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

# Form 10-Q

**(Mark One)**

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

**For the quarterly period ended: September 30, 2021**

**OR**

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

**For the transition period from to**

Commission File Number **001-38286**

# ENVERIC BIOSCIENCES, INC.
(Exact name of registrant as specified in its charter)

| **Delaware** | **95-4484725** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **4851 Tamiami Trail N**, Suite 200 **Naples**, FL | **34103** |
| (Address of principal executive offices) | (Zip Code) |

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

Securities registered under section 12(b) of the Act:

| **Title of each class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| Common Stock, $0.01 par value per share | ENVB | The Nasdaq Stock Market LLC |

Securities registered under section 12(g) of the Act:

| **Title of class** |
|---|
| Series B Preferred Stock |

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 X 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 X No ☐

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

Large accelerated filer ☐
Non-accelerated filer X
Emerging growth company ☐

Accelerated filer ☐
Smaller reporting company X

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 X

As of November 9, 2021, there were 31,383,632 shares of the registrant's common stock, $0.01 par value per share, issued and outstanding.

**ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES**

**FORM 10-Q**
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**ENVERIC BIOSCIENCES, INC AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(unaudited)**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Assets | | |
| Current Assets: | | |
| Cash | $ 21,448,426 | $ 1,578,460 |
| Prepaid expenses and other current assets | 833,116 | 700,710 |
| Total current assets | 22,281,542 | 2,279,170 |
| Non-Current Assets | | |
| Fixed assets, net of accumulated depreciation of $2,240 and $-0- as of September 30, 2021 and December 31, 2020, respectively | 140,568 | — |
| Intangible assets, net of accumulated amortization of $592,700 and $126,968 as of September 30, 2021 and December 31, 2020, respectively | 38,273,667 | 1,817,721 |
| Goodwill | 9,061,927 | — |
| Total assets | $ 69,757,704 | $ 4,096,891 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 2,162,812 | $ 681,250 |
| Total current liabilities | 2,162,812 | 681,250 |
| Deferred tax liability | 9,061,927 | |
| Warrant liability | 3,166,116 | - |
| Total liabilities | $ 14,390,855 | $ 681,250 |
| Commitments and Contingencies | - | |
| Shareholders' Equity | | |
| Preferred Stock, $0.01 par value, 20,000,000 shares authorized, 0 and 3,275,407 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively | $ - | $ 32,754 |
| Common stock, $0.01 par value, 100,000,000 shares authorized, 31,383,632 and 10,095,109 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively | 313,836 | 100,951 |
| Additional paid-in capital | 73,869,289 | 15,222,770 |
| Accumulated deficit | (18,630,963) | (11,759,557) |
| Accumulated other comprehensive loss | (185,313) | (181,277) |
| Total shareholders' equity | 55,366,849 | 3,415,641 |
| Total Liabilities and shareholders' equity | $ 69,757,704 | $ 4,096,891 |

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



**ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(UNAUDITED)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |

| | | | | |
|---|---|---|---|---|
| Operating expenses | | | | |
| Research and development costs | $ 1,219,339 | $ 63,302 | $ 2,295,826 | $ 134,259 |
| General and administrative expenses | 2,123,834 | 426,532 | 10,864,696 | 1,959,785 |
| Depreciation and amortization | 173,696 | - | 484,355 | - |
| Total operating expenses | 3,516,869 | 489,834 | 13,644,877 | 2,094,044 |
| Loss from Operations | (3,516,869) | (489,834) | (13,644,877) | (2,094,044) |
| Other income (expense) | | | | |
| Interest expense | (370) | (75,501) | (5,191) | (388,143) |
| Change in fair value of warrant liabilities | 804,833 | - | 7,077,376 | |
| Inducement expense | - | - | (298,714) | |
| Total other income (expense) | 804,463 | (75,501) | 6,773,471 | (388,143) |
| Net Loss | (2,712,406) | (565,335) | (6,871,406) | (2,482,187) |
| Other comprehensive gain (loss) | | | | |
| Foreign currency translation | (6,510) | (7,310) | (4,036) | (30,077) |
| Comprehensive loss | $ (2,718,916) | $ (572,645) | $ (6,875,442) | $ (2,512,264) |
| Net loss per share – basic and diluted | $ (0.12) | $ (0.10) | $ (0.34) | $ (0.43) |
| Weighted average shares outstanding, basic and diluted | 23,142,780 | 5,861,727 | 20,325,782 | 5,733,360 |

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



**ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**
**(UNAUDITED)**

| | Common Stock | | Additional Paid-In | Accumulated | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit | Loss | Total |
| Balance as of December 31, 2019 | 5,573,915 | $ **55,739** | $ 3,039,163 | $ (4,894,881) | $ (11,622) | $ (1,811,601) |
| Common stock issued for accounts payable | 85,942 | 859 | 172,623 | | | 173,482 |
| Warrants issued in conjunction with notes payable | | | 32,149 | | | 32,149 |
| Beneficial conversion feature issued with note payable | | | 17,851 | | | 17,851 |
| Foreign exchange loss | | | | | (12,698) | (12,698) |
| Net loss | | | | (1,098,461) | | (1,098,461) |
| Balance as of March 31, 2020 | 5,659,857 | $ **56,598** | $ 3,261,786 | $ (5,993,342) | $ (24,320) | $ (2,699,278) |
| Common stock issued in conjunction with note payable modification | 12,167 | 122 | 45,603 | | | 45,725 |
| Foreign exchange loss | | | | | (10,069) | (10,069) |
| Net loss | | | | (818,391) | | (818,391) |
| Balance as of June 30, 2020 | 5,672,024 | $ **56,720** | $ 3,307,389 | $ (6,811,733) | $ (34,389) | $ (3,482,013) |
| Private equity placement | 36,871 | 369 | 227,131 | | | 227,500 |
| Conversion of related party advance and notes payable | 239,325 | 2,393 | 235,607 | | | 238,000 |
| Foreign exchange loss | | | | | (7,310) | (7,310) |
| Net loss | | | | (565,335) | | (565,335) |
| Balance as of September 30, 2020 | 5,948,220 | $ **59,482** | $ 3,770,127 | $ (7,377,068) | $ (41,699) | $ (3,589,158) |

*(continued on next page)*

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



**ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**
**(UNAUDITED)**

*(Continued from prior page)*

| | Series B Preferred Stock | | Common Stock | | Additional Paid-In | Accumulated | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Deficit | Loss | Total |
| Balance as of December 31, 2020 | 3,275,407 | $ 32,754 | 10,095,109 | $ 100,951 | $ 15,222,770 | $ (11,759,557) | $ (181,277) | $ 3,415,641 |
| January 2021 registered direct offering, net | - | - | 2,221,334 | 22,213 | 4,594,874 | | | 4,617,087 |
| February 2021 registered direct offering | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| , net | | | 3,007,026 | 30,070 | 6,986,331 | | | 7,016,401 |
| Stock based compensation | | | | | 3,591,565 | | | 3,591,565 |
| Induced conversion of stock options into restricted stock awards | | | | | 298,714 | | | 298,714 |
| Conversion of Series B Preferred Stock | (3,275,407) | (32,754) | 3,275,407 | 32,754 | | | | - |
| Exercise of warrants, net | | | 851,099 | 8,511 | 3,258,734 | | | 3,267,245 |
| Foreign exchange gain | | | | | | | 35,736 | 35,736 |
| Net loss | | | | | | (3,250,711) | | (3,250,711) |
| Balance as of March 31, 2021 | - | - | 19,449,975 | $ 194,499 | $ 33,952,988 | $ (15,010,268) | $ (145,541) | $ 18,991,678 |
| | | | | | | | | |
| Stock based compensation | - | - | | | 717,466 | | | 717,466 |
| Stock issued for services | | | 14,121 | 141 | 33,326 | | | 33,467 |
| Conversion of stock options into restricted stock | | | 42,125 | 421 | (421) | | | - |
| Exercise of warrants | | | 1,791,948 | 17,921 | 7 | | | 17,928 |
| Exercise of options | | | 134,246 | 1,342 | (1,342) | | | - |
| Foreign exchange loss | | | | | | | (33,262) | (33,262) |
| Net loss | | | | | | (908,289) | | (908,289) |
| Balance as of June 30, 2021 | - | - | 21,432,415 | $ 214,324 | $ 34,702,024 | $ (15,918,557) | $ (178,803) | $ 18,818,988 |
| | | | | | | | | |
| Consideration paid pursuant to amalgamation agreement | - | - | 9,951,217 | 99,512 | 38,942,770 | | | 39,042,282 |
| Stock based compensation | | | | | 486,986 | | | 486,986 |
| Reserve for Ameri warrant liabilities | | | | | (262,491) | | | (262,491) |
| Foreign exchange loss | | | | | | | (6,510) | (6,510) |
| Net loss | | | | | | (2,712,406) | | (2,712,406) |
| Balance as of September 30, 2021 | - | - | 31,383,632 | $ 313,836 | $ 73,869,289 | $ (18,630,963) | $ (185,313) | $ 55,366,849 |

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



**ENVERIC BIOSCIENCES, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Cash Flows From Operating Activities: | | |
| Net loss | $ (6,871,406) | $ (2,482,187) |
| Adjustments to reconcile net loss to cash used in operating activities | | |
| Amortization of debt discount | - | 285,858 |
| Accrued interest | - | 102,285 |
| Change in fair value of warrant liability | (7,077,376) | - |
| Stock and option based compensation | 4,829,484 | - |
| Inducement expense | 298,714 | - |
| Depreciation and amortization expense | 484,355 | - |
| Change in operating assets and liabilities | | |
| Prepaid expenses and other current assets | 320,123 | (1,841) |
| Accounts payable and accrued liabilities | 625,748 | 522,162 |
| Due from related party | - | (65,075) |
| Net cash used in operating activities | (7,390,358) | (1,638,798) |
| | | |
| Cash Flows From Investing Activities: | | |
| Purchase of Diverse Bio license agreement | (675,000) | - |
| Cash accretive acquisition of MagicMed | 3,055,327 | - |
| Net cash provided by investing activities | 2,380,327 | - |
| | | |
| Cash Flows From Financing Activities: | | |
| Proceeds from sale of common stock and warrants, net of offering costs | 21,614,488 | 227,500 |
| Proceeds from convertible notes payable | - | 50,000 |
| Proceeds from note payable | - | 1,812,410 |
| Repayment of note payable | - | (157,714) |
| Proceeds from warrant exercises, net of fees | 3,285,164 | - |
| Net cash provided by financing activities | 24,899,652 | 1,932,196 |
| | | |
| Effect of foreign exchange rate on cash | (19,655) | 3,786 |
| | | |
| Net increase in cash | 19,869,966 | 297,184 |
| Cash - Beginning of period | 1,578,460 | 43,714 |
| Cash - End of period | $ 21,448,426 | $ 340,898 |
| Supplemental disclosure of cash and non-cash transactions: | | |
| Issuance of Common Stock pursuant to MagicMed amalgamation | $ 39,042,282 | $ - |
| Deferred tax liability incurred due to MagicMed amalgamation | $ 9,061,927 | $ - |
| Conversion of preferred stock to common stock$ | $ 32,754 | $ - |
| | 9,981,000 | |
| Fair value of warrants issued | $ | $ - |
| Fair value of Ameri warrants | $ 262,492 | $ - |
| Beneficial conversion feature issued with note payable | $ - | $ 17,851 |
| Warrants issued in conjunction with notes payable issuances | $ - | $ 32,149 |

| | | | | |
|---|---|---|---|---|
| Common stock issued for accounts payable | $ | - | $ | 173,482 |
| Common stock issued in conjunction with note payable modification | $ | - | $ | 45,725 |
| Conversion of related party advances and notes payable into common stock | $ | - | $ | 238,000 |
| Cash paid for interest | $ | 5,191 | $ | 388,143 |
| Cash paid for income taxes | $ | - | $ | - |

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



**Enveric Biosciences, Inc. and Subsidiaries**
**Notes to Unaudited Condensed Consolidated Financial Statements**

**NOTE 1 - BUSINESS**

***Nature of operations***

Enveric Biosciences, Inc. ("Enveric Biosciences, Inc." "Enveric" or the "Company") (formerly known as Ameri Holdings, Inc.) ("Ameri") is a pharmaceutical company developing innovative, evidence-based cannabinoid medicines. The head office of the Company is located in Naples, Florida.

On January 10, 2020, the Company entered into an Amalgamation Agreement (as amended on May 6, 2020), (the "Jay Pharma Amalgamation Agreement") with Jay Pharma Merger Sub, Inc., a company organized under the laws of Canada and a wholly owned subsidiary of the Company ("Merger Sub"), Jay Pharma Inc., a company organized under the laws of Canada ("Jay Pharma"), Jay Pharma ExchangeCo., Inc. a company organized under the laws of British Columbia and a wholly owned subsidiary of the Company ("ExchangeCo"), and Barry Kostiner, as the Company Representative, which provided that, among other things, Merger Sub and Jay Pharma would be amalgamated and would continue as one corporation ("Amalco"), with Amalco continuing as a direct wholly owned subsidiary of ExchangeCo and an indirect wholly owned subsidiary of Ameri, on the terms and conditions set forth in the Jay Pharma Amalgamation Agreement. On August 12, 2020, the Company, Jay Pharma and certain other signatories thereto entered into a tender agreement (the "Tender Agreement"), which provided that, among other things, Ameri would make a tender offer (the "Offer") to purchase all of the outstanding common shares of Jay Pharma for the number of shares of Enveric common stock equal to the exchange ratio set forth in the Tender Agreement, and Jay Pharma would become a wholly-owned subsidiary of Ameri, on the terms and conditions set forth in the Tender Agreement. The Tender Agreement terminated and replaced in its entirety the Jay Pharma Amalgamation Agreement. On December 30, 2020, the Company, Jay Pharma, Merger Sub, and ExchangeCo completed the Offer and Jay Pharma became a wholly owned subsidiary of the Company. The transaction was treated as a reverse acquisition and recapitalization and accordingly, the historical financial statements prior to the date of the business combination in these unaudited condensed consolidated financial statements are those of Jay Pharma.

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

At the effective time of the Amalgamation (the "Effective Time"), holders of outstanding common shares of MagicMed (the "MagicMed Shares") received such number of shares of common stock of the Company ("Company Shares") representing, together with the Company Shares issuable upon exercise of the Warrants and the Converted Options (each as defined herein), approximately 36.6% of the issued and outstanding Company Shares (on a fully-diluted basis). The MagicMed Shares were initially converted into Amalco Redeemable Preferred Shares (as defined in the Amalgamation Agreement), which immediately following the Amalgamation were redeemed for 0.000001 of a Company Share. Following such redemption, the shareholders of MagicMed received additional Company Shares equal to the product of the Exchange Ratio (as defined in the Amalgamation Agreement) multiplied by the number of MagicMed Shares held by each such shareholder. Additionally, following the Effective Time (i) each outstanding MagicMed stock option was converted into and became an option to purchase (the "Converted Options") the number of Company Shares equal to the Exchange Ratio multiplied by the number of MagicMed Shares subject to such MagicMed stock option, and (ii) each holder of an outstanding MagicMed warrant (including Company Broker Warrants (as defined in the Amalgamation Agreement), the "Warrants") received upon exercise of such Warrant that number of Company Shares which the holder would have been entitled to receive as a result of the Amalgamation if, immediately prior to the date of the Amalgamation (the "Effective Date"), such holder had been the registered holder of the number of MagicMed Shares to which such holder would have been entitled if such holder had exercised such holder's Warrants immediately prior to the Effective Time (the foregoing collectively, the "Amalgamation"). In aggregate, holders of MagicMed Shares received 9,951,217 Company Shares, representing approximately 31.7% of the Company Shares following the consummation of the Amalgamation. The maximum number of Company Shares to be issued by the Company as in respect of the Warrants and Converted Options shall not exceed 7,404,101 Company Shares.

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

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



**Enveric Biosciences, Inc. and Subsidiaries**
**Notes to Unaudited Condensed Consolidated Financial Statements**

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

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

As of September 30, 2021, the accounting for the Amalgamation with MagicMed is provisional pending the calculation of the final purchase price, finalization of the opening balances sheet, the final valuation report, and allocation of the total consideration transferred.

***LIQUIDITY AND OTHER UNCERTANTIES***

The unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"), which contemplate continuation of the Company as a going concern. The Company is in a development stage and has incurred losses each year since inception and has experienced negative cash flows from operations in each year since inception and has an accumulated deficit of approximately $18,630,963 as of September 30, 2021. Based on the current development plans and other operating requirements, the Company believes that the existing cash on hand at September 30, 2021 is sufficient to fund operations for at least the next twelve months following the filing of these unaudited condensed consolidated financial statements.

During 2020 and continuing into 2021, the world has been, and continues to be, impacted by the novel coronavirus (COVID-19) pandemic. COVID-19 (including its variants and mutations) and measures to prevent its spread impacted our business in a number of ways. The impact of these disruptions and the extent of their adverse impact on our financial and operating results will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration and severity of the impacts of COVID-19, and among other things, the impact of governmental actions imposed in response to COVID-19 and individuals' and companies' risk tolerance regarding health matters going forward and developing strain mutations.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation and Principal of Consolidation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Management's opinion is that all adjustments (consisting of normal accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020 and related notes thereto included in the Company's Annual Report on Form 10-K filed with the SEC on April 1, 2021. The unaudited condensed consolidated financial statements represent the consolidation of the Company and its subsidiaries in conformity with U.S. GAAP. All intercompany transactions have been eliminated in consolidation.

***Use of Estimates***

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





***Foreign Currency Translation***

From inception through December 31, 2020, the reporting currency of the Company was the United States dollar while the functional currency of the Company was the Canadian dollar. From January 1, 2021 through September 30, 2021, the reporting currency of the Company remained the United States dollar, with a portion of transactions being denominated in Canadian dollars. As a result, the Company is subject to exposure from changes in the exchange rates of the Canadian dollar and the U.S. dollar.

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

***Warrant Liability***

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

***Offering Costs***

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

***Net Loss per Share***

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method) and convertible notes. The computation of basic net loss per share for the three and nine months ended September 30, 2021 and 2020 excludes potentially dilutive securities. The computations of net loss per share for each period presented is the same for both basic and fully diluted.

Potentially dilutive securities outlined in the table below have been excluded from the computation of diluted net loss per share for the three and nine months ended September 30, 2021 and 2020 because the effect of their inclusion would have been anti-dilutive.

| | For the three and nine months ended September 30, 2021 | For the three and nine months ended September 30, 2020 |
|---|---|---|
| Warrants to purchase shares of common stock | 10,576,654 | 332,854 |
| Convertible notes | - | 139,721 |
| Restricted stock units | 5,775,171 | - |

| | | |
|---|---|---|
| Restricted stock awards | 28,861 | - |
| Options to purchase shares of common stock | 1,147,334 | 797,372 |
| Total potentially dilutive securities | **17,528,020** | 1,269,947 |





***Fair Value Measurement***

The Company follows Accounting Standards Codification ("ASC") 820–10 "Fair Value Measurement" of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification to measure the fair value of its financial instruments and disclosures about fair value of its financial instruments. ASC 820–10 establishes a framework for measuring fair value and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820–10 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels.

The three (3) levels of fair value hierarchy defined by ASC 820–10 are described below:

*Level 1* Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

*Level 2* Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

*Level 3* Pricing inputs that are generally unobservable inputs and not corroborated by market data.

Financial assets or liabilities are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses and other current assets, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these instruments.

The Company uses Level 3 of the fair value hierarchy to measure the fair value of its warrant liabilities. The Company revalues such liabilities at every reporting period and recognizes gains or losses as change in fair value of warrant liabilities in the unaudited condensed consolidated statements of operations that are attributable to the change in the fair value of the warrant liabilities.

The following table provides the financial liabilities measured on a recurring basis and reported at fair value on the unaudited condensed consolidated balance sheet as of September 30, 2021 and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

| | Level | September 30, 2021 |
|---|---|---|
| Warrant liabilities – January Warrants | 3 | $ 1,487,234 |
| Warrant liabilities – February Warrants | 3 | 1,416,391 |
| Put rights in warrants issued prior to and surviving amalgamation with Ameri | 2 | 262,491 |
| Fair value as of September 30, 2021 | | $ 3,166,116 |

The Company had no assets or liabilities measured at fair value on December 31, 2020.

Both the January and February Warrants are classified as Level 3, for which there is no current market for these securities such as the determination of fair value requires significant judgment or estimation. Changes in fair value measurement categorized within Level 3 of the fair value hierarchy are analysed each period based on changes in estimates or assumptions and recorded as appropriate.

*Initial measurement*

| | January Warrants January 13, 2021 | February Warrants February 12, 2021 |
|---|---|---|
| Term (years) | 5.0 | 5.0 |
| Stock price | $ 4.21 | $ 4.62 |
| Exercise price | $ 4.95 | $ 4.90 |
| Dividend yield | 0.0% | 0.0% |
| Expected volatility | 84.7% | 84.7% |
| Risk free interest rate | 0.5% | 0.5% |
| | | |
| Number of shares | 1,821,449 | 1,714,005 |
| Value (per share) | $ 2.66 | $ 3.00 |





*Subsequent measurement*

The following table presents the changes in fair value of the warrant liabilities:

| | January Warrants | February Warrants | Total Warrant Liability |
|---|---|---|---|
| Fair value as of December 31, 2020 | $ - | $ - | $ - |
| Initial value of warrant liability | 4,846,000 | 5,135,000 | 9,981,000 |
| Change in fair value | (3,358,767) | (3,718,609) | (7,077,376) |

Fair value of put rights in warrants issued prior to and surviving

| | | | |
|---|---|---|---|
| amalgamation with Ameri | | | 262,491 |
| Fair value as of September 30, 2021 | $ 1,487,234 | $ 1,416,391 | $ 3,166,116 |

The key inputs into the Black Scholes valuation model for the Level 3 valuations as of September 30, 2021 are below:

| | January Warrants | February Warrants |
|---|---|---|
| Term (years) | 4.3 | 4.3 |
| Stock price | $ 2.07 | $ 2.07 |
| Exercise price | $ 4.95 | $ 4.90 |
| Dividend yield | 0.0% | 0.0% |
| Expected volatility | 77.1% | 76.7% |
| Risk free interest rate | 0.98% | 0.98% |
| | | |
| Number of shares | 1,821,449 | 1,714,005 |
| Value (per share) | $ 0.82 | $ 0.83 |

Certain warrants issued by Ameri prior to the December 30, 2020 amalgamation with the Company, and containing put rights, remain outstanding and operative, with the put rights contained therein representing a liability to the Company classified as Level 2, due to the pricing input per warrant share, prior to adjustment for the reverse split subsequent to issuance of the warrants, and the number of warrant shares being directly observable as of the reporting date.

**Business Combinations**

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

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

**Intangible Assets**

Intangible assets consist of in-process research and development acquired. The intangible assets are valued using the discounted cash flows method. The Company assesses the carrying value of its intangible assets for impairment each year. License agreements are recorded at cost and amortized over the life of the license.

Intangible assets related to acquired IPR&D projects are considered to be indefinite-lived until the completion or abandonment of the associated research and development efforts. During the period the assets are considered indefinite-lived, they will not be amortized but will be tested for impairment. Impairment testing is performed at least annually or when a triggering event occurs that could indicate a potential impairment. If and when development is complete, which generally occurs when regulatory approval to market a product is obtained, the associated assets are deemed finite-lived and are amortized over a period that best reflects the economic benefits provided by these assets.





**Research and Development**

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

**Stock-Based Compensation**

The Company recognizes compensation expense for all equity-based payments in accordance with ASC 718 "Compensation – Stock Compensation" which addresses the accounting for stock-based payment transactions, requiring such transactions to be accounted for using the fair value method. Awards of shares for property or services are recorded at the more readily measurable of the estimated fair value of the stock award and the estimated fair value of the service. The Company uses the Black-Scholes option-pricing model to determine the grant date fair value of stock-based awards under ASC 718. The estimated fair value is amortized as a charged to earnings on a straight-line basis depending on the terms and conditions of the award, and the nature of the relationship of the recipient of the award to the Company. The Company records the grant date fair value in line with the period over which it was earned. For employees and consultants, this is typically considered to be the vesting period of the award . Under fair value recognition provisions, the Company accounts for forfeitures when they occur. Stock-based compensation expense recognized in the financial statements is reduced by the actual awards forfeited.

Restricted stock units, restricted stock awards, and stock options are granted at the discretion of the Compensation Committee of the Company's board of directors (the "Board of Directors"). These awards are restricted as to the transfer of ownership and generally vest over the requisite service periods, typically over a 12 to 48-month period.

***Segment Reporting***

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

***Long Lived Assets***

Property and equipment and intangible assets are recorded at cost. Major property additions, replacements, and betterments are capitalized, while maintenance and repairs that do not extend the useful lives of an asset or add new functionality are expensed as incurred. Depreciation and amortization are recorded using the straight-line method over the respective estimated useful lives of the Company's long-lived assets. The estimated useful lives are typically 3 to 5 years for office furniture and equipment and are depreciated on a straight-line basis. The estimated useful life of the Company's intellectual property is equal to the term of the related license, if applicable or 10 years and is amortized on a straight-line basis

The Company reviews its long-lived assets for impairment whenever events or changes indicate that the carrying value of the long-lived assets may not be fully recoverable. In cases where the Company does not expect to recover its carrying costs, an impairment charge is recorded. The Company measures and records impairment losses on its long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amount. Considerable judgment by management is necessary to estimate undiscounted future operating cash flows and fair values and, accordingly, actual results could vary significantly from such estimates.

**Goodwill**

The Company tests goodwill for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that the reporting unit is the entire company, due to the integration of all of the Company's activities. In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount. There was no impairment of goodwill for the three and nine months ended September 30, 2021.

***Income Taxes***

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

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

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in the Company's tax returns that do not meet these recognition and measurement standards. As of September 30, 2021 and December 31, 2020, no liability for unrecognized tax benefits was required to be recorded.

The Company's policy for recording interest and penalties associated with tax audits is to record such items as a component of operating expenses. There were no amounts accrued for penalties and interest for the years ended December 31, 2020 and 2019. The Company does not expect its uncertain tax positions to change during the next twelve months. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

The Company has identified its United States and Canadian federal tax return, its state and provincial tax returns in Florida, Alberta (Canada) and Ontario (Canada) as its "major" tax jurisdictions. The Company is in the process of filing its corporate tax returns for the years ended December 31, 2020 and December 31, 2019. Net operating losses for these periods will not be available to reduce future taxable income until the returns are filed.

***Recent Accounting Pronouncements***

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU No. 2019-12, Income Taxes (Topic 740: Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which removes certain exceptions to the general principles in Topic 740. ASU 2019-12 is effective for the fiscal years beginning after December 15, 2020, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements." The new accounting rules improve the consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section (Section 50) that had only been included in the Other Presentation Matters Section (Section 45) of the Codification. Additionally, the new rules also clarify guidance across various topics including defined benefit plans, foreign currency transactions, and interest expense. The new accounting rules were effective for the Company in the first quarter of 2021. The adoption of the new accounting rules did not have a material impact on the Company's unaudited condensed consolidated financial statements.





In May 2021, the FASB issued ASU No. 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. The amendments in ASU No. 2021-04 provides guidance to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this ASU No. 2021-04 are effective for all entities for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, including interim periods within those fiscal years. As a result, the Company will not be required to adopt ASU 2021-04 until January 1, 2022. The Company is currently evaluating the impact of the adoption of this principle on the Company's unaudited condensed consolidated financial statements.

**NOTE 3 – INTANGIBLE ASSETS**

As of September 30, 2021, the Company's intangible assets consisted of:

| | Useful Life | Gross Carrying Amount | Accumulated Amortization | Net |
|---|---|---|---|---|
| Skincare Assets and License Agreements | 4 years | $ 1,944,689 | $ (508,324) | $ 1,436,365 |
| Diverse Bio License Agreement | 4 years | 675,000 | (84,376) | 590,624 |
| In process research and development | Indefinite | 36,246,678 | - | 36,246,678 |
| Total | | $ 38,866,367 | $ (592,700) | $ 38,273,667 |

During the three months ended September 30, 2021 and 2020, the Company recognized amortization expense of $170,692 and $0, respectively. During the nine months ended September 30, 2021 and 2020, the Company recognized amortization expense of $481,351 and $0, respectively.

***Acquisition of Diverse Bio License Agreement***

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

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





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

***In process research and development***

Please refer to Note 6, Business Combination with MagicMed Industries.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

The Company is periodically involved in legal proceedings, legal actions and claims arising in the normal course of business. Management believes that the outcome of such legal proceedings, legal actions and claims will not have a significant adverse effect on the Company's financial position, results of operations or cash flows.

***Stockholder Demand Letters***

On January 21, 2021, the Company received a stockholder litigation demand letter from the law firm of Purcell Julie & Lefkowitz LLP, on behalf of James Self, a purported stockholder of the Company. The letter demands that the Company (i) deem ineffective the December 30, 2020 amendment to our Amended and Restated Certificate of Incorporation in which the Company effected a one-for-four reverse stock split of its common stock due to the manner in which non-votes by brokers were tabulated, (ii) seek appropriate relief for damages allegedly suffered by the company and its stockholders or seek a valid stockholder approval of the amendment and reverse stock split, and (iii) adopt adequate internal controls to prevent a recurrence of the alleged misconduct. The Company disputes that the amendment was ineffective or that there were any inadequate internal controls related to the same. However, to eliminate any questions about the amendment, the Company ratified the amendment at a special stockholders' meeting pursuant to Section 204 of the Delaware General Corporation Law. This special stockholders' meeting occurred on May 14, 2021. On May 14, 2021, the Company filed a certificate of validation with the State of Delaware to ratify the reverse stock split on December 30, 2020. The purported stockholder thereafter agreed that the changes mooted his potential claims, and the Amalgamation successfully closed. The Company paid $65,000 to the purported stockholder's counsel in connection with the changes effected.

On July 14, 2021, the Company received a stockholder demand letter from the law firm of Rigrodsky Law P.A., on behalf of Matthew Whitfield, a purported stockholder of the Company, alleging that the registration statement (the "Amalgamation Registration Statement") filed by the Company with the SEC on June 21, 2021 omitted material information with respect to the Amalgamation and requesting that the Company and the Company board of directors provide certain corrective disclosures in an amendment or supplement to the Amalgamation Registration Statement. The Company does not believe the request had merit, but made certain changes to the Amalgamation Registration Statement, which it believes sufficed to answer the purported stockholder's demands. The purported stockholder thereafter agreed that the changes mooted his potential claims, and the Amalgamation successfully closed. The Company agreed to pay $30,000 to the purported stockholder's counsel in connection with the changes to the Amalgamation Registration Statement. This amount was accrued as of, and paid subsequent to September 30, 2021.

On July 22, 2021, the Company received a DGCL Section 220 books and records demand letter from the law firm of Kahn Swick & Foti, on behalf of Scott Waller, a purported stockholder of the Company, seeking access to certain books and records of the Company in connection with the process underlying the Amalgamation (as defined herein) and the Company's engagement of its financial advisors. The Company does not believe the request had merit, but made certain changes to the Amalgamation Registration Statement, which it believes sufficed to answer the purported stockholder's demands. The purported stockholder thereafter agreed that the changes mooted his potential claims, and the Amalgamation successfully closed. The Company agreed to pay $60,000 to the purported stockholder's counsel in connection with the changes to the Amalgamation Registration Statement. This amount was accrued as of, and paid subsequent to September 30, 2021.

On September 2, 2021, Vince Mojta ("Plaintiff"), through his attorney, filed a complaint (Mojta v. Enveric Biosciences, Inc., et al., Case No. 1:21-cv-07385 (S.D.N.Y.)) in the United States District Court for the Southern District of New York, against the Company and the members of its board of directors (the "Directors"). The complaint alleged, among other things, that the Amalgamation Registration Statement omitted material information with respect to the Amalgamation. The complaint sought to enjoin the Company from taking any steps to consummate the Amalgamation unless and until certain information was disclosed to the Company's shareholders before a vote on the Amalgamation and a judgment for damages. The Company believed that the suit was without merit. Plaintiff never served the Company or the Directors with the suit, and the Amalgamation successfully closed. Plaintiff then voluntarily dismissed the suit on October 25, 2021.

***Development and Clinical Supply Agreement***

On February 22, 2021, the Company entered into a Development and Clinical Supply Agreement (the "PureForm Agreement") with PureForm Global, Inc. ("PureForm"), pursuant to which PureForm will be the exclusive provider of synthetic cannabidiol ("API") for the Company's development plans for cancer treatment and supportive care. Under the terms of the PureForm Agreement, PureForm has granted the Company the exclusive right to purchase API and related product for cancer treatment and supportive care during the term of the Agreement (contingent upon an initial minimum order of 1 kilogram during the first thirty (30) days from the effective date) and has agreed to manufacture, package and test the API and related product in accordance with specifications established by the parties. All inventions that are developed jointly by the parties in the course of performing activities under the PureForm Agreement will be owned jointly by the parties in accordance with applicable law; however, if the Company funds additional research and development efforts by PureForm, the parties may enter into a further agreement whereby PureForm would assign any resulting inventions or technical information to the Company.

The initial term of the PureForm Agreement is three (3) years commencing on the effective date of the Agreement, subject to extension by mutual agreement of the parties. The PureForm Agreement may be terminated by either party upon thirty (30) days written notice of an uncured material breach or immediately in the event of bankruptcy or insolvency. The Agreement contains, among other provisions, representation and warranties, indemnification obligations and confidentiality provisions in favor of each party that are customary for an agreement of this nature.

The Company has met the minimum purchase requirement of 1 kilogram during the first thirty days of the PureForm Agreement's effectiveness.

***Purchase agreement with Prof. Zvi Vogel and Dr. Ilana Nathan***

On December 26, 2017, Jay Pharma entered into a purchase agreement with Prof. Zvi Vogel and Dr. Ilana Nathan (the "Vogel-Nathan Purchase Agreement"), pursuant to which Jay Pharma was assigned ownership rights to certain patents, which were filed and unissued as of the date of the Vogel-Nathan Purchase Agreement. The Vogel-Nathan Purchase Agreement includes a commitment to pay a one time milestone totaling $200,000 upon the issuance of a utility patent in the United States or by the European Patent Office, as defined in the agreement. The Company has accrued such amount as of September 30, 2021, as a result of the milestone criteria being achieved during three month period ended September 30, 2021. In addition, a milestone payment totaling $300,000 is due upon initiation of a Phase II(b) study. Research activities related to the relevant patents are still in pre-clinical stage, and accordingly, this milestone has not been achieved. The Vogel-Nathan Purchase Agreement contains a commitment for payment of royalties equalling 2% of the first $20 million in net sales derived from the commercialization of products utilizing the relevant patent. As these products are still in the preclinical phase of development, no royalties have been earned.

***Agreements with Tikkun***

Assignment and Assumption Agreements

On January 10, 2020, Jay Pharma entered into two assignment and assumption agreements, pursuant to which, upon the satisfaction of all closing conditions to the Offer, affiliates of Tikkun Pharma Inc. ("Tikkun") would assign to Jay Pharma all of such affiliates' in-licensed and developed rights based on certain Amended and Restated Sublicense Agreements, effective January 12, 2018, pursuant to which Jay Pharma entered into two in-licensing U.S. and rest of world rights to the limited pharmaceutical business (including cancer) from TO Pharmaceuticals USA LLC ("TOP") and Tikkun Olam IP, LTD ("TOCI"), respectively, each as amended by a First Amendment entered January 10, 2020, with:

(i) TOP and Tikkun regarding all of Tikkun's (i) in-licensed rights and obligations to commercialize pharmaceutical products related to GVHD under the relevant Sublicense in the U.S. and (ii) certain skincare business and all of Tikkun's rights related thereto as of the January 10, 2020 effective date. Jay Pharma agreed to issue 8,288,006 common shares of Jay Pharma to Tikkun in exchange for these rights; and

(ii) TOCI and Tikkun regarding all of Tikkun's in-licensed rights and obligations to commercialize pharmaceutical products related to GVHD under the relevant sublicense anywhere in the world outside the U.S. Jay Pharma agreed to issue 2,072,001 common shares of Jay Pharma to Tikkun in exchange for these rights.

On August 12, 2020, Jay Pharma and the applicable Tikkun affiliates entered into the First Amendment to the Tikkun Agreements, pursuant to which all references to the Original Amalgamation Agreement and the amalgamation were revised to be references to the Tender Agreement and the Offer, as applicable.

On October 2, 2020, Jay Pharma and the applicable Tikkun affiliates entered into the Second Amendment to the Tikkun Agreements, pursuant to which the effective date of the transactions was revised to occur as of October 2, 2020.

License Agreement

Jay Pharma, Tikkun Olam LLC ("TO LLC") and Tikkun Olam Hemp LLC ("TOH") entered into a license agreement dated on January 10, 2020, pursuant to which Jay Pharma would acquire certain in-licensed and owned intellectual property rights related to the cannabis products in the United States (presently excluding the state of New York) from TO LLC and TOH, each of which is an affiliate of TO Holdings, in exchange for royalty payments of (i) four percent (4.0%) of net sales of OTC cancer products made via consumer channels; (ii) five percent (5.0%) of net sales of beauty products made via consumer channels; and (iii) three percent (3.0%) of net sales of OTC cancer products made via professional channels, along with a minimum net royalty payment starting in January 1, 2022 and progressively increasing up to a cap of $400,000 maximum each year for the first 10 years, then $600,000 maximum each year for the next 5 years, and an annual maximum cap of $750,000 each year thereafter during the term of the agreement. The licensed intellectual property rights relate to beauty products and OTC cancer products, and branding rights related thereto. The beauty products include any topical or transdermal cannabis-containing or cannabis-derived (including hemp-based) skin care or body care beauty products, and the OTC cancer products means any cancer-related products, in each case excluding those regulated as a drug, medicine, or controlled substance by the FDA or any other relevant governmental authority, such as the USDA.

On August 12, 2020, Jay Pharma, TO LLC and TOH entered into the First Amendment to the License Agreement, pursuant to which all references to the Original Amalgamation Agreement and the amalgamation were revised to be references to the Tender Agreement and the Offer, as applicable.

On October 2, 2020, Jay Pharma, TO LLC and TOH entered into the Second Amendment to the License Agreement, pursuant to which the effective date of the transactions was revised to occur as of October 2, 2020.





**NOTE 5 - SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS**

***Offerings***

On January 14, 2021, the Company completed an offering of 2,221,334 shares of Common Stock and pre-funded warrants at approximately $4.50 per share and a concurrent private placement of warrants to purchase 1,666,019 shares of Common Stock at $4.95 per share, exercisable immediately and terminating five years after the date of issuance for gross proceeds of approximately $10,000,000. The net proceeds to the Company after deducting financial advisory fees and other costs and expenses were approximately $8,800,087, with $4,617,087 of such amount allocated to share capital and $4,846,000 allocated to warrant liability and the remaining $663,000 recorded as an expense.

On February 11, 2021, the Company completed an offering of 3,007,026 shares of Common Stock and a concurrent private placement of warrants to purchase 1,503,513 shares of Common Stock at $4.90 per share, exercisable immediately and terminating five year from the date of issuance for gross proceeds of approximately $12,800,000. The net proceeds to Enveric from the offering after deducting financial advisory fees and other costs and expenses were approximately $11,624,401, with $7,016,401 of such amount allocated to share capital and $5,135,000 allocated to warrant liability and the remaining $527,000 recorded as an expense.

***Stock Options***

| | Number of | Weighted Average Exercise | Weighted Average | Weighted Average Remaining Contractual | Aggregate Intrinsic Value |
|---|---|---|---|---|---|

| | Shares | Price | Fair Value | Term (years) | (USD) |
|---|---|---|---|---|---|
| Outstanding – January 1, 2021 | 929,765 | $ 1.53 | $ 2.50 | | |
| Granted | 80,000 | $ 3.50 | $ 2.81 | | |
| Options assumed pursuant to acquisition of MagicMed | 973,840 | $ 1.34 | $ 1.83 | | |
| Exercised | (143,796) | $ 0.23 | $ 5.69 | | |
| Expired forfeited, or cancelled | (692,475) | $ 1.69 | $ 1.98 | | |
| Outstanding – September 30, 2021 | 1,147,334 | $ 1.57 | $ 2.09 | 5.7 | $ 730,438 |
| | | | | | |
| Exercisable at September 30, 2021 | 931,810 | $ 1.52 | $ 2.00 | 4.9 | $ 550,191 |

Options granted during the three months ended September 30, 2021 were valued using the Black Scholes model and the following assumptions:

| | |
|---|---|
| Term (years) | 7.0 |
| Stock price | $ 3.50 |
| Exercise price | $ 3.50 |
| Dividend yield | 0% |
| Expected volatility | 79% |
| Risk free interest rate | 1.3% |

The Company's stock based compensation expense related to stock options for the three months ended September 30, 2021 and 2020 was $4,683 and $0, respectively. The Company's stock based compensation expense related to stock options for the nine months ended September 30, 2021 and 2020 was $4,683 and $0, respectively. As of September 30, 2021, the Company had $504,903 in unamortized stock option expense with a weighted average amortization period equal to 2.9 years

During the first quarter 2021, the Company exchanged options to purchase 560,404 shares of common stock for 325,410 restricted stock units and 42,125 restricted stock awards. In connection with this exchange, the Company recognized $298,714 in inducement expense related to the increase in fair value of the new awards over the old awards, which is included in other expenses on the Company's unaudited condensed consolidated statement of operations and comprehensive loss.

***Restricted Stock Awards***

The Company's activity in restricted common stock was as follows for the nine months ended September 30, 2021:

| | Number of shares | Weighted average fair value |
|---|---|---|
| Non–vested at January 1, 2021 | - | $ - |
| Granted | 70,986 | $ 3.84 |
| Vested | (64,334) | $ 4.24 |
| Non–vested at September 30, 2021 | 6,652 | $ 2.50 |

For the three months ended September 30, 2021 and 2020, the Company recorded $23,995 and $0, in stock-based compensation expense related to restricted stock awards, respectively. For the nine months ended September 30, 2021 and 2020, the Company recorded $80,109 and $0, in stock-based compensation expense related to restricted stock awards, respectively. As of September 30, 2021, unamortized stock-based compensation costs related to restricted share awards was $24,012, which will be recognized over a weighted average period of 0.25 years.





***Issuance of Restricted Stock Units***

The Company's activity in restricted stock units was as follows for the nine months ended September 30, 2021:

| | Number of shares | Weighted average fair value |
|---|---|---|
| Non–vested at January 1, 2021 | - | $ - |
| Granted | 5,775,171 | $ 3.65 |
| Vested | (1,207,825) | $ 4.46 |
| Non–vested at September 30, 2021 | 4,567,346 | $ 3.43 |

For the three months ended September 30, 2021 and 2020, the Company recorded $458,308 and $0, respectively, in stock-based compensation expense related to restricted stock units, with $315,929 included as a component of general and administrative expenses and $118,474 included as a component of research and development costs in the unaudited condensed consolidated statement of operations. For the nine months ended September 30, 2021 and 2020, the Company recorded $4,710,225 and $0, respectively, in stock-based compensation expense related to restricted stock units, with $4,592,748 included as a component of general and administrative expenses and $118,474 included as a component of research and development expenses in the unaudited condensed consolidated statement of operations. As of September 30, 2021, the Company had unamortized stock-based compensation costs related to restricted stock units of $7,908,006 which will be recognized over a weighted average period of 3.57 years and unamortized stock based costs related to restricted stock units of $6,966,721 which will be recognized upon achievement of specified milestones.

***Warrants***

The following table summarizes information about shares issuable under warrants outstanding at September 30, 2021:

| | Warrant shares outstanding | Weighted average exercise price (USD) | Weighted average remaining life | Intrinsic value |
|---|---|---|---|---|
| Outstanding at January 1, 2021 | 3,770,550 | $ 2.13 | 5.0 | $ 8,040,836 |
| Issued | 4,146,146 | $ 4.90 | | |
| Assumed pursuant to acquisition of MagicMed | 5,913,672 | $ 1.31 | | |
| Exercised | (3,253,714) | $ 1.10 | | |
| Outstanding at September 30, 2021 | 10,576,654 | $ 2.76 | 3.6 | $ 5,115,080 |

| | | | | |
|---|---|---|---|---|
| Exercisable at September 30, 2021 | 10,576,654 | $ 2.76 | 3.6 | $ 5,115,080 |

The warrants assumed pursuant to the acquisition of MagicMed contain certain down round features that would require adjustment to the exercise price upon certain events when the offering price is less than the stated exercise price.

**NOTE 6 – AMALGAMATION WITH MAGICMED INDUSTRIES INC.**

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

At the effective time of the Amalgamation (the "Effective Time"), holders of outstanding common shares of MagicMed (the "MagicMed Shares") received such number of shares of common stock of the Company ("Company Shares") representing, together with the Company Shares issuable upon exercise of the Warrants and the Converted Options (each as defined herein), approximately 36.6% of the issued and outstanding Company Shares (on a fully-diluted basis). The MagicMed Shares were initially converted into Amalco Redeemable Preferred Shares (as defined in the Amalgamation Agreement), which immediately following the Amalgamation were redeemed for 0.000001 of a Company Share. Following such redemption, the shareholders of MagicMed received additional Company Shares equal to the product of the Exchange Ratio (as defined in the Amalgamation Agreement) multiplied by the number of MagicMed Shares held by each such shareholder. Additionally, following the Effective Time (i) each outstanding MagicMed stock option was converted into and became an option to purchase (the "Converted Options") the number of Company Shares equal to the Exchange Ratio multiplied by the number of MagicMed Shares subject to such MagicMed stock option, and (ii) each holder of an outstanding MagicMed warrant (including Company Broker Warrants (as defined in the Amalgamation Agreement), the "Warrants") received upon exercise of such Warrant that number of Company Shares which the holder would have been entitled to receive as a result of the Amalgamation if, immediately prior to the date of the Amalgamation (the "Effective Date"), such holder had been the registered holder of the number of MagicMed Shares to which such holder would have been entitled if such holder had exercised such holder's Warrants immediately prior to the Effective Time (the foregoing collectively, the "Amalgamation"). In aggregate, holders of MagicMed Shares received 9,951,237 Company Shares representing approximately 31.7% of the Company Shares following the consummation of the Amalgamation. The maximum number of Company Shares to be issued by the Company as in respect of the Warrants and Converted Options shall not exceed 7,404,101 Company Shares.

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

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

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

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

On September 16, 2021, the Company ("Purchaser"), in connection with the Amalgamation Agreement entered into on May 24, 2020, acquired MagicMed Industries Inc., and its wholly owned subsidiary MagicMed USA, Inc. ("MagicMed"), (the "Acquisition"). In exchange for a total purchase price valued at $48,104,210 the Company acquired 37,463,673 shares of Common Stock from MagicMed, which represents 100% of the outstanding and issued shares of Common Stock of MagicMed, for equity consideration on the date of closing valued at $27,067,310. The Purchaser also agreed that it would issue Company Shares in lieu of shares of MagicMed Shares for any warrants to purchase MagicMed Shares that were exercised, with the maximum number of Company Shares issuable pursuant to such warrant exercises being 5,913,672. The fair value of the warrants on the closing date of the Amalgamation was $10,724,579. Additionally, the Purchaser agreed that it would issue issued Company Shares in lieu of shares of MagicMed Shares for any options to purchase MagicMed Shares that were exercised, with the maximum number of Company Shares issuable pursuant to such option exercises being 973,840. The fair value of the options on the closing date of the Amalgamation was $1,535,790, with $1,250,394 included in the purchase price and $285,396 to be recognized as expense in the post combination period.

The goodwill of $9,061,927 is related to deferred tax liabilities arising from the Company's purchase of the MagicMed Shares.

The following table represents the preliminary purchase price:

| | |
|---|---|
| Stock (9,951,217 common shares issued) | $ 27,067,310 |
| Fair value of warrants | 10,724,578 |
| Fair value of options | 1,250,394 |
| Deferred tax liability incurred | 9,061,927 |
| Total Purchase Price | $ 48,104,209 |





The Acquisition is being accounted for as a business combination in accordance with ASC 805. The Company has determined preliminary fair values of the assets acquired and liabilities assumed in the Acquisition. These values are provisional and subject to change pending the calculation of the final purchase price, finalization of the opening balance sheet, the final valuation report, and allocation of the total consideration transferred.

The Company has made a preliminary allocation of the purchase price of the Acquisition to the assets acquired and the liabilities assumed as of the purchase date.

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

| Description | Fair Value |
|---|---|

| | | |
|---|---|---|
| Assets acquired: | | |
| Cash | $ | 3,055,327 |
| Prepaid expenses and other current assets | | 440,968 |
| Government remittances recoverable | | 25,607 |
| Property and equipment | | 143,945 |
| Other assets | | 11,182 |
| In process research and development | | 36,246,678 |
| Goodwill | | 9,061,927 |
| Total assets acquired | $ | 48,985,634 |
| | | |
| Liabilities assumed: | | |
| Accounts payable | $ | 811,961 |
| Accrued expenses and other liabilities | | 69,464 |
| Deferred Tax Liabilities | | 9,061,927 |
| Total liabilities assumed | | 9,943,352 |
| Estimated fair value of net assets acquired attributable to the Company | $ | 39,042,282 |

The goodwill represents the excess fair value after the allocation to the identifiable net assets, with such being specifically attributable to the deferred tax liabilities incurred. The calculated goodwill is not deductible for tax purposes.

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

Total acquisition-related costs for the Acquisition incurred by the Company during the period ended September 30, 2021 was approximately $200,000 and is included in general and administrative expenses in the Unaudited condensed consolidated statement of operations.

HISTORICAL AND PROFORMA FINANCIAL INFORMATION

The amounts of MagicMed's revenues and net loss included in the Company's unaudited consolidated condensed statements of operations and comprehensive loss for the period from the acquisition date to September 30, 2021 were $0 and $183,753 respectively. The following unaudited proforma financial information presents the consolidated results of operations of the Company and MagicMed for the three and nine months ended September 30, 2021 and September 30, 2020, as if the acquisition had occurred as of the beginning of the first period presented instead of on September 16, 2021. The proforma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods.

| | For the Three Months Ended September 30, 2020 | For the Nine Months Ended September 30, 2020 |
|---|---|---|
| Revenues | $ - | $ - |
| Net loss | $ (862,582) | $ (2,810,104) |

**Enveric Biosciences, Inc. and Subsidiaries**
**Notes to Unaudited Condensed Consolidated Financial Statements**

| | For the Three Months Ended September 30, 2021 | For the Nine Months Ended September 30, 2021 |
|---|---|---|
| Revenues | $ - | $ - |
| Net loss | $ (3,726,677) | $ (10,922,678) |

**NOTE 7 – INCOME TAXES**

On September 16, 2021, the Company acquired MagicMed. In connection with the acquisition, the Company recorded intangible assets from in-process research and development valued at $36,246,678, which is amortized for book purposes over its useful life, but without a tax basis, creating a deferred tax liability of $9,061,927. The deferred tax liability will decrease as the intangible assets that created the deferred tax liability are amortized. .. The ultimate realization of the net operating loss is dependent upon future taxable income, if any, of the Company. Based on losses from inception, the Company determined that as of September 30, 2021 and December 31, 2020 it is more likely than not that the Company will not realize benefits from the deferred tax assets. The Company will not record income tax benefits in the financial statements until it is determined that it is more likely than not that the Company will generate sufficient taxable income to realize the deferred income tax assets. As a result of the analysis, the Company determined that a full valuation allowance against the deferred tax assets was required as of September 30, 2021 and December 31, 2020, respectively.



**Item 2. Management's discussion and analysis of financial condition and results of operations**

*The information set forth below should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Unless stated otherwise, references in this Quarterly Report on Form 10-Q to "us," "we," "our," or our "Company" and similar terms refer to Enveric Biosciences, Inc., a Delaware corporation.*

**Cautionary Note Regarding Forward-Looking Statements**

This quarterly report on Form 10-Q (this "Form 10-Q") contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terms such as "anticipates," "assumes," "believes," "can," "could," "estimates," "expects," "forecasts," "guides," "intends," "is confident that," "may," "plans," "seeks," "projects," "targets," and "would" or the negative of such terms or other variations on such terms or comparable terminology. Such forward-looking statements include, but are not limited to, future financial and operating results, the company's plans, objectives, expectations and intentions and other statements that are not historical facts. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, and results of operations. These forward-looking statements speak only as of the date of this Form 10-Q and are subject to a number of risks, uncertainties, and assumptions that could cause actual results to differ materially from our historical experience and our present expectations, or projections described under the sections in this Form 10-Q entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". These risks and uncertainties include, but are not limited to:

- our dependence on the success of our prospective product candidates, which are in early stages of development and may not reach a particular stage in development, receive regulatory approval or be successfully commercialized;
- potential difficulties that may delay, suspend, or scale back our efforts to advance additional early research programs through preclinical development and IND application filings and into clinical development;
- the risk that we may not be able to integrate MagicMed successfully, or that the cost savings, synergies and growth from the Amalgamation may not be fully realized or may take longer to realize than expected;
- the impact of the novel coronavirus (COVID-19) on our business, including our current plans for product development, as well as any currently ongoing preclinical studies and clinical trials and any future studies or other development or commercialization activities;
- the limited study on the effects of medical cannabinoids, and the chance that future clinical research studies may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabinoids;
- the expensive, time-consuming, and uncertain nature of clinical trials, which are susceptible to change, delays, termination, and differing interpretations;
- the ability to establish that potential products are efficacious or safe in preclinical or clinical trials;
- the fact that our current and future preclinical and clinical studies may be conducted outside the United States, and the United States Food and Drug Administration may not accept data from such studies to support any new drug applications we may submit after completing the applicable developmental and regulatory prerequisites;
- the ability to establish or maintain collaborations on the development of therapeutic candidates;
- the ability to obtain appropriate or necessary governmental approvals to market potential products;
- our ability to manufacture product candidates on a commercial scale or in collaborations with third parties;
- our significant and increasing liquidity needs and potential requirements for additional funding;
- our ability to obtain future funding for developmental products and working capital and to obtain such funding on commercially reasonable terms;
- the intense competition we face, often from companies with greater resources and experience than us;
- our ability to retain key executives and scientists;
- the ability to secure and enforce legal rights related to our products, including intellectual property rights and patent protection; and
- political, economic, and military instability in Israel which may impede our development programs.

For a more detailed discussion of these and other factors that may affect our business and that could cause the actual results to differ materially from those projected in these forward-looking statements, see the risk factors and uncertainties set forth in Part II, Item 1A of this Form 10-Q and Part I, Item 1A of the annual report on Form 10-K filed with the SEC on April 1, 2021. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise, except as required by law.

**Business Overview**

We are an early-development-stage biosciences company that is developing innovative, evidence-based prescription products and combination therapies containing cannabinoids to address unmet needs in cancer care. We seek to improve the lives of patients suffering from cancer, initially by developing palliative and supportive care products for people suffering from certain side effects of cancer and cancer treatment such as pain or skin irritation. We currently intend to offer such palliative and supportive care products in the United States, following approval through established regulatory pathways.



We are also aiming to advance a pipeline of novel cannabinoid combination therapies for hard-to-treat cancers, including glioblastoma multiforme (GBM) and several other indications, which are currently being researched.

We intend to bring together leading oncology clinicians and researchers, academic and industry partners so as to develop both external proprietary products and a robust internal pipeline of product candidates aimed at improving quality of life and outcomes for cancer patients. We intend to evaluate options to out-license its proprietary technology as it moves along the regulatory pathway as well as evaluating building a small, targeted selling organization and will potentially utilize a hybrid approach based on the product indication and the market opportunity.

In developing its product candidates, we intend to focus on cannabinoids derived from hemp, other botanical sources, and synthetic materials containing no tetrahydrocannabinol (THC) in order to comply with U.S. federal regulations. Of the potential cannabinoids to be used in therapeutic formulations, THC, which is responsible for the psychoactive properties of marijuana, can result in undesirable mood effects. Cannabidiol (CBD) and cannabigerol (CBG), on the other hand, are not psychotropic and are therefore more attractive candidates for translation into therapeutic practice. In the future, we may utilize cannabinoids that are derived from cannabis plants, which may contain THC; however, we only intend to do so in jurisdictions where THC is legal. These product candidates will then be studied through a typical FDA drug approval process.

**Tender Offer, Spin-Off and Reverse Stock Split**

On December 30, 2020, pursuant to the previously announced Tender Offer Support Agreement and Termination of Amalgamation Agreement dated August 12, 2020 ("Original Amalgamation Agreement"), as amended by that certain Amendment No. 1 to the Tender Offer Support Agreement and Termination of Amalgamation Agreement dated December 18, 2020 (as amended the "Tender Agreement"), the Company completed a tender offer ("Offer") to purchase all of the outstanding common shares of Jay Pharma, Inc., a Canada corporation and a wholly-owned subsidiary of the Company ("Jay Pharma"), for the number of shares of Company common stock, par value $0.01 per share ("Common Stock") or Series B Preferred Stock, as applicable, equal to the exchange ratio of 0.8849 (the "Exchange Ratio"), and Jay Pharma became a wholly-owned subsidiary of the Company, on the terms and conditions set forth in the Tender Agreement. In connection with the Offer, the Company changed its name from AMERI Holdings, Inc. to Enveric Biosciences, Inc. The Offer has been accounted for as a "reverse merger" under the acquisition method of accounting for business combinations with Jay Pharma treated as the accounting acquirer of Ameri. As such, the historical financial statements of Jay Pharma have become the historical financial statements of Ameri, or the combined company, and are included in this filing labeled "Enveric Biosciences, Inc." As a result of the Offer, historical common stock, stock options and additional paid-in capital, including share and per share amounts, have been retroactively adjusted to reflect the equity structure of the combined company, including the effect of the Exchange Ratio and the Common Stock.

Prior to the completion of the Offer, on December 30, 2020, pursuant to a Share Purchase Agreement, Ameri contributed to Ameri100 Inc. ("Private Ameri") all of the issued and outstanding equity interests of the existing subsidiaries of Ameri, constituting the entire business and operations of Ameri and its subsidiaries, and Private Ameri assumed the liabilities of such subsidiaries. All of the issued and outstanding shares of Series A preferred stock of Ameri were redeemed for an equal number of shares of Series A preferred stock of Private Ameri.

Immediately following the completion of the Offer, on December 30, 2020, the Company effected a 1-for-4 reverse stock split of the issued and outstanding Common Stock (the "Reverse Stock Split"). As a result of the Reverse Stock Split, the per share exercise price of, and the number of shares of Company Common Stock underlying, our stock options and warrants outstanding immediately prior to the Reverse Stock Split were automatically proportionally adjusted based on the 1-for-4 split ratio in accordance with the terms of such options and warrants, as the case may be. Share and per-share amounts of Common Stock, options and warrants included herein have been adjusted to give effect to the Reverse Stock Split. The Reverse Stock Split did not alter the par value of the Common Stock, $0.01 per share, or modify any voting rights or other terms of the Common Stock. Unless otherwise noted, the accompanying financial statements and notes thereto, including the Exchange Ratio applied to historical Jay Pharma common stock and stock options, give retroactive effect to the Reverse Stock Split for all periods presented.

**Amalgamation Agreement with MagicMed Industries Inc.**

On May 24, 2021, the Company entered into an Amalgamation Agreement (the "Amalgamation Agreement") with 1306432 B.C. Ltd., a corporation existing under the laws of the Province of British Columbia and a wholly-owned subsidiary of the Company ("HoldCo"), 1306436 B.C. Ltd., a corporation existing under the laws of the Province of British

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

At the effective time of the Amalgamation (the "Effective Time"), holders of outstanding common shares of MagicMed (the "MagicMed Shares") received such number of shares of common stock of the Company ("Company Shares") representing, together with the Company Shares issuable upon exercise of the Warrants and the Converted Options (each as defined herein), approximately 36.6% of the issued and outstanding Company Shares (on a fully-diluted basis). The MagicMed Shares were initially converted into Amalco Redeemable Preferred Shares (as defined in the Amalgamation Agreement), which immediately following the Amalgamation were redeemed for 0.000001 of a Company Share. Following such redemption, the shareholders of MagicMed received additional Company Shares equal to the product of the Exchange Ratio (as defined in the Amalgamation Agreement) multiplied by the number of MagicMed Shares held by each such shareholder. Additionally, following the Effective Time (i) each outstanding MagicMed stock option was converted into and became an option to purchase (the "Converted Options") the number of Company Shares equal to the Exchange Ratio multiplied by the number of MagicMed Shares subject to such MagicMed stock option, and (ii) each holder of an outstanding MagicMed warrant (including Company Broker Warrants (as defined in the Amalgamation Agreement), the "Warrants") received upon exercise of such Warrant that number of Company Shares which the holder would have been entitled to receive as a result of the Amalgamation if, immediately prior to the date of the Amalgamation (the "Effective Date"), such holder had been the registered holder of the number of MagicMed Shares to which such holder would have been entitled if such holder had exercised such holder's Warrants immediately prior to the Effective Time (the foregoing collectively, the "Amalgamation"). In aggregate, holders of MagicMed Shares received 9,951,237 Company Shares representing approximately 31.7% of the Company Shares following the consummation of the Amalgamation. The maximum number of Company Shares to be issued by the Company as in respect of the Warrants and Converted Options shall not exceed 7,404,101 Company Shares.

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

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

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

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



**Recent Developments**

***Stockholder Demand Letters***

On January 21, 2021, the Company received a stockholder litigation demand letter from the law firm of Purcell Julie & Lefkowitz LLP, on behalf of James Self, a purported stockholder of the Company. The letter demands that the Company (i) deem ineffective the December 30, 2020 amendment to our Amended and Restated Certificate of Incorporation in which the Company effected a one-for-four reverse stock split of its common stock due to the manner in which non-votes by brokers were tabulated, (ii) seek appropriate relief for damages allegedly suffered by the company and its stockholders or seek a valid stockholder approval of the amendment and reverse stock split, and (iii) adopt adequate internal controls to prevent a recurrence of the alleged misconduct. The Company disputes that the amendment was ineffective or that there were any inadequate internal controls related to the same. However, to eliminate any questions about the amendment, the Company ratified the amendment at a special stockholders' meeting pursuant to Section 204 of the Delaware General Corporation Law. This special stockholders' meeting occurred on May 14, 2021. On May 14, 2021, the Company filed a certificate of validation with the State of Delaware to ratify the reverse stock split on December 30, 2020. The purported stockholder thereafter agreed that the changes mooted his potential claims, and the Amalgamation successfully closed. The Company paid $65,000 to the purported stockholder's counsel in connection with the changes effected.

On July 14, 2021, the Company received a stockholder demand letter from the law firm of Rigrodsky Law P.A., on behalf of Matthew Whitfield, a purported stockholder of the Company, alleging that the registration statement (the "Amalgamation Registration Statement") filed by the Company with the SEC on June 21, 2021 omitted material information with respect to the Amalgamation and requesting that the Company and the Company board of directors provide certain corrective disclosures in an amendment or supplement to the Amalgamation Registration Statement. The Company does not believe the request had merit, but made certain changes to the Amalgamation Registration Statement, which it believes sufficed to answer the purported stockholder's demands. The purported stockholder thereafter agreed that the changes mooted his potential claims, and the Amalgamation successfully closed. The Company agreed to pay $30,000 to the purported stockholder's counsel in connection with the changes to the Amalgamation Registration Statement. This amount was accrued as of, and paid subsequent to September 30, 2021

On July 22, 2021, the Company received a DGCL Section 220 books and records demand letter from the law firm of Kahn Swick & Foti, on behalf of Scott Waller, a purported stockholder of the Company, seeking access to certain books and records of the Company in connection with the process underlying the Amalgamation (as defined herein) and the Company's engagement of its financial advisors. The Company does not believe the request had merit, but made certain changes to the Amalgamation Registration Statement, which it believes sufficed to answer the purported stockholder's demands. The purported stockholder thereafter agreed that the changes mooted his potential claims, and the Amalgamation successfully closed. The Company agreed to pay $60,000 to the purported stockholder's counsel in connection with the changes to the Amalgamation Registration Statement. This amount was accrued as of, and paid subsequent to September 30, 2021

On September 2, 2021, Vince Mojta ("Plaintiff"), through his attorney, filed a complaint (Mojta v. Enveric Biosciences, Inc., et al., Case No. 1:21-cv-07385 (S.D.N.Y.)) in the United States District Court for the Southern District of New York, against the Company and the members of its board of directors (the "Directors"). The complaint alleged, among other things, that the Amalgamation Registration Statement omitted material information with respect to the Amalgamation. The complaint sought to enjoin the Company from taking any steps to consummate the Amalgamation unless and until certain information was disclosed to the Company's shareholders before a vote on the Amalgamation and a judgment for damages. The Company believed that the suit was without merit. Plaintiff never served the Company or the Directors with the suit, and the Amalgamation successfully closed. Plaintiff then voluntarily dismissed the suit on October 25, 2021.

**Key Components of Our Results of Operations**

*Operating Expenses*

Our operating expenses include research and development, financial statement preparation services, tax compliance, various consulting and director fees, legal services, auditing fees, and stock-based compensation. These expenses have increased in connection with the Company's product development and the Company's management expects

these expenses to continue to increase as the Company continues to develop its potential product candidates.



**Results of Operations**

The following table sets forth information comparing the components of net loss for the three months ended September 30, 2021 and the comparable period in 2020:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Operating expenses | | |
| Research and development | $ 1,219,339 | $ 63,302 |
| General and administrative | 2,123,834 | 426,532 |
| Depreciation and amortization | 173,696 | - |
| Operating expenses | 3,516,869 | 489,834 |
| Loss from operations | (3,516,869) | (489,834) |
| Other income (expense) | | |
| Inducement expense | - | - |
| Change in fair value of warrants | 804,833 | - |
| Interest Expense | (370) | (75,501) |
| Total other income (expense) | 804,463 | (75,501) |
| Net Loss | (2,712,406) | (565,335) |
| Other comprehensive loss | | |
| Foreign currency translation | (6,510) | (7,310) |
| Comprehensive loss | $ (2,718,916) | $ (572,645) |
| Net loss per share – basic and diluted | $ (0.12) | $ (0.10) |
| Weighted average shares outstanding, basic and diluted | 23,142,780 | 5,861,727 |

*Research and Development Expense*

Research and development expense for the three months ended September 30, 2021 was $1,219,339 compared to $63,302 for the comparable period of the prior year, an increase of $1,156,037 or approximately 1,826%. This increase resulted from costs incurred from increased product development activities relating to our CBD combination therapies for treatment of radiation dermatitis and glioblastoma, in the current year, as compared to the comparable period of the prior year.

*General and Administrative Expenses*

General and administrative expenses were $2,123,834 for the three months ended September 30, 2021 as compared to $426,532 for the comparable period of the prior year, representing an increase of $1,897,302, or approximately 398%. The increase was due to stock based compensation costs of $458,308 being incurred in the current quarter with no comparable costs being incurred in the prior year's comparable period, combined with increased human resource, insurance, legal and regulatory compliance costs as compared to the comparable period of the prior year.

*Depreciation and Amortization*

Depreciation and amortization for the three months ended September 30, 2021 was $173,696, as compared to zero for the comparable period of the prior year. This expense is related to licenses acquired by the Company subsequent to September 30, 2020, with acquisition of such licenses being a prerequisite for recognition of such amortization expenses as well as depreciation expenses recorded from fixed assets employed in the operations of Enveric Biosciences Canada Inc. since September 16, 2021, the effective date of the Company's amalgamation with MagicMed.

*Change in Fair Value of Warrants*

Change in fair value of warrants contributed $804,833 to other income for the three months ended September 30, 2021, as compared to zero for the comparable period of the prior year. This other income (expense) item is related to warrant liabilities which were granted subsequent to September 30, 2020, with the granting of such warrant derivatives being a prerequisite for recognition of such other income (expense). The change in fair value of derivative instruments is determined in large part by the change in the closing price of the Company's stock at the end of the period, as compared to the beginning of the period, with a strong inverse correlation between the fair value of such derivatives and the trading price of the Company's common stock.



*Interest Expense*

Interest expense for the three months ended September 30, 2021 was $370 compared to $75,501 for the comparable period of the prior year, a decrease of $75,131 or almost 100%. This decrease was primarily due to interest expenses incurred in relation to promissory notes which were effective during the quarter ended September 30, 2020, but retired prior to the quarter ended September 30, 2021, resulting in costs being incurred in the prior year period, but not in the current year period.

*Foreign Currency Translation*

The Company incurs foreign currency translation gains (losses) as a result of the conversion of Canadian Dollars into United States Dollars for payment and valuation of United States Dollar denominated expenses. Foreign currency translation (loss) was $(6,510) for the three months ended September 30, 2021 as compared to $(7,310) for the comparable period of the prior year, a decrease in other expenses of $800, or approximately 11%. The decrease in this other expense is due to fluctuations in the price of the U.S. Dollar against the Canadian Dollar.

The following table sets forth information comparing the components of net loss for the nine months ended September 30, 2021 and the comparable period in 2020:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| **Operating expenses** | | |
| Research and development | $ 2,295,826 | $ 134,259 |
| General and administrative | 10,864,696 | 1,959,785 |
| Depreciation and amortization | 484,355 | - |
| Operating expenses | 13,644,877 | 2,094,044 |
| **Loss from operations** | **(13,644,877)** | **(2,094,044)** |
| **Other income (expense)** | | |
| Inducement expense | (298,714) | - |
| Change in fair value of warrants | 7,077,376 | - |
| Interest Expense | (5,191) | (388,143) |
| **Total other income (expense)** | **6,773,471** | **(388,143)** |
| **Net Loss** | **(6,871,406)** | **(2,482,187)** |
| **Other comprehensive gain (loss)** | | |
| Foreign currency translation | (4,036) | (30,077) |
| **Comprehensive loss** | **$ (6,875,442)** | **$ (2,512,264)** |
| **Net loss per share – basic and diluted** | $ (0.34) | $ (0.43) |
| **Weighted average shares outstanding, basic and diluted** | 20,325,782 | 5,733,360 |

*Research and Development Expense*

Research and development expense for the nine months ended September 30, 2021 was $2,295,826 compared to 134,259 for the comparable period of the prior year, an increase of $2,161,567 or approximately 1,610%. This increase resulted from costs incurred from increased product development activities relating to our CBD combination therapies for treatment of radiation dermatitis and glioblastoma, in the current year, as compared to the comparable period of the prior year.

*General and Administrative Expenses*

General and administrative expenses were $10,864,696, for the nine months ended September 30, 2021 as compared to $1,959,785 for the comparable period of the prior year, representing an increase of $8,904,911, or approximately 454%. This increase was primarily due to stock based compensation costs of $4,592,748 being incurred in the current period with no comparable costs being incurred in the prior year's comparable period, combined with increased human resource, insurance, legal and regulatory compliance costs, as compared to the comparable period of the prior year.



*Depreciation and Amortization*

Amortization of intangible assets for the nine months ended September 30, 2021 was $484,355, as compared to zero for the comparable period of the prior year. This expense is primarily related to licenses acquired by the Company subsequent to September 30, 2020, with acquisition of such licenses being a prerequisite for recognition of such amortization expenses.

*Change in Fair Value of Warrants*

Change in fair value of warrants contributed $7,077,376 to other income for the nine months ended September 30, 2021, as compared to zero for the comparable period of the prior year. This other income (expense) item is related to warrant liabilities which were granted subsequent to September 30, 2020, with the granting of such warrant derivatives being a prerequisite for recognition of such other income (expense). The change in fair value of derivative instruments is determined in large part by the change in the closing price of the Company's stock at the end of the period, as compared to the beginning of the period, with a strong inverse correlation between the fair value of such derivatives and the trading price of the Company's common stock.

*Interest Expense*

Interest expense for the nine months ended September 30, 2021 was $5,191 compared to $388,143 for the comparable period of the prior year, a decrease of $382,952, or approximately 99%. This decrease was primarily due to interest expenses incurred in relation to promissory notes which were effective during the nine months ended September 30, 2020, but retired prior to the nine months ended September 30, 2021, resulting in costs being incurred in the prior year period, but not in the current year period.

*Foreign Currency Translation*

The Company incurs foreign currency translation gains (losses) as a result of the conversion of Canadian Dollars into United States Dollars for payment and valuation of United States Dollar denominated expenses. Foreign currency translation gain (loss) was a loss of $4,036 for the nine months ended September 30, 2021 as compared to a loss of $30,077 for the comparable period of the prior year, a decrease in other loss of $26,041. The decrease in this other loss is due to fluctuations in the price of the U.S. Dollar against the Canadian Dollar.

**Liquidity and Capital Resources**

The Company has incurred continuing losses from its operations. As of September 30, 2021, the Company had an accumulated deficit of $18,630,963 and working capital of $20,118,730. Since inception, the Company's operations have been funded principally through the issuance of debt and equity.

On September 16, 2021, the Company completed the Amalgamation. In connection with the Amalgamation, the Company received $3,055,327 in cash from the MagicMed treasury. As of September 30, 2021, the Company had cash on hand of $21,448,426.

We believe that, as a result of these transactions, we currently have sufficient cash and financing commitments to meet our funding requirements over the next year.

Notwithstanding, we expect that we will need to raise additional financing to accomplish our development plan over the next several years. We may seek to obtain additional funding through debt or equity financing in the future. There are no assurances that we will be able to raise capital on terms acceptable to us or at all, or that cash flows generated from our operations will be sufficient to meet our current operating costs. Our ability to obtain additional capital may depend on prevailing economic conditions and financial, business and other factors beyond our control. The COVID-19 pandemic has caused an unstable economic environment globally. Disruptions in the global financial markets may adversely impact the availability and cost of credit, as well as our ability to raise money in the capital markets. Current economic conditions have been and continue to be volatile. Continued instability in these market conditions may limit our ability to access the capital necessary to fund and grow our business. If we are unable to obtain sufficient amounts of additional capital, we may be required to reduce the scope of our planned development, which could harm our financial condition and operating results.



**Cash Flows**

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

***Cash Flows for the Nine Months Ended September 30, 2021 and 2020***

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Net cash used in operating activities | $ (7,390,358) | $ (1,638,798) |
| Net cash provided by investing activities | 2,380,327 | - |
| Net cash provided by financing activities | 24,899,652 | 1,932,196 |
| Effect of foreign exchange rate on cash | (19,655) | 3,786 |
| Net increase in cash | $ 19,869,966 | $ 297,184 |

*Operating Activities*

Net cash used in operating activities was $7,390,358 during the nine months ended September 30, 2021, which consisted primarily of a net loss of $6,841,407, increased by non-cash expenses, totaling a net of $1,464,823, including stock based compensation of $4,829,484, depreciation and amortization expense of $484,355, inducement expense of $298,714, decreased by non-cash income, consisting of change in fair value of warrant derivatives of $7,077,376, and increased by a net of $945,872 due to changes in operating assets and liabilities.

Net cash used in operating activities was $1,638,798 during the nine months ended September 30, 2020, which consisted primarily of a net loss of $2,482,187, offset by amortization of note discount of $285,858 and increases in accounts payable and accrued liabilities of $522,162.

*Investing Activities*

Net cash provided by investing activities during the nine months ended September 30, 2021 was $2,380,328 and consisted of $3,055,328 of cash received in connection with the closing of the Amalgamation, offset by $675,000 of cash paid for the acquisition of intellectual property from Diverse Bio.

The Company did not have any investing activities during the nine months ended September 30, 2020.

*Financing Activities*

Net cash provided by financing activities was $24,899,652 during the nine months ended September 30, 2021, which consisted primarily of $21,614,488 in net proceeds from the sale of common stock and proceeds from the exercise of warrants of $3,285,164.

Net cash provided by financing activities was $1,932,196 during the nine months ended September 30, 2020, which consisted primarily of $50,000 in proceeds from convertible notes payable, $1,812,410 in proceeds from note payable, $227,500 in proceeds from the sale of common stock and warrants, net of offering costs and a decrease of $157,714 in repayment of note payable.

**Off-Balance Sheet Arrangements**

The Company did not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any obligation arising out of a material variable interest in an unconsolidated entity. The Company does not have any subsidiaries to include or otherwise consolidate into the financial statements. Additionally, the Company does not have interests in, nor relationships with, any special purpose entities.

**Critical Accounting Policies and Significant Judgments and Estimates**

The Company's accounting policies are fundamental to understanding its management's discussion and analysis. The Company's significant accounting policies are presented in Note 3 to its financial statements for the year ended December 31, 2020 and included in the Annual Report on Form 10-K, filed with SEC on April 1, 2021. The Company's 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 notes required by U.S. GAAP. However, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial position and operating results have been included in the Company's unaudited condensed consolidated financial statements.



**Warrant Liability**

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

**Recent Accounting Standards**

Management does not believe that any recently issued, but not yet effective accounting standards, when adopted, will have a material effect on the accompanying financial statements, other than those disclosed below.

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU No. 2019-12, Income Taxes (Topic 740: Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which removes certain exceptions to the general principles in Topic 740. ASU 2019-12 is effective for the fiscal years beginning after December 15, 2020, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements." The new accounting rules improve the consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section (Section 50) that had only been included in the Other Presentation Matters Section (Section 45) of the Codification. Additionally, the new rules also clarify guidance across various topics including defined benefit plans, foreign currency transactions, and interest expense. The new accounting rules were effective for the Company in the first quarter of 2021. The adoption of the new accounting rules did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In May 2021, the FASB issued ASU No. 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. The amendments in ASU No. 2021-04 provides guidance to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this ASU No. 2021-04 are effective for all entities for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, including interim periods within those fiscal years. As a result, the Company will not be required to adopt ASU 2021-04 until January 1, 2022. The Company is currently evaluating the impact of the adoption of this principle on the Company's unaudited condensed consolidated financial statements.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, may exceed the Federal depository insurance coverage of $250,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

**Foreign Currency Risk**

The reporting currency of the Company is the United States dollar, while the functional currency of our subsidiaries, Enveric Biosciences Canada Inc. and Jay Pharma, Inc., is the Canadian dollar. As a result, the Company is subject to exposure from changes in the exchange rates of the Canadian dollar and the United States dollar.

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

**Item 3. Quantitative and qualitative disclosures about market risk**

From inception through December 31, 2020, the reporting currency of the Company was the United States dollar while the functional currency of the Company was the Canadian dollar. From January 1, 2021 through September 30, 2021, the reporting currency of the Company remained the United States dollar, with a portion of transactions being denominated in Canadian dollars. As a result, the Company is subject to exposure from changes in the exchange rates of the Canadian dollar and the U.S. dollar.

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

**Item 4. Controls and procedures**



***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified under the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The matters that management identified in our Annual Report on Form 10-K for the year ended December 31, 2020, filed on April 1, 2021, continued to exist and were still considered material weaknesses in our internal control over financial reporting at September 30, 2021.

As required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer (our principal executive) and Chief Financial Officer (our principal financial officer and principal accounting officer) carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021. Based on this evaluation, and in light of the material weaknesses found in our internal controls over financial reporting, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in paragraph (e) of Rules 13a-15 and 15d-15 under the Exchange Act) were not effective as of September 30, 2021.

***Management's Remediation Plan***

As previously discussed in our Annual Report on Form 10-K for the year ended December 31, 2020, filed on April 1, 2021, management had concluded that our internal control over financial reporting was not effective as of December 31, 2020, because management identified inadequate segregation of duties to ensure the processing, review, and authorization of all transactions, including non-routine transactions resulting in deficiencies, which, in aggregate, amounted to a material weakness in the Company's internal control over financial reporting.

As of September 30, 2021, there were control deficiencies which constituted a material weakness in our internal control over financial reporting. Management has taken, and is taking steps to strengthen our internal control over financial reporting: we have conducted evaluation of the material weakness to determine the appropriate remedy and have established procedures for documenting disclosures and disclosure controls.

While we have taken certain actions to address the material weaknesses identified, additional measures may be necessary as we work to improve the overall effectiveness of our internal controls over financial reporting.

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

Other than the changes discussed above in the Remediation Plan, there have been no other changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-(f) of the Exchange Act) that occurred during the quarter ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal proceedings**

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



**Item 1A. Risk factors**

***Political, economic, and military instability in Israel may impede our development programs, which could have a material adverse effect on our business.***

We plan to conduct a clinical cancer study consisting of a Phase 1/2 study in Israel of oral synthetic CBD extract, given alone or in combination with clomiphene concurrently with dose-dense temolozomide chemotherapy for patients with recurrent or progressive GBM, designed as an open label, two-arm, randomized prospective study. We are currently waiting on primary approval from the Israeli Ministry of Health, Center for Cannabis (Yakar) to proceed with such study. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. In May 2021, hostilities between Israel and Hamas escalated and there has been cross-border attacks in Israel and Gaza, including rocket attacks targeting Tel Aviv, where some of our key partners for the planned GBM study are located. The ongoing conflict and any hostilities involving Israel or political, economic, and military conditions in Israel and the surrounding region may directly affect our ability to obtain approvals needed for our GBM study and cause interruptions or delays in conducting such study or future studies we may conduct in Israel for an indeterminate time. Any armed conflicts, terrorist activities, or political instability in the region could impeded our development programs, which could have a material adverse effect on our business.

**Item 2. Unregistered sales of equity securities and use of proceeds**

None.

**Item 3. Defaults upon senior securities**

None.

**Item 4. Mine safety disclosures**

Not applicable.

**Item 5. Other information**

None.



**INDEX TO EXHIBITS**

| Exhibit No. | Description |
|---|---|
| 2.1 | Share Purchase Agreement, dated January 10, 2020, by and between AMERI Holdings, Inc. and Ameri100, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 13, 2020) |
| 2.2 | Tender Offer Support Agreement and Termination of Amalgamation Agreement, dated August 12, 2020, by and among AMERI Holdings, Inc., Jay Pharma Merger Sub, Inc., Jay Pharma Inc., 1236567 B.C. Unlimited Liability Company and Barry Kostiner, as the Ameri representative (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on August 12, 2020) |
| 2.3 | Amendment No. 1 To Tender Offer Support Agreement and Termination of Amalgamation Agreement, dated December 18, 2020, by and among Ameri, Jay Pharma Merger Sub, Inc., Jay Pharma Inc., 1236567 B.C. Unlimited Liability Company and Barry Kostiner, as the Ameri representative (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on December 18, 2020) |
| 3.1 | Amended and Restated Certificate of Incorporation of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021) |
| 3.2 | Certificate of Amendment to Amended and Restated Certificate of Incorporation of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021) |
| 3.3 | Certificate of Designations of Series B Convertible Preferred Stock of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021) |
| 3.4 | Amended and Restated Bylaws of Enveric Biosciences, Inc. (incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K, filed with the Commission on January 6, 2021) |
| 4.1 | Form of Pre-Funded Warrant (issued in connection with the January 2021 Registered Direct Offering) (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 12, 2021). |
| 4.2 | Form of Warrant (issued in connection with the January 2021 Offering) (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 12, 2021). |
| 4.3 | Form of Warrant (issued in connection with the February 2021 Offering) (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2021). |
| 4.4 | Form of MagicMed Warrant Certificate (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 17, 2021) |
| 10.1 | MagicMed Stock Option Plan, as amended September 10, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 17, 2021) |
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File* |

* Filed herewith.

# Management contract or compensatory plan or arrangement



**SIGNATURES**

Pursuant to the requirements 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.

**ENVERIC BIOSCIENCES, INC**

November 12, 2021

By: */s/ Dr. Joseph Tucker*
Dr. Joseph Tucker
Chief Executive Officer (Principal Executive Officer)

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002**

I, Dr. Joseph Tucker, certify that:

1. I have reviewed this quarterly report on Form 10–Q of Enveric Biosciences, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 12, 2021

By: */s/ Dr. Joseph Tucker*

Dr. Joseph Tucker
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO SARBANES–OXLEY ACT OF 2002**

I, Carter J. Ward, certify that:

1. I have reviewed this quarterly report on Form 10–Q of Enveric Biosciences, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 12, 2021

By: */s/ Carter J. Ward*

Carter J. Ward
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO SECTION 906**
**OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the Annual Report of Enveric Biosciences, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 12, 2021

By: */s/ Dr. Joseph Tucker*
Dr. Joseph Tucker
Chief Executive Officer
(Principal Executive Officer)

November 12, 2021

By: */s/ Carter J. Ward*
Carter J. Ward
Chief Financial Officer
(Principal Financial and Accounting Officer)