign currency exchange; offset by (viii) a decrease of approximately \$75,000 in patent expenses; (ix) a decrease of approximately \$54,000 in miscellaneous expenses, and (x) a decrease of approximately \$18,000 in rent expenses due to termination of leases for space no longer needed after moving to a remote work environment.

#### General and Administrative – Related Parties

We incurred general and administrative expenses - related parties of \$82,519 and \$25,078, respectively, for the three months ended September 30, 2021 and 2020, respectively, representing an increase of \$58,924, or approximately 235%. The increase is attributable to a related party bad debt expense of approximately \$39,000 and an increase of approximately \$20,000 in related party consulting fees during the period.

#### Other Income (Expenses), Net

We incurred other income, net of \$22,508,720 during the three months ended September 30, 2021, as compared to other expenses, net of \$103,475 for the three months ended September 30, 2020, representing an increase in other income of approximately \$22,612,195 or approximately 21,853%. The increase was primarily attributable to the gains in connection with the change in fair value of derivative liabilities of approximately \$22,043,000 driven by a decrease in our stock price during the period which resulted in a lower fair value of the underlying liability, as well as a gain from the settlement of certain liabilities of approximately \$473,000, and an approximately \$78,000 decrease in principal balances on debt outstanding during the period which reduced interest expense compared to the prior period.

For the Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

	For the Nine Months Ended September 30,	
	2021	2020
<b>Operating Expenses:</b>		
Research and development	\$ 689,217	\$ 1,210,816
Research and development - related parties	1,287,583	223,321
General and administrative	8,740,067	1,712,950
General and administrative - related parties	462,081	85,052
Total Operating Expenses	<u>11,178,948</u>	<u>3,232,139</u>
Loss From Operations	<u>(11,178,948)</u>	<u>(3,232,139)</u>
<b>Other (Expense) Income:</b>		
Gain (loss) on settlement of liabilities	927,698	-
Other income	12,308	15,208
Other income - related parties	-	240,000
Interest expense	(130,634)	(408,404)
Interest expense - related parties	(42,279)	(64,758)
Gain (loss) on extinguishment of convertible notes payable, net	(9,737)	491,624
Change in fair value of derivative liabilities	(10,342,337)	-
Change in fair value of accrued issuable equity	(9,405)	-
Offering costs allocated to warrant liabilities	(604,118)	-
Total Other (Expense) Income, Net	<u>(10,198,504)</u>	<u>273,670</u>
<b>(Loss) Income Before Income Taxes</b>	<u>(21,377,452)</u>	<u>(2,958,469)</u>
Income tax benefit	16,587	15,175
<b>Net (Loss) Income</b>	<u>\$ (21,360,865)</u>	<u>\$ (2,943,294)</u>

Research and Development

We incurred research and development expenses of \$689,217 for the nine months ended September 30, 2021 compared to \$1,210,816 for the nine months ended September 30, 2020, representing a decrease of \$521,599 or approximately 43%. The decrease is primarily attributable to approximately \$711,000 of incremental research tax credits earned during the first nine months of 2021, a decrease of approximately \$163,000 related to the temporary pausing of the Alpha-7 project, as well as a decrease of approximately \$78,000 in consulting fees, a decrease of approximately \$183,000 related to an Oxford University research and development agreement that was earned in the first quarter of 2020, partially offset by approximately an increase of approximately \$562,000 in connection with the Company's new research agreements with Oxford University.

#### Research and Development – Related Parties

We incurred research and development expenses – related parties of \$1,287,582 for the nine months ended September 30, 2021, compared to \$223,321 for the nine months ended September 30, 2020, representing an increase of \$1,064,262 or approximately 477%. The increase is primarily attributable to approximately \$989,000 of stock compensation and approximately \$467,000 of fees and bonuses accrued in connection with a consulting agreement with a founder of 180 LP that became effective on December 1, 2020, for research in connection with the Company's product candidate for the treatment of Dupuytren's disease, offset by approximately \$392,000 of incremental research tax credits earned during the first nine months of 2021 and decreases in other related party consulting expenses of approximately \$98,000.

#### General and Administrative

We incurred general and administrative expenses of \$8,740,067 and \$1,712,950 for the nine months ended September 30, 2021 and 2020, respectively, representing an increase of \$7,027,117, or approximately 410%. Increases resulted primarily from (i) an increase of approximately \$2,394,000 of legal, accounting and professional fees incurred primarily in connection with becoming a public company and complying with public company audit and reporting requirements; (ii) an increase of approximately \$2,020,000 of stock-based compensation expense; (iii) an increase of approximately \$1,157,000 related to bad debt recovery during the nine months ended September 30, 2020; (iv) an increase of approximately \$722,000 of insurance expenses including D&O run-off premiums related to the merger consummated in November 2020; (v) an increase of approximately \$657,000 in salaries and other payroll expenses resulting from new hires and conversion of consultants to full time employees; (vi) an increase of approximately \$250,000 in settlement fees incurred during the three months ended September 30, 2021; (vii) an increase of approximately \$204,000 due to a loss on foreign currency exchanges of approximately \$176,000 compared to approximately a \$3,000 gain on foreign currency exchanges for the periods ended September 30, 2021 and 2020 respectively; (viii) offset by a decrease of approximately \$257,000 in consulting fees resulting from management services being outsourced to consultants instead of hiring personnel for the period ended September 30, 2020; and (ix) a decrease of approximately \$152,000 in patent expenses.

#### General and Administrative – Related Parties

We incurred general and administrative expenses – related parties of \$462,081 and \$85,052, respectively, for the nine months ended September 30, 2021 and 2020, representing an increase of \$377,029 or approximately 443%, resulting from an increase of approximately \$339,000 in bad debt expense incurred during the period in connection with a related party receivable, an increase of approximately \$49,000 in related party consulting fees during the period, offset by a decrease of approximately \$10,000 in related party professional fees.

#### Other (Expenses) Income, Net

We incurred other expenses, net of \$10,198,504 during the nine months ended September 30, 2021 as compared to other income, net of \$273,670 for the nine months ended September 30, 2020, representing an increase in other expenses of \$10,472,174 or approximately 3,827%. The increase was primarily attributable to (i) the change in fair value of derivative liabilities of approximately \$10,342,000, which was driven by the increase in our stock price during the period which resulted in a higher fair value of the underlying derivative liability, (ii) gains recognized upon the extinguishment of convertible notes payable of approximately \$492,624 during the nine months ended September 30, 2020 as compared to approximately \$9,737 in losses associated therewith recognized during the nine months September 30, 2021, (iii) offering costs allocated to warrant liabilities of approximately \$604,000 and (iv) decreases in other income from related parties of approximately \$240,000, partially offset by approximately \$928,000 of net gains related to the settlement of certain liabilities and a decrease in interest expense of approximately \$278,000 resulting from the decrease in debt principal outstanding during the period.

## Liquidity and Capital Resources

As of September 30, 2021 and December 31, 2020, we had cash balances of \$11,687,800 and \$2,108,544, respectively, and working capital deficits of \$10,591,080 and \$17,406,356, respectively.

For the nine months ended September 30, 2021 and 2020, cash used in operating activities was \$14,343,898 and \$655,569, respectively. Our cash used in operations for the nine months ended September 30, 2021 was primarily attributable to our net loss of \$21,360,865, adjusted for non-cash expenses in the aggregate amount of \$14,424,088 as well as \$7,407,121 of net cash used to fund changes in the levels of operating assets and liabilities. Our cash used in operations for the nine months ended September 30, 2020 was primarily attributable to our net loss of \$ 2,943,294, reduced by non-cash income in the aggregate amount of \$1,256,706, as well as \$3,544,431 of net cash provided by changes in the levels of operating assets and liabilities.

For the nine months ended September 30, 2021 and 2020, cash provided by financing activities was \$23,862,871 and \$491,649, respectively. Cash provided by financing activities during the nine months ended September 30, 2021 was due to \$24,611,070 of net proceeds from our offering of common stock and warrants, partially offset by the repayment of loans and convertible debt in the aggregate amount of \$748,199. The net cash provided by financing activities during the nine months ended September 30, 2020 was comprised of \$419,149 of proceeds from the issuance of debt instruments and \$72,500 of proceeds from the issuance of equity instruments.

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

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

We have not yet achieved profitability and expect to continue to incur cash outflows from operations. It is expected that our research and development and general and administrative expenses will continue to increase and, as a result, we expect to need to raise additional capital to fund our operations. If we are unable to obtain adequate funds on reasonable terms, we may be required to significantly curtail or discontinue operations or obtain funds by entering into financing agreements on unattractive terms, which could have an adverse effect on the value of our securities. Our operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. The conditions outlined above indicate that there is substantial doubt about our ability to continue as a going concern within one year after the financial statement issuance date.

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

#### **Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements between us and any other entity that have, or are reasonably likely to have, a current or future effect on financial conditions, changes in financial conditions, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

#### **Critical Accounting Policies and Estimates**

The preparation of the Company’s financial statements and related disclosures in conformity with U.S. generally accepted accounting principles and the Company’s discussion and analysis of its financial condition and operating results require the Company’s management to make judgments, assumptions and estimates that affect the amounts reported. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates, and such differences may be material.

We believe that the assumptions and estimates used in determining the fair value of financial instruments and the impairment analysis of goodwill and other intangible assets, have the greatest potential impact on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

#### **Recently Issued Accounting Pronouncements**

See Note 3 – Summary of Significant Accounting Policies of our consolidated financial statements included within our 2020 Annual Report on Form 10-K for a summary of recently issued accounting pronouncements.

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

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



#### Item 4. Controls and Procedures.

##### Evaluation of Disclosure Controls and Procedures

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

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

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

Based on their evaluation, our principal executive officer and principal financial and accounting officer concluded that, as of September 30, 2021, our disclosure controls and procedures were not effective to provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosures as of September 30, 2021.

Management's evaluation was based on the following material weaknesses in our internal control over financial reporting which existed as of December 30, 2020, and which continue to exist, as discussed in the Company's Annual Report on Form 10-K:

- *Financial Reporting Systems:* The Company did not maintain a fully integrated financial consolidation and reporting system throughout the period and as a result, extensive manual analysis, reconciliation and adjustments were required in order to produce financial statements for external reporting purposes.
- *Segregation of Duties:* The Company does not currently have a sufficient complement of technical accounting and external reporting personnel commensurate to support standalone external financial reporting under public company or SEC requirements. Specifically, the Company did not effectively segregate certain accounting duties due to the small size of its accounting staff and maintain a sufficient number of adequately trained personnel necessary to anticipate and identify risks critical to financial reporting and the closing process. In addition, there were inadequate reviews and approvals by the Company's personnel of certain reconciliations and other processes in day-to-day operations due to the lack of a full complement of accounting staff.
- *Insufficient Written Policies:* The Company has insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of GAAP and SEC disclosure requirements.
- *Ineffective controls:* The Company's controls over period end financial disclosure and reporting processes, which includes the valuation of fair value instruments, are ineffective.

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

Our management plans to establish procedures to monitor and evaluate the effectiveness of our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing necessary enhancements or improvements. Management expects to complete its assessment of the design and operating effectiveness of its internal controls over financial reporting during the second half of 2021. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Remediation Plan**

The Company has established an Audit Committee to provide oversight of remediation efforts. Management intends to take steps to develop and enhance its internal controls over financial reporting, including:

- hiring additional accounting personnel;
- engaging an advisory firm to lead the remediation and assessment of internal controls;
- developing formal policies and procedures over accounting and reporting; and
- identifying additional information technology to improve financial reporting.

Our management plans to establish procedures to monitor and evaluate the effectiveness of our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing necessary enhancements or improvements. Management expects to complete its assessment of the design and operating effectiveness of its internal controls over financial reporting during the second half of 2021. 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.

#### **Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

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

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

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

### Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Commission on July 9, 2021, under the heading “Risk Factors”, which risk factors are incorporated by reference herein, except as described below, and investors should review the risks provided in the Form 10-K and below, prior to making an investment in the Company. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in the Form 10-K for the year ended December 31, 2020, under “Risk Factors”, any one or more of which could, directly or indirectly, cause the Company’s actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company’s business, financial condition, operating results and stock price.

The risk factor entitled “*We may not be able to comply with NASDAQ’s continued listing standards.*”, from the Form 10-K is replaced and superseded by the following:

***We may not be able to comply with NASDAQ’s continued listing standards.***

Our common stock and warrants trade on The NASDAQ Capital Market under the symbols “ATNF” and “ATNFW,” respectively. Notwithstanding such listing, there can be no assurance any broker will be interested in trading our securities. Therefore, it may be difficult to sell your securities if you desire or need to sell them. Our underwriters are not obligated to make a market in our securities, and even if they do make a market, they can discontinue market making at any time without notice. Neither we nor the underwriters can provide any assurance that an active and liquid trading market in our securities will develop or, if developed, that such market will continue.

There is also no guarantee that we will be able to maintain our listings on The NASDAQ Capital Market for any period of time by perpetually satisfying NASDAQ's continued listing requirements. Our failure to continue to meet these requirements may result in our securities being delisted from NASDAQ.

Among the conditions required for continued listing on The NASDAQ Capital Market, NASDAQ requires us to maintain at least \$2.5 million in stockholders' equity, \$35 million of market value of listed securities, or \$500,000 in net income over the prior two years or two of the prior three years, to have a majority of independent directors, and to maintain a stock price over \$1.00 per share. Our stockholders' equity may not remain above NASDAQ's \$2.5 million minimum, our market value of listed securities may not remain above \$35,000,000, we may not generate over \$500,000 of yearly net income, we may not be able to maintain independent directors, and we may not be able to maintain a stock price over \$1.00 per share.

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

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

### *Recent Sales of Unregistered Securities*

There have been no sales of unregistered securities during the quarter ended September 30, 2021, and for the period from October 1, 2021, to the filing date of this report, which have not previously been disclosed in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, or in a Current Report on Form 8-K.

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

None.

## **Item 3. Defaults upon Senior Securities.**

None.

## **Item 4. Mine Safety Disclosures.**

Not applicable.

## **Item 5. Other Information.**

None.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference (Unless Otherwise Indicated)			
		Form	File No.	Exhibit	Filing Date
10.1£	<a href="#">Sir Marc Feldmann Confirmation of Rescission of Note Amendments effective February 25, 2021</a>	10-Q	001-38105	10.15	July 19, 2021
10.2	<a href="#">Dr. Lawrence Steinman Confirmation of Rescission of Note Amendments effective February 25, 2021</a>	10-Q	001-38105	10.16	July 19, 2021
10.3	<a href="#">Common Stock Purchase Warrant dated July 31, 2021, to purchase 25,000 shares of common stock of 180 Life Sciences Corp., granted to Alpha Capital Anstalt</a>	8-K	001-38105	4.1	August 2, 2021
10.4	<a href="#">Mutual Release and Settlement Agreement dated July 31, 2021, issued by 180 Life Sciences Corp. to Alpha Capital Anstalt</a>	8-K	001-38105	10.1	August 2, 2021
10.5	<a href="#">Form of Stock Option Agreement (Independent Directors August 2021 Grants)</a>	10-Q	001-38105	10.9	August 6, 2021
10.6	<a href="#">Form of Purchaser Warrant (August 2021 Offering)</a>	8-K	001-38105	4.1	August 24, 2021
10.7£	<a href="#">Securities Purchase Agreement dated as of August 19, 2021 by and between 180 Life Sciences Corp. and the purchasers identified on the signature pages thereto</a>	8-K	001-38105	10.1	August 24, 2021
10.8	<a href="#">Engagement Letter dated August 17, 2021 between 180 Life Sciences Corp. and Maxim Group LLC</a>	8-K	001-38105	10.2	August 24, 2021
10.9	<a href="#">Registration Rights Agreement dated as of August 23, 2021 by and between 180 Life Sciences Corp. and the purchasers signatory thereto</a>	8-K	001-38105	10.3	August 24, 2021
10.10	<a href="#">Form of Lock-Up Agreement (August 2021 Offering)</a>	8-K	001-38105	10.4	August 24, 2021
10.11£	<a href="#">Settlement and Mutual Release Agreement dated September 17, 2021, by and between 180 Life Sciences Corp. and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.</a>	8-K	001-38105	10.1	September 20, 2021
10.12	<a href="#">180 Life Sciences Corp. 2020 Omnibus Incentive Plan (filed as Exhibit 10.3 to the registrant's Current Report on Form 8-K that was filed on November 12, 2020, and incorporated herein by reference)</a>	S-8	333-259918	4.1	September 30, 2021
10.13	<a href="#">Form of Stock Option Agreement 180 Life Sciences Corp. 2020 Omnibus Incentive Plan</a>	S-8	333-259918	4.2	September 30, 2021
10.14	<a href="#">Form of Restricted Stock Grant Agreement Stock Option Agreement 180 Life Sciences Corp. 2020 Omnibus Incentive Plan</a>	S-8	333-259918	4.3	September 30, 2021
10.15	<a href="#">Debt Conversion Agreement dated September 30, 2021, by and between 180 Life Sciences Corp. and Dr. Lawrence Steinman and Sir Marc Feldmann</a>	8-K	001-38105	10.1	October 5, 2021
10.16#	<a href="#">October 29, 2021, Employment Agreement between 180 Life Sciences Corp. and Quan Anh Vu</a>	8-K	001-38105	10.1	October 29, 2021
31.1*	<a href="#">Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	—	—	—	Filed herewith
31.2*	<a href="#">Certification of the Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	—	—	—	Filed herewith
32.1**	<a href="#">Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	—	—	—	Furnished herewith
32.2**	<a href="#">Certification of the Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	—	—	—	Furnished herewith
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	—	—	—	Filed herewith.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document	—	—	—	Filed herewith.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document	—	—	—	Filed herewith.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	Filed herewith.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document	—	—	—	Filed herewith.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	Filed herewith.
104*	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set	—	—	—	Filed herewith.

\* Filed herewith.

\*\* Furnished herewith.

# Management contract or compensatory plans or arrangements.

£ Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that 180 Life Sciences Corp. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

**SIGNATURES**

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

Date: November 12, 2021

**180 LIFE SCIENCES CORP.**

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

By: James N. Woody, M.D., Ph.D.,  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 12, 2021

*/s/ Ozan Pamir*

By: Ozan Pamir, Interim  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## Certification of Chief Executive Officer

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

- 1) I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2021, of 180 Life Sciences Corp. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant’s other certifying officer 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.

Date: November 12, 2021

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

James N. Woody, M.D., Ph.D.

Chief Executive Officer

(Principal Executive Officer)

## Certification of Chief Financial Officer

I, Ozan Pamir, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2021, of 180 Life Sciences Corp. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant’s other certifying officer 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.

Date: November 12, 2021

*/s/ Ozan Pamir*

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



**Certification of Chief Executive Officer**

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

I, James N. Woody, M.D., Ph.D., certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of 180 Life Sciences Corp. on Form 10-Q for the quarterly period ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of 180 Life Sciences Corp. at the dates and for the periods indicated.

Dated: November 12, 2021

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

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

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

**Certification of Chief Financial Officer**

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

I, Ozan Pamir, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of 180 Life Sciences Corp. on Form 10-Q for the quarterly period ended September 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of 180 Life Sciences Corp. at the dates and for the periods indicated.

Dated: November 12, 2021

*/s/ Ozan Pamir*

\_\_\_\_\_  
Ozan Pamir

Interim Chief Financial Officer

(Principal Financial/Accounting Officer)

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