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

# FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

**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: **000-55136**

# Skye Bioscience, Inc.

(Exact name of registrant as specified in its charter)

| **Nevada** | **45-0692882** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**11250 El Camino Real, Suite 100, San Diego, CA 92130**
(Address of principal executive offices) (Zip Code)

**(858) 410-0266**
(Registrant's telephone number, including area code)

**N/A**
(Former name, former address and former fiscal year, if changed since last report)
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.001 | SKYE | Nasdaq Global Market |

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

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

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

As of November 6, 2024, there were 30,338,290 shares of the issuer's $0.001 par value common stock issued and outstanding.

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

**SKYE BIOSCIENCE, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | September 30, 2024 (Unaudited) | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 67,412,614 | $ 1,256,453 |
| Restricted cash | 9,080,202 | 9,080,202 |
| Prepaid expenses | 664,604 | 194,259 |
| Other current assets | 2,650,809 | 1,119,929 |
| Total current assets | 79,808,229 | 11,650,843 |
| | | |
| Property and equipment, net | 1,516,612 | 43,276 |
| Operating lease right-of-use asset | 184,509 | 237,983 |
| Other assets | 26,310 | 8,309 |
| Total assets | $ 81,535,660 | $ 11,940,411 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| **Current liabilities** | | |
| Accounts payable | $ 780,025 | $ 1,155,785 |
| Accrued interest - related party | — | 126,027 |
| Accrued payroll liabilities | 903,271 | 888,381 |
| Accrued interest - legal contingency | — | 234,750 |
| Other current liabilities | 2,065,658 | 998,552 |
| Estimate for accrued legal contingencies and related expenses | 1,792,337 | 6,053,468 |
| Convertible note - related party, net of discount | — | 4,371,998 |
| Operating lease liability, current portion | 82,932 | 72,038 |
| Total current liabilities | 5,624,223 | 13,900,999 |
| | | |
| **Non-current liabilities** | | |
| Operating lease liability, net of current portion | 108,062 | 171,230 |
| Total liabilities | 5,732,285 | 14,072,229 |
| | | |
| **Commitments and contingencies (Note 9)** | | |
| | | |
| **Stockholders' equity (deficit)** | | |
| Preferred stock, $0.001 par value; 200,000 shares authorized at September 30, 2024 and December 31, 2023;no shares issued and outstanding at September 30, 2024 and December 31, 2023 | — | — |
| Common stock, $0.001 par value; 100,000,000 shares authorized at September 30, 2024 and December 31, 2023;30,338,290 and 12,349,243 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively | 30,338 | 12,349 |
| Additional paid-in-capital | 196,976,230 | 102,238,382 |
| Accumulated deficit | (121,203,193) | (104,382,549) |
| Total stockholders' equity (deficit) | 75,803,375 | (2,131,818) |
| Total liabilities and stockholders' equity (deficit) | $ 81,535,660 | $ 11,940,411 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**SKYE BIOSCIENCE, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(UNAUDITED)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Operating expenses** | | | | |
| Research and development | $ 4,883,337 | $ 1,254,653 | $ 10,908,538 | $ 4,227,967 |
| Cost to acquire IPR&D asset | — | 21,215,214 | — | 21,215,214 |
| General and administrative | 4,638,927 | 2,235,899 | 13,171,547 | 5,357,577 |
| Change in estimate for legal contingencies | (4,553,468) | — | (4,553,468) | (151,842) |
| Total operating expenses | 4,968,796 | 24,705,766 | 19,526,617 | 30,648,916 |
| **Operating loss** | (4,968,796) | (24,705,766) | (19,526,617) | (30,648,916) |
| **Other (income) expense** | | | | |
| Interest (income) expense | (90,766) | 271,307 | 796,222 | 476,135 |
| Interest income | (907,697) | (16,562) | (2,296,488) | (49,669) |
| (Gain) loss from asset sales | (72,837) | — | (1,217,978) | 307,086 |
| Debt conversion inducement expense | — | — | — | 1,383,285 |
| Wind-down costs | — | (14,677) | — | 455,504 |
| Other expense (income) | 801 | — | 2,200 | (3) |
| Total other (income) expense, net | (1,070,499) | 240,068 | (2,716,044) | 2,572,338 |
| **Loss before income taxes** | (3,898,297) | (24,945,834) | (16,810,573) | (33,221,254) |
| Provision for income taxes | — | — | 10,071 | 3,600 |
| **Net loss** | $ (3,898,297) | $ (24,945,834) | $ (16,820,644) | $ (33,224,854) |
| **Loss per common share:** | | | | |
| Basic | $ (0.10) | $ (3.17) | $ (0.48) | $ (6.38) |
| Diluted | $ (0.10) | $ (3.17) | $ (0.48) | $ (6.38) |
| **Weighted average shares of common stock outstanding used to compute earnings per share:** | | | | |
| Basic | 38,819,387 | 7,880,546 | 35,317,352 | 5,207,411 |
| Diluted | 38,819,387 | 7,880,546 | 35,317,352 | 5,207,411 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**SKYE BIOSCIENCE, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | **2024** | **2023** |
| **Cash flows from operating activities:** | | |
| Net loss | $ (16,820,644) | $ (33,224,854) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 123,347 | 95,880 |
| Stock-based compensation expense | 6,228,270 | 394,657 |
| Change in fair value of derivative liabilities | — | (3) |
| Amortization of debt discount | 599,006 | 102,400 |
| Write-down of vendor deposits | 325,610 | — |
| Change in estimate for legal contingencies | (4,553,468) | 7,009 |
| (Gain) loss from divestiture of assets | (1,217,978) | 307,086 |
| Loss from disposal of assets | 10,794 | — |
| Debt conversion inducement expense | — | 1,383,285 |
| Accrued interest conversion expense | — | 15,952 |
| Cost to acquire IPR&D asset | — | 21,215,214 |
| Foreign currency remeasurement gain | — | (45,350) |
| Changes in assets and liabilities: | | |
| Prepaid expenses | (470,345) | 782,265 |
| Other current assets | (1,606,490) | (236,779) |
| Other assets | (18,000) | — |
| Accounts payable | (375,760) | (112,021) |
| Accounts payable - related parties | — | (113,601) |
| Accrued interest - related party | (126,027) | 60,274 |
| Accrued interest - legal contingency | (234,750) | — |
| Accrued payroll liabilities | 14,889 | (11,904) |
| Operating lease liability | (52,274) | (60,647) |
| Other current liabilities | 1,109,443 | (570,473) |
| Other current liabilities - related parties | — | (95,850) |
| Net cash used in operating activities | (17,064,377) | (10,107,460) |
| | | |
| **Cash flows from investing activities:** | | |
| Proceeds from the sale of assets, net of sales costs | 1,217,978 | 5,532,266 |
| Purchase of property and equipment | (1,554,003) | (5,533) |
| Cash from asset acquisition, net of transaction costs | — | 1,076,740 |
| Net cash (used in) provided by investing activities | (336,025) | 6,603,473 |
| | | |
| **Cash flows from financing activities:** | | |
| Proceeds from convertible note - related party | — | 4,973,684 |
| Proceeds from the issuance of common stock and warrants, net of equity issuance costs of $ 6,434,447 and $ 265,053, respectively | 83,556,563 | 11,734,947 |
| Financing costs allocated to warrants issued with convertible debt | — | (6,026) |
| Repayment of insurance premium loan payable | — | (236,681) |
| Net cash provided by financing activities | 83,556,563 | 16,465,924 |
| | | |
| **Net increase in cash and restricted cash** | 66,156,161 | 12,961,937 |
| | | |
| **Cash, cash equivalents and restricted cash , beginning of period** | $ 10,336,655 | $ 1,249,107 |
| | | |
| **Cash, cash equivalents and restricted cash, end of period** | $ 76,492,816 | $ 14,211,044 |
| | | |
| *Supplemental disclosures of cash-flow information:* | | |
| Reconciliation of cash, cash equivalents and restricted cash: | | |

| | | | | |
|---|---|---|---|---|
| Cash, and cash equivalents | $ | 67,412,614 | $ | 5,126,245 |
| Restricted cash | | 9,080,202 | | 9,084,799 |
| Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows | $ | 76,492,816 | $ | 14,211,044 |
| | | | | |
| *Supplemental disclosures of non-cash financing activities:* | | | | |
| Common stock warrant exercises | $ | — | $ | 282,905 |
| Conversion of multi-draw credit agreement | | — | | 1,565,470 |
| Conversion of accrued interest due to related party | | — | | 31,766 |
| Financing of insurance premium | | — | | 203,884 |
| Right of use asset obtained in exchange for operating lease liabilities | | — | | 241,134 |
| Stock issued for assets | | — | | 20,532,846 |
| Conversion of convertible note - related party to common stock | | 4,971,004 | | — |

See accompanying notes to the unaudited condensed consolidated financial statements.

**SKYE BIOSCIENCE, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**
**(UNAUDITED)**

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Total Stockholders' Equity/ (Deficit) |
|---|---|---|---|---|---|
| | Shares | Amounts | | | |
| **Balance, January 1, 2024** | 12,349,243 | $ 12,349 | $ 102,238,382 | $ (104,382,549) | $ (2,131,818) |
| Stock-based compensation expense | — | — | 2,478,179 | — | 2,478,179 |
| Issuance of common stock and warrants, net of issuance costs of $6,434,447 | 15,713,664 | 15,714 | 83,540,849 | — | 83,556,563 |
| Net loss | — | — | — | (5,019,531) | (5,019,531) |
| **Balance, March 31, 2024** | 28,062,907 | $ 28,063 | $ 188,257,410 | $ (109,402,080) | $ 78,883,393 |
| Stock-based compensation expense | 5,000 | 5 | 1,828,469 | — | 1,828,474 |
| Net loss | — | — | — | (7,902,816) | (7,902,816) |
| **Balance, June 30, 2024** | 28,067,907 | $ 28,068 | $ 190,085,879 | $ (117,304,896) | $ 72,809,051 |
| Stock-based compensation expense | — | — | 1,921,617 | — | 1,921,617 |
| Conversion of convertible note - related party | 968,973 | 969 | 4,970,035 | — | 4,971,004 |
| Exercise of pre-funded warrants | 1,301,410 | 1,301 | (1,301) | — | — |
| Net loss | — | — | — | (3,898,297) | (3,898,297) |
| **Balance, September 30, 2024** | 30,338,290 | $ 30,338 | $ 196,976,230 | $ (121,203,193) | $ 75,803,375 |

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Total Stockholders' (Deficit) |
|---|---|---|---|---|---|
| | Shares | Amounts | | | |
| **Balance, January 1, 2023** | 3,654,119 | $ 3,654 | $ 63,726,057 | $ (66,737,765) | $ (3,008,054) |
| Stock-based compensation expense | — | — | 131,579 | — | 131,579 |
| Exercise of common stock warrants | 66,566 | 66 | 282,839 | — | 282,905 |
| Conversion of multi-draw credit agreement - related party and accrued interest | 165,517 | 166 | 2,980,355 | — | 2,980,521 |
| Net loss | — | — | — | (5,167,520) | (5,167,520) |
| **Balance, March 31, 2023** | 3,886,202 | $ 3,886 | $ 67,120,830 | $ (71,905,285) | $ (4,780,569) |
| Stock-based compensation expense | — | — | 102,871 | — | 102,871 |
| Net loss | — | — | — | (3,111,500) | (3,111,500) |
| **Balance, June 30, 2023** | 3,886,202 | $ 3,886 | $ 67,223,701 | $ (75,016,785) | $ (7,789,198) |
| Stock-based compensation expense | — | — | 160,207 | — | 160,207 |
| PIPE financing, net of equity issuance costs of265,053 | 2,989,981 | 2,990 | 11,731,957 | — | 11,734,947 |
| Common stock issued in acquisition of IPR&D asset | 5,436,378 | 5,436 | 21,604,150 | — | 21,609,586 |
| Warrants issued with convertible note | — | — | 925,550 | — | 925,550 |
| Common stock issued for fractional share adjustment in reverse stock split | 26,349 | 26 | (26) | — | — |
| Net loss | — | — | — | (24,945,834) | (24,945,834) |
| **Balance, September 30, 2023** | 12,338,910 | $ 12,338 | $ 101,645,539 | $ (99,962,619) | $ 1,695,258 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**SKYE BIOSCIENCE, INC. AND SUBSIDIARIES**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED)**

## 1. Organization, Basis of Presentation and Significant Accounting Policies

***Nature of Operations***

Skye Bioscience, Inc. (the "Company" or "Skye") was incorporated in Nevada on March 16, 2011. The Company is a clinical stage biopharmaceutical company developing next-generation molecules that modulate G protein-coupled receptors to treat obesity and metabolic diseases.

As of September 30, 2024, the Company has devoted substantially all its efforts to securing its product pipeline, carrying out its own research and development, preparing for and conducting clinical trials, building infrastructure and raising capital. The Company has not yet realized revenue from its planned principal operations and is a number of years away from potentially being able to do so.

***Basis of Presentation***

The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Interim financial results are not necessarily indicative of results anticipated for the full year, or any future periods.

The Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, from which the prior year balance sheet information herein was derived.

Certain reclassifications have been made to the amounts in prior periods to conform to the current period's presentation, primarily the separate classification of prepaid expenses and other current assets on the Company's condensed balance sheet, and condensed statement of cash flows and change in fair value of derivative liability and interest expense on the condensed statement of operations. Such reclassifications did not have a material impact on the Unaudited Condensed Consolidated Financial Statements.

During the nine months ended September 30, 2024, there were no changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

***Pronouncements Implemented***

In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*. The new standard reduces the number of accounting models for convertible debt instruments, amends the accounting for certain contracts in an entity's own equity, and modifies how certain convertible instruments and contracts that may be settled in cash or shares impact the calculation of diluted earnings per share. Specifically, the guidance removes certain accounting models that separate the embedded conversion features from the host contract for convertible instruments and requires the use of the if-converted method to calculate diluted earnings per share. This standard was effective for fiscal years beginning after December 15, 2023 and interim periods within those fiscal years. The Company adopted this standard as of January 1, 2024 and the adoption of this standard did not have an impact on the Company's Unaudited Condensed Consolidated Financial Statements or related disclosures.

***Recent Accounting Pronouncements Not Yet Adopted***

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. This ASU requires greater disaggregation of information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. This ASU applies to all entities subject to income taxes and is intended to help investors better understand an entity's exposure to potential changes in jurisdictional tax legislation and assess income tax information that affects cash flow forecasts and capital allocation decisions. This ASU is effective for annual periods beginning after December 15, 2024, with early adoption permitted. This ASU should be applied on a prospective basis although retrospective application is permitted. The Company does not expect the impact of adopting ASU 2023-09 to be material on its consolidated financial statements

In November 2023, the Financial Account Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in this ASU require disclosures, on an annual and interim basis, of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), as well as the aggregate amount of other segment items included in the reported measure of segment profit or loss. This ASU requires that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. ASU 2023-07 is to be applied retrospectively to all prior periods presented in the financial statements with an effective date for all public entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not expect the impact of adopting ASU 2023-07 to be material on its consolidated financial statements.

**2. Asset Acquisitions and Dispositions**

***Sale of real estate***

The wind down of Emerald Health Therapeutics, Inc. ("EHT's") operations included the disposition of real estate held by Avalite Sciences, Inc. ("AVI") (the "AVI building"). At the time of the Company's acquisition of EHT on November 10, 2022 (the "EHT Acquisition"), none of the purchase consideration was allocated to the fair value of the AVI building. As a result of the sale of the AVI building, for the nine months ended September 30, 2024, the Company recorded a gain of $1,145,141 recorded as a (Gain) Loss from Asset Sales within the Other Income and Expense section of the Company's Unaudited Condensed Consolidated Statements of Operations.

***Divestiture of VDL, Release and Discharge Agreement***

On February 9, 2023, the Company sold Verdélite Sciences, Inc. ("VDL"). For the nine months ended September 30, 2023, the Company has recorded a loss on sale of asset of $307,086 in other (income) expense based on the difference between the carrying amount of the assets sold and the net cash proceeds.

On July 17, 2024, the Company reached a transaction, release and discharge agreement with the purchaser of VDL. Under the transaction, release and discharge agreement, the purchase price of VDL was adjusted in exchange for a full release of any future claims by VDL against the Company. As part of the agreement, the parties agreed to an installment payment schedule for the remaining aggregate balance of the purchase price of $2,047,080 through December 2027. The remainder of the purchase price receivable bears interest at 8%. Upon signing the transaction, release and discharge agreement, the Company received the first installment payment of $72,837 recorded as a (Gain) Loss from Asset Sales within the Other Income and Expense section of the Company's Unaudited Condensed Consolidated Statements of Operations.

***BRB Acquisition***

On August 18, 2023, the Company acquired 100% of the equity interests in Bird Rock Bio Sub, Inc. ("BRB") pursuant to an Agreement and Plan of Merger and Reorganization, dated August 15, 2023 (the "BRB Acquisition"). The purpose of the acquisition was to acquire BRB's clinical asset, nimacimab, an antibody targeting the CB1 receptor, for development to treat metabolic conditions. Pursuant to the BRB Acquisition, the Company issued 3,872,184 shares of Company common stock to the former preferred stockholders of BRB equal to $20,000,000 in base merger consideration priced at $5.16.

In addition, the former preferred stockholders of BRB were entitled to additional merger consideration for each dollar invested in a concurrent private investment in public equity transaction (the "2023 PIPE Financing"). Because the 2023 PIPE Financing and BRB Acquisition occurred contemporaneously and in contemplation of each other, in accounting for the transaction, the Company allocated the shares issued as additional merger consideration between the BRB Acquisition and 2023 PIPE Financing using a residual allocation method, whereby the fair value of the consideration transferred was first allocated to the monetary assets and 2023 PIPE Financing proceeds with the remainder allocated to the in-process research and development (" IPR&D") asset, nimacimab. As a result, 1,564,194 additional shares of common stock were allocated to the BRB Acquisition.

Below is a summary of the total consideration, assets acquired and the liabilities assumed in connection with the BRB Acquisition:

| | August 18, 2023 | |
|---|---|---|
| ***Purchase consideration*** | | |
| Common stock | $ 21,609,586 | (a) |
| **Total consideration** | **$ 21,609,586** | |
| | | |
| ***Assets acquired and liabilities assumed:*** | | |
| IPR&D asset | $ 21,215,214 | |
| Cash and cash equivalents | 1,076,740 | |
| Prepaid expenses | 4,800 | |
| Accounts payable | (73,473) | |
| Other current liabilities | (613,695) | |
| **Total net assets acquired** | **$ 21,609,586** | |

(a) Equal to the aggregate of 5,436,378 shares of common stock issued, multiplied by the Company's closing stock price of $3.98 as of August 18, 2023.

The cost to acquire the IPR&D asset, nimacimab, was expensed on the date of the BRB Acquisition as it was determined to have no future alternative use. Accordingly, costs associated with the BRB Acquisition to acquire the asset were expensed as incurred.

**3. Property and Equipment, Prepaid Expenses, Other Current Assets and Liabilities**

Property and equipment, net consists of the following:

| | As of September 30, 2024 | As of December 31, 2023 |
|---|---|---|
| Machinery and equipment | $ 1,527,419 | $ 78,024 |
| Computer equipment | 74,868 | 46,732 |
| Leasehold improvements | 13,954 | 13,954 |
| Total property and equipment, gross | 1,616,241 | 138,710 |
| Less: accumulated depreciation | (99,629) | (95,434) |
| Total property and equipment, net | **$ 1,516,612** | **$ 43,276** |

Depreciation expense for the three and nine months ended September 30, 2024 was $47,519 and $69,873, respectively. Depreciation expense for the three and nine months ended Sepember 30, 2023 was $12,788 and $38,107, respectively.

Prepaid expenses consist of the following:

| | As of September 30, 2024 | As of December 31, 2023 |
|---|---|---|
| Clinical expenses | $ 64,878 | $ 61,352 |
| Financial advisory service agreement | 284,170 | — |
| Other prepaid expenses | 315,556 | 132,907 |
| | **$ 664,604** | **$ 194,259** |

Other current assets consist of the following:

| | As of September 30, 2024 | As of December 31, 2023 |
|---|---|---|
| AusIndustry incentive | $ 9,033 | $ 540,604 |
| Vendor deposits | 2,216,427 | 403,439 |
| Other tax receivables | 3,678 | 158,242 |
| Other current assets | 421,671 | 17,644 |
| | **$ 2,650,809** | **$ 1,119,929** |

Other current liabilities consist of the following:

| | As of September 30, 2024 | As of December 31, 2023 |
|---|---|---|
| Research and development costs | $ 1,220,041 | $ 467,784 |
| Legal fees | 370,359 | 258,213 |
| EHT Acquisition related liabilities | — | 180,897 |
| Professional and consulting fees | 410,512 | 69,468 |
| Other accrued liabilities | 64,746 | 22,190 |
| | **$ 2,065,658** | **$ 998,552** |

**4. Warrants**

There are significant judgements and estimates inherent in the determination of the fair value of the Company's warrants. These judgements and estimates include assumptions regarding the Company's future operating performance and the determination of the appropriate valuation methods.

***Warrants***

Warrants vested and outstanding as of September 30, 2024 are summarized as follows:

| Source | Exercise Price | Weighted Average Remaining Contractual Term (Years) | Number of Warrants Outstanding |
|---|---|---|---|
| 2015 Common Stock Warrants | $ 1,250.00 | 0.56 | 400 |
| 2016 Common Stock Warrants to Service Providers | 287.50 | 2.08 | 160 |
| 2019 Common Stock Warrants | 87.50 | 0.14 | 32,000 |
| 2020 Common Stock Warrants to Placement Agent | 20.00 | 0.83 | 32,668 |
| 2021 Inducement Warrants | 37.50 | 1.81 | 84,667 |
| 2021 Inducement Warrants to Placement Agent | 47.00 | 1.81 | 5,927 |
| 2021 Common Stock Warrants | 22.50 | 1.99 | 311,113 |
| 2021 Common Stock Warrants to Placement Agent | 27.50 | 1.99 | 21,778 |
| November 2019 EHT Common Stock Warrants | 72.25 | 0.16 | 34,213 |
| December 2019 EHT Common Stock Warrants | 37.25 | 0.24 | 3,783 |
| February 2020 EHT Common Stock Warrants | 37.25 | 0.35 | 80,694 |
| August 2023 Convertible Note Common Stock Warrants | 5.16 | 8.88 | 340,000 |
| August 2023 PIPE Financing Common Stock Warrants | 5.16 | 8.88 | 2,325,537 |
| January 2024 Pre-Funded Warrants Common Stock | 0.001 | Indefinite | 8,677,166 |
| **Total warrants outstanding as of September 30, 2024** | | | **11,950,106** |

As of September 30, 2024, all of the Company's warrants are fully vested

***January 2024 Pre-Funded Warrants***

In connection with the January 2024 PIPE Financing (as defined below), the Company issued the Pre-Funded Warrants (as defined below) (See Note 6). The Pre-Funded Warrants have an exercise price of $0.001 per share, and were exercisable immediately upon issuance until exercised in full. The gross proceeds from the issuance of these Pre-Funded Warrants was $22,991,015. The Company determined that the Pre-Funded Warrants are freestanding instruments that do not meet the definition of a liability or derivative. The Pre-Funded Warrants are indexed to the Company's common stock and meets all other conditions for equity classification. Accordingly, the Pre-Funded Warrants are classified as equity and are accounted for as a component of additional paid-in capital at the time issued. The Company also determined that the Pre-Funded Warrants should be included in the determination of basic and diluted earnings per share.

**5. Debt**

The Company's convertible debt consists of the following:

| | As of December 31, 2023 |
|---|---|
| Total principal value of convertible note - related party, net of discount | $ 5,000,000 |
| Unamortized debt discount | (610,749) |
| Unamortized debt issuance costs | (17,253) |
| **Carrying value of total convertible debt - related party** | **$ 4,371,998** |

***Convertible Note - Related Party***

On August 15, 2023, the Company entered into a secured note and warrant purchase agreement (the "Secured Note and Warrant Purchase Agreement") with MFDI, LLC ("MFDI"), pursuant to which the Company issued to MFDI a $5,000,000 secured convertible promissory note (the "Convertible Note") and a warrant to purchase 340,000 shares of common stock on August 18, 2023 (the "Convertible Note Financing") (See Note 4). The Convertible Note had an interest rate of 10% per annum and had a fixed conversion rate of $5.16.

On August 8, 2024, MFDI exercised the conversion option under the Convertible Note and converted the full principal balance of $5,000,000 under the Convertible Note. This conversion resulted in the issuance of 968,973 shares of the Company's common stock and the payment of accrued interest in cash, thereby fully satisfying the Company's debt obligations to MFDI.

Accrued interest was payable quarterly within 30 days of the last day of each calendar quarter. The debt discounts related to the warrants, and debt issuance costs, were amortized over the term of the Convertible Note using the effective interest rate method. Amortization of the debt discount is recognized as non-cash interest expense in Other (income) expense within the Consolidated Statements of Operations. Through the date of conversion, the Convertible Note is classified as Level 2 of the fair value hierarchy model based on market prices that can be corroborated with observable market data for the Company's common stock.

For the three and nine months ended September 30, 2024, the effective interest rate on the Convertible Note was 31.39%.

***Interest Expense (Income)***

The Company's interest expense consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Related party interest expense – stated rate | $ 53,425 | $ 60,274 | $ 302,741 | $ 76,227 |
| Insurance premium loan payable – stated rate | — | 2,162 | — | 5,764 |
| Legal judgment interest (income) expense | (384,897) | (23,320) | (234,751) | 158,851 |
| Bond premium | 59,929 | 59,930 | 59,929 | 59,930 |
| Premium on irrevocable letter of credit | 69,297 | 69,861 | 69,297 | 69,861 |
| Other interest expense | — | — | — | 3,102 |
| Non-cash interest expense: | | | | |
| Amortization of debt discount | 108,417 | 99,587 | 582,550 | 99,587 |
| Amortization of transaction costs | 3,063 | 2,813 | 16,456 | 2,813 |
| | **$ (90,766)** | **$ 271,307** | **$ 796,222** | **$ 476,135** |

**6. Stockholders' Equity and Capitalization**

***PIPE Financings***

*January 2024 PIPE Financing*

On January 29, 2024, the Company entered into a Securities Purchase Agreement with certain institutional investors, pursuant to which on January 31, 2024, the Company issued an aggregate of 11,713,664 shares of common stock and 9,978,739 pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 9,978,739 shares of common stock (the "January 2024 PIPE Financing") for an aggregate purchase price of $49,991,010. The January 2024 PIPE Financing was priced at $2.31 per common share and $2.30 per Pre-Funded Warrant based on the 5-day average share price preceding January 29, 2024. The Pre-Funded Warrants are exercisable at any time for an exercise price of $0.001.

In connection with the January 2024 PIPE Financing, the Company incurred $3,823,752 in direct equity issuance costs for net proceeds of $46,167,258.

*March 2024 PIPE Financing*

On March 11, 2024, the Company entered into a Securities Purchase Agreement with certain institutional investors, pursuant to which on March 13, 2024, the Company issued an aggregate of 4,000,000 shares of common stock (the "March 2024 PIPE Financing") for an aggregate purchase price of $40,000,000. The March 2024 PIPE Financing was priced at $10.00 per common share.

In connection with the March 2024 PIPE Financing, the Company incurred $2,610,695 in direct equity issuance costs for net proceeds of approximately $37,389,305.

***Prefunded Warrant Exercise***

On July 1, 2024, 1,301,573 pre-funded warrants issued in the January 2024 PIPE Financing with an intrinsic value of $10,424,294 were exercised on a cashless basis, resulting in the issuance of 1,301,410 shares of Company's common stock.

***Conversion of Debt***

On August 8, 2024, the Company issued 968,973 shares of common stock to MFDI upon conversion in full of the Convertible Note (see Note 5).

**7. Stock-Based Compensation**

***Stock Incentive Plan***

On October 31, 2014, the Board of Directors of the Company ("Board") approved the Company's 2014 Omnibus Incentive Plan. On June 14, 2022, the Board approved the 2014 Amended and Restated Omnibus Incentive Plan (as amended, the "2014 Amended and Restated Plan") which replaced the 2014 Omnibus Incentive Plan in its entirety.

On September 29, 2023, the Board and holders of the voting power of the outstanding capital stock of the Company adopted and approved Amendment No. 1 to the 2014 Amended and Restated Plan. Amendment No. 1 to the 2014 Amended and the Restated Plan became effective on November 6, 2023. As of September 30, 2024, 2,464,345 shares were authorized for the issuance under the 2014 Amended and Restated Plan.

As of September 30, 2024, the Company had 27,578 shares available for future grant under the 2014 Amended and Restated Plan.

***2024 Inducement Equity Incentive Plan***

On July 2, 2024, the Board adopted the Skye Bioscience, Inc. 2024 Inducement Equity Incentive Plan (the "Inducement Plan"). The Inducement Plan was adopted in order to grant share-based awards to newly hired employees as an inducement to join the Company. The terms of the Inducement Plan are substantially similar to the terms of the Company's 2014 Amended and Restated Plan with the exception that awards may only be made to an employee who has not previously been an employee or member of the Board of Directors of the Company if the award is in connection with commencement of employment. The Company has reserved 600,000 shares of the Company's common stock for issuance pursuant to awards granted under the Inducement Plan. As of September 30, 2024, the Company had 246,500 shares available for future grant under the Inducement Plan.

***Stock Options***

The following is a summary of option activity under the Company's 2014 Amended and Restated Plan and the Inducement Plan, for the nine months ended September 30, 2024:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value* |
|---|---|---|---|---|
| **Outstanding, December 31, 2023** | **498,298** | **$ 8.96** | **7.24** | **$ 20,441** |
| Granted | 1,259,600 | 11.35 | | |
| Cancelled | (10,048) | 126.76 | | |
| Forfeited | (108,496) | 9.22 | | |
| **Outstanding, September 30, 2024** | **1,639,354** | **$ 10.05** | **8.33** | **$ 158,794** |
| **Exercisable, September 30, 2024** | **519,839** | **$ 11.36** | **5.76** | **$ 71,783** |

**The aggregate intrinsic value is the sum of the amounts by which the quoted market price of the Company's stock exceeded the exercise price of the stock options at September 30, 2024 for those stock options for which the quoted market price was in excess of the exercise price ("in-the-money options").*

The weighted-average grant-date fair value of stock options granted during the nine months ended September 30, 2024, was $8.82.

The fair value of the Company's stock option grants were estimated on the date of grant using the Black-Scholes option-pricing model under the following assumptions:

| | Nine Months Ended September 30, 2024 |
|---|---|
| Dividend yield | 0.00% |
| Volatility factor | 81.73% - 99.96% |
| Risk-free interest rate | 3.69% - 4.48% |
| Expected term (years) | 5.27 - 6.08 |

***Restricted Stock Units***

On February 29, 2024, the Company granted restricted stock units ("RSUs") to its executive management team and to certain members of the Board with market-based vesting conditions. The RSUs are eligible to vest subject to the achievement and attainment of certain market capitalization target goals and share price targets (market-based vesting conditions). The Company used the Monte Carlo Simulation model to evaluate the derived service period and fair value of awards with market and performance conditions, including assumptions of historical volatility and risk-free interest rate commensurate with the vesting term.

The fair value of the Company's market-based RSUs were estimated on the date of grant under the following assumptions:

| | Nine Months Ended September 30, 2024 |
|---|---|
| Dividend yield | 0.00% |
| Volatility factor | 93.71% |
| Risk-free interest rate | 4.16% |
| Derived service periods (years) | 1.27 - 2.48 |

On August 22, 2024, the Board approved a modification to the terms of the RSUs issued on August 25, 2023, and September 29, 2023 to its executive management team and to a member of the Board. The vesting condition was modified from a performance-based condition to a market-based condition. Since the performance condition under the original award was improbable of being met at the time of the modification, no expense was previously recognized. Therefore, on the modification date, the Company established a new fair value and will recognize the expense over the derived service period. The Company used the Monte Carlo Simulation model to evaluate the derived service period and fair value of the awards.

The fair value of the Company's market-based RSUs were estimated on the modification date under the following assumptions:

| | Nine Months Ended September 30, 2024 |
|---|---|
| Dividend yield | 0.00% |
| Volatility factor | 94.3% |
| Risk-free interest rate | 3.76% |
| Derived service periods (years) | 2.11 |

The following is a summary of RSU activity during the period endedSeptember 30, 2024:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| **Unvested, December 31, 2023** | **847,777** | **$ 3.66** |
| Granted | 290,000 | 13.87 |
| **Unvested, September 30, 2024** | **1,137,777** | **$ 6.26** |

***Common Stock Issued for Services***

Additionally, during the nine months ended September 30, 2024, the Company issued5,000 shares of common stock to a service provider as compensation for services provided. Such shares were issued in a private placement outside of the Company's equity incentive plans.

***Stock-Based Compensation Expense***

The Company recognizes stock-based compensation expense using the straight-line method over the requisite service period or derived service period.The Company recognized stock-based compensation expense for the stock options and the RSUs discussed above, in its Unaudited Condensed Consolidated Statements of Operations as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Research and development | $ 360,845 | $ 33,724 | $ 1,056,564 | $ 90,725 |
| General and administrative | 1,560,772 | 126,483 | 5,171,706 | 303,932 |
| | **$ 1,921,617** | **$ 160,207** | **$ 6,228,270** | **$ 394,657** |

During the nine months ended September 30, 2024, the firstthree market-based vesting conditions of the RSUs granted in August and September 2023 were met.

*Stock Compensation Adjustments Related to Board Member Resignations*

On July 2, 2024, the Board accepted the resignations of several Board members effective August 1, 2024. Concurrently, the Board approved a modification to the option awards granted such Board members, which modification accelerated the vesting of all unvested options as of the resignation date and extended the post-termination exercise period to December 31, 2025. As a result of the modification, the Company recognized $274,019 in incremental stock compensation expense during the three and nine months ended September 30, 2024.

The total amount of unrecognized compensation cost was$11,758,346 as of September 30, 2024. This amount will be recognized over a weighted average period of2.61 years.

**8. Loss Per Share of Common Stock**

The following tables are a reconciliation of the numerators and denominators used in the calculation of basic and diluted net loss per share computations:

| | Three Months Ended September 30, (Unaudited) | | Nine Months Ended September 30, (Unaudited) | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Basic EPS and diluted EPS:** | | | | |
| **Loss (Numerator)** | | | | |
| Net loss | $ (3,898,297) | $ (24,945,834) | $ (16,820,644) | $ (33,224,854) |
| **Shares (Denominator)** | | | | |
| Weighted average common shares outstanding, including shares issuable upon the exercise of pre-funded warrants | 38,819,387 | 7,880,546 | 35,317,352 | 5,207,411 |
| **Per-Share Amount** | **$ (0.10)** | **$ (3.17)** | **$ (0.48)** | **$ (6.38)** |

The following outstanding shares of common stock equivalents were excluded from the computation of diluted net loss per share of common stock for the periods presented because including them would have been anti-dilutive:

| | Three Months Ended September 30, (Unaudited) | | Nine Months Ended September 30, (Unaudited) | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Stock options | 1,639,354 | 442,803 | 1,639,354 | 442,803 |
| Warrants | 3,272,940 | 3,280,940 | 3,272,940 | 3,280,940 |
| Unvested restricted stock units | 513,446 | 843,110 | 513,446 | 843,110 |
| Common shares underlying convertible debt | — | 980,673 | — | 980,673 |

**9. Contingencies**

***General Litigation and Disputes***

From time to time, in the normal course of operations, the Company may be a party to litigation and other dispute matters and claims. Litigation can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable outcome to any legal matter, if material, could have a materially adverse effect on the Company’s operations or financial position, liquidity or results of operations.

*Wendy Cunning vs Skye Bioscience, Inc.*

The Company is a party to a legal proceeding with a former employee alleging, among other things, wrongful termination, violation of whistleblower protections under the Sarbanes-Oxley Act of 2002, and retaliation under California law against the Company relating to certain actions and events that occurred with the Company's former management during the employee's employment term from March 2018 to July 2019. The case, entitled *Wendy Cunning vs Skye Bioscience, Inc.*, was filed in U.S. District Court (the "District Court") for the Central District of California (the “Cunning Lawsuit”). On January 18, 2023, a jury rendered a verdict in favor of Ms. Cunning and awarded her $512,500 in economic damages (e.g., lost earnings, future earnings and interest), $840,960 in non-economic damages (e.g., emotional distress) and $3,500,000 in punitive damages. On August 2, 2023, the District Court ruled on the plaintiff's motion for attorney fees and awarded the plaintiff $1,200,008. Based on this order, the Company reduced the aggregate estimate for the legal contingency by $151,842, the difference between the attorney fees awarded by the District Court and the Company's previous estimate. On August 17, 2023, the Company obtained a stay on enforcement of the judgment in the Cunning Lawsuit by posting an appeal bond in the amount of $9,080,202.

In March of 2023, the Company appealed the judgment in the Cunning Lawsuit to the United States Court of Appeals for the Ninth District (the "Ninth Circuit"). Subsequent to quarter end, on October 22, 2024, the Ninth Circuit issued its decision in the Company's favor which vacated the judgment and remanded the case back to the District Court for a new trial. As a result, the Company will be able to recover the $9,080,202 restriction on its cash related to the bond.

*Skye Bioscience, Inc. vs Partner Re Ireland Insurance*

In February 2023, the Company brought a suit against the Company's D&O insurance carrier, Partner Re Ireland Insurance DAC ("Partner Re"), bringing claims for (a) breach of contract, (2) tortious breach of the implied covenant of good faith and fair dealing and (3) declaratory relief that Partner Re is obligated to reimburse the Company for the defense fees and costs incurred in defense of the Cunning Lawsuit and must indemnify the Company for any settlement or judgment in the Cunning Lawsuit (the "Partner Re Lawsuit"). The Company's allegations arise out of Partner Re's refusal to reimburse the Company for costs incurred by the Company in defending the Cunning Lawsuit. The case, entitled *Skye Bioscience, Inc., v. Partner Re Ireland Insurance DAC*, was filed in the United Stated District Court for the Central District of California.

On April 17, 2023, Partner Re filed a motion to dismiss the Company's complaint. On June 20, 2023, the court issued a ruling in favor of the Company and denied Partner Re's motion to dismiss the Company's lawsuit. In April 2024, the Company filed a motion for judgment on the pleadings. In June of 2024, the court granted in part and denied in part the Company's motion for judgment on the pleadings. The court granted the Company's motion for judgment on the pleadings with respect to Partner Re's affirmative defense related to whether the Cunning Lawsuit constituted a “Securities Claim” as defined in the Partner Re policy, rejecting what had been Partner Re's primary basis for denying coverage.

The Company is pursuing up to $5,000,000 in coverage less the deductible to cover legal expenses incurred and any potential loss incurred from the Cunning Lawsuit.

*Estimate for accrued legal contingencies and related expenses*

Following the Ninth Circuit's favorable decision and the Company's mediation efforts with PartnerRe, a change in estimate for legal contingencies was recorded. As of September 30, 2024, the Company has reversed the accrued interest on the original judgment and adjusted its potential loss for accrued legal contingencies and related expenses, which includes legal accruals and all other costs related to its ongoing litigation matters.

Management uses significant judgment in developing its estimates related to legal contingencies and loss recoveries. These adjustments are based on the evaluation of case history, mediation efforts, the facts of the cases and take into consideration both future potential judgment amounts, damages and potential attorney fee awards if the cases were to be retried.

The final amount of the loss and loss recoveries remain uncertain. The ultimate amount of the potential loss may be significantly less than the amount of the revised legal contingency and there is no guarantee that the Company will be successful in its efforts to recover additional losses. The Company believes that it is at least reasonably possible that the estimated amount of the potential loss may change in the near term.

**10. Subsequent Events**

***Approval of Amended and Restated Omnibus Incentive Plan***

On October 22, 2024, the Company's stockholders voted to approve the second amendment and restatement of the Company's Amended and Restated 2014 Omnibus Incentive Plan to increase the number of shares of the Company's common stock issuable thereunder by 1,535,655 to increase the number of incentive stock options that may be granted thereunder to 4,000,000, extend the expiration date of the plan to September 10, 2034, update the name of the plan to the “Skye Bioscience, Inc. Amended and Restated Omnibus Incentive Plan” and make certain administrative amendments (as so amended and restated, the "Amended and Restated Plan").

***Stock Option Grants***

Subsequent to September 30, 2024, the Company granted an aggregate of 1,456,400 common stock options to members of management, employees and directors under the Amended and Restated Plan.

***San Francisco Office Lease***

On September 25, 2024, the Company entered into a new lease agreement for approximately 2,077 square feet of office space located at 632 Commercial Street, 5th Floor, San Francisco, California 94111. The lease has a term of three years and two months, beginning on October 1, 2024, with a monthly rent of $9,000 and annual increases of 3%. This office space will support our continued growth and operational needs as we expand our development activities. No material changes to our financial position are anticipated as a result of this lease.

***Legal Contingencies***

See Note 9 for disclosure of the recognized subsequent event related to our estimate for legal contingencies.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements (unaudited) for the three and nine months ended September 30, 2024 and 2023, together with the notes thereto and the consolidated financial statements and the related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited, to those set forth under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q.*

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Statements in this Quarterly Report on Form 10-Q contain forward-looking statements that are based on management's current expectations and assumptions and information currently available to management and are subject to risks and uncertainties. If such risks or uncertainties materialize or such assumptions prove incorrect, our business, operating results, financial condition and stock price could be materially and negatively affected. In some cases, you can identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," "will," "would" or the negative of these terms or other comparable terminology. Factors that could cause actual results to differ materially from those currently anticipated include those set forth in the section below titled "Risk Factors," including, without limitation, risks relating to:

- the results of our research and development activities, including uncertainties relating to the discovery of potential product candidates and the preclinical and clinical testing of our current product candidate, nimacimab;
- the translation of our preclinical results and data and early clinical trial results in particular relating to safety, efficacy and durability into future clinical trials in humans;
- the timing, progress and results of our clinical trial for nimacimab and our estimates regarding the market opportunity for nimacimab if approved;
- the early stage of our product candidate presently under development;
- our ability to obtain and, if obtained, maintain regulatory approval of our current product candidate, and any of our other future product candidates, and any related restrictions, limitations, and/or warnings in the label of any approved product candidate;
- our ability to retain or hire key scientific or management personnel;
- our ability to protect our intellectual property rights that are valuable to our business, including patent and other intellectual property rights;
- our dependence on third party manufacturers, suppliers, research organizations, testing laboratories and other potential collaborators, including global supply chain disruptions;
- our ability to develop successful sales and marketing capabilities in the future as needed;
- the size and growth of the potential markets for our current product candidate, nimacimab, and any of our future product candidates, and the rate and degree of market acceptance of our current product candidate and any of our future product candidates;
- our competitive position and the development of competing therapies that are or may become available;
- regulatory developments in the United States and foreign countries; and
- current pending litigation matters, including the Cunning Lawsuit.

We operate in a rapidly changing environment and new risks emerge from time to time. As a result, it is not possible for our management to predict all risks, including the current global economic environment, the impacts of the high inflationary environment, and associated business disruptions such as delayed clinical trials, laboratory resources and supply chain limitations, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements included in this report speak only as of the date hereof, and except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

*Unless otherwise provided in this Quarterly Report on Form 10-Q, references to "we," "us," "our" and "Skye" in this discussion and analysis refer to Skye Bioscience, Inc., a Nevada corporation, together with its wholly owned subsidiaries, Nemus, a California corporation, SKYE Bioscience Pty Ltd ("SKYE Bioscience Australia"), an Australian proprietary limited company, Emerald Health Therapeutics, Inc. ("EHT") a corporation governed by the Business Corporations Act (British Columbia), Bird Rock Bio Sub, Inc. ("BRB"), a Delaware corporation and Ruiyi Acquisition Corp, a Delaware corporation.*

**Overview**

We are a clinical-stage biopharmaceutical company focused on unlocking new therapeutic pathways for metabolic health through the development of next-generation molecules that modulate G-protein-coupled receptors ("GPCRs"). GPCRs regulate diverse physiological and pathological processes, particularly those that maintain metabolic homeostasis. Therapeutics that target these GPCR-associated pathways may represent novel approaches to address metabolic disorders.

Our product candidate, nimacimab, is a peripherally-restricted negative allosteric modulating antibody specific for the human CB1 receptor (CB1), administered as a subcutaneous injectable initially for the treatment of obesity.

During the three months ended September 30, 2024, we commenced our Phase 2 clinical trial,*CBeyond*$^{TM}$, for nimacimab. The *CBeyond*$^{TM}$ clinical trial includes 120 patients, 18 clinical trial sites and an exploratory combination arm with a GLP-1 agonist to assess differences in weight loss, body composition, and other attributes. The *CBeyond*$^{TM}$ clinical trial continues to enroll patients and we expect to meet our goal of 50% enrollment by the end of 2024. We expect to provide interim and topline data in the second and fourth quarters of 2025, respectively.

This *CBeyond*$^{TM}$ clinical trial's primary endpoint is to evaluate weight loss using nimacimab compared to placebo. Secondary endpoints include evaluations of safety and tolerability, neuropsychiatric and cognitive evaluation, change in body composition by Dual-Energy X-ray Absorptiometry (DEXA), and changes in key metabolic biomarkers such as triglycerides, and insulin and leptin sensitivity.

We believe that nimacimab has competitive advantages that differentiate it within the CB1 inhibitor class. First, as a monoclonal antibody, it is a large molecule that has great difficulty crossing the blood-brain barrier and restricts its engagement to CB1 receptors present in tissue/organs within the periphery of the body (i.e., outside the brain). Second, it is a negative allosteric modulator, a unique binding mechanism compared to small-molecule CB1 inhibitors, which may confer advantages in terms of its therapeutic index. Our antibody-based CB1 inhibitor shares many of the characteristics of small molecule inverse agonists by targeting CB1 receptors in adipose tissue to directly increase fat metabolism and indirectly impact hunger hormones. However, we believe its virtually complete restriction to the periphery eliminates problematic central engagement in the brain. In the case of small-molecule CB1 inhibitors, CB1 inhibition in the brain has been associated with dose-dependent neuropsychiatric adverse events.

We do not believe that central targeting of CB1 inhibition is required for meaningful efficacy. To demonstrate this, we have developed a diet-induced obesity (DIO) model using humanized mice with knock-in CB1 receptors to interrogate the in vivo efficacy of nimacimab, a humanized IgG4 anti-CB1 antibody. During November 2024, we shared initial data from our DIO study with nimacimab showing dose-dependent weight loss as well as positive changes in body composition and glycemic control upon treatment. Further analysis and repeat studies are underway but we believe that true peripheral CB1 inhibition can positively impact metabolic disorders including obesity.

Given the distinct mechanism and beneficial attributes of nimacimab as a peripheral CB1 inhibitor, within the large and heterogeneous obesity landscape we believe there is significant opportunity for nimacimab to potentially complement GLP-1 agonists and other anti-obesity drug mechanisms of action as well as to have a potential role as a monotherapy.

In January 2024 and March 2024, we completed two private placement equity transactions (the "January and March PIPE Financings") with institutional accredited investors, in which we raised combined net aggregate proceeds of $83,556,563. The net capital raised from the January and March PIPE Financings along with the reallocation of funds from the elimination of our glaucoma program will allow us to fund our clinical trial for obesity through top-line Phase 2 data and provide us with the ability to expand upon our metabolic program.

In April 2024, Skye uplisted to the NASDAQ Global Market® stock exchange from the OTCQB.

On May 10, 2024, we entered into an Equity Distribution Agreement (the "ATM Agreement") with Piper Sandler & Co, as the sales agent (the "Sales Agent"), under which we may, from time to time, sell up to $100,000,000 of shares of our common stock through the Sales Agent (the "ATM Offering"). We are not obligated to, and we cannot provide any assurances that we will make any sales of the shares under the ATM Agreement. We will pay the Sales Agent a commission for their services in acting as agent in the sale of common stock in an amount up to 3% of the gross sales price per share sold. During the three and nine months ended September 30, 2024, we did not issue any shares under the ATM Offering.

In June 2024, we completed our Phase 2a double-masked randomized, placebo-controlled trial of SBI-100 Ophthalmic Emulsion ("SBI-100 OE") in 56 patients with elevated intraocular pressure ("IOP") diagnosed with primary open-angle glaucoma or ocular hypertension. The primary endpoint evaluated the change in diurnal IOP in the treated arm vs. placebo over 2 weeks. The study did not achieve a statistically significant improvement in IOP over placebo. As a result, we eliminated our ocular program and strategically redirected our efforts and capital resources to our metabolic program. We have also terminated our license agreement with the University of Mississippi and other vendor contracts related to the manufacture, development, and sublicense of SBI-100.

In August of 2024, the Convertible Note (as defined in Note 5 to the accompanying Unaudited Condensed Consolidated Financial Statements). with a principal value of $5,000,000 was converted into 968,973 shares of our common stock.

In March of 2023, we appealed the judgment in the Cunning Lawsuit (as defined in Note 9 to the accompanying Unaudited Condensed Consolidated Financial Statements) with the Ninth Circuit Court of Appeals (the "Ninth Circuit"). On October 22, 2024, the Ninth Circuit issued its decision on the appeal and vacated the judgment and remanded the case back to the District Court for a new trial. By the end of 2024, we expect to exonerate the bond and remove the restriction on our cash balance to extend our cash runway and reallocate the funds to further our clinical pipeline.

We were incorporated under the laws of the State of Nevada on March 16, 2011, and our headquarters are based in San Diego, CA. We also maintain office space in San Francisco, CA. Since our incorporation, we have devoted substantially all of our efforts to building our product portfolio through the acquisition of clinical assets and licensing agreements, carrying out research and development, building infrastructure and raising capital.

**Financial Overview**

*Revenues*

To date, we have not generated any revenue. We do not expect to receive any revenue from our lead drug candidate, nimacimab, or any future drug candidates that we develop unless and until we obtain regulatory approval for, and commercialize, nimacimab or future drug candidates or generate revenue from collaborative agreements with third parties.

*Research and Development Expenses*

During the three months ended September 30, 2024, we incurred $4,883,337 in research and development expenses primarily related to our Phase 2 clinical trial of nimacimab for obesity, manufacturing and residual costs from our legacy Phase 2a SBI-100 OE clinical trial. During the three months ended September 30, 2023, we incurred $1,254,653 in research and development expense primarily related to our efforts in conducting the Phase 1 SBI-100 OE clinical trial.

During the nine months ended September 30, 2024, we incurred $10,908,538 in research and development expenses primarily related to our Phase 2 clinical trial of nimacimab for obesity, manufacturing and residual costs from our legacy Phase 2a SBI-100 OE clinical trial. During the nine months ended September 30, 2023, we incurred $4,227,967 in research and development expense primarily related to our efforts in conducting the Phase 1 SBI-100 OE clinical trial.

We expect that our ongoing research and development expenses will consist of costs incurred for the development of our lead drug candidate, nimacimab, or our future drug candidates, including, but not limited to:

- employee-related expenses, which include salaries, benefits and stock-based compensation;
- payments to third party contract research organizations and investigative sites; and
- payments to third party manufacturing organizations and consultants.

We expect to incur future research and development expenditures to support our preclinical, nonclinical, and clinical studies. Preclinical and nonclinical activities include early discovery efforts with novel molecules, laboratory evaluation of product chemistry, toxicity and formulation, as well as animal studies to assess safety and efficacy.

The process of conducting the necessary clinical research to obtain regulatory approval is costly and time consuming and the successful development of our lead drug candidate, nimacimab, and any future drug candidate is highly uncertain. Our future research and development expenses will depend on the clinical success of nimacimab and any future drug candidates as well as ongoing assessments of the commercial potential of such drug candidates. In addition, we cannot forecast with any degree of certainty which drug candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements. We expect to incur increased research and development expenses in the future as we continue our efforts towards advancing our lead program for nimacimab.

*General and Administrative Expenses*

Our general and administrative expenses have fluctuated year-over-year as we have entered into various strategic acquisitions to restructure and reposition our company. Additionally, as a business in the early stages of drug development we are in the process of scaling our operations by hiring additional employees and building the infrastructure necessary to increase efficiencies. These initiatives have resulted in additional costs related to the implementation of certain systems, insurance, facilities, legal, tax and accounting costs. As a public company, we expect to incur additional expenses related to insurance, investor relations activities, legal and other administration and professional services to comply with the rules and regulations of the SEC, FINRA and Nasdaq. Other significant costs are expected to include legal fees relating to patent and corporate matters, business development costs and fees for consulting services. To incentivize our employees and be competitive to retain strong talent we issued additional equity awards in 2023 and 2024, which have resulted in increased stock-based compensation expense. We also expect that certain general and administrative expenses which are commensurate with headcount, will continue to increase in the future in order to support our expected increase in research and development activities, including increased salaries, technology, facilities and other related costs.

*Other (Income) Expense*

Other (income) expense primarily includes a gain from the sale of the AVI building (see Note 2 to the accompanying Unaudited Condensed Consolidated Financial Statements), interest income and interest expense incurred from the Convertible Note which was converted during the three months ended September 30, 2024.

**Critical Accounting Estimates**

There have been no material changes in our Critical Accounting Estimates from the information provided in the "Critical Accounting Estimates" section of "Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, except, for the addition of our critical accounting estimate related to the estimate for accrued legal contingencies and related expenses and loss recoveries.

We follow ASC 450, subtopic 450-20 to report accounting for loss contingencies and recoveries. Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to us, but which will only be resolved when one or more future events occur or fail to occur.

We assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies and recoveries related to legal proceedings that are pending or un-asserted claims that may result in such proceedings, we evaluate the perceived merits of any legal proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency or loss recovery indicates that it is probable that a material loss has been incurred or a loss recovery is realizable and the amount of the asset or liability can be estimated, then the estimated asset or liability would be recorded in our financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

**Recently Issued and Adopted Accounting Pronouncements**

See Note 1 to the accompanying Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information on recently issued accounting pronouncements and recently adopted accounting pronouncements. While we expect certain recently adopted accounting pronouncements to impact our estimates in future periods, the impact upon adoption was not significant to our current estimates and operations.

**Results of Operations**

***For the three months ended September 30, 2024 and 2023***

*Research and Development Expenses*

Below is a summary of our research and development expenses during the three months ended September 30, 2024 and for the same period in 2023:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| Research and development expenses | $ 4,883,337 | $ 1,254,653 | $ 3,628,684 | 289 % |

Research and development expenses for the three months ended September 30, 2024, increased by $3,628,684 as compared to the same period in 2023. The net increase in research and development expenses was primarily due to an increase of $693,556 in research and development salaries and equity based compensation, a net increase of $2,735,109 in contracted clinical and manufacturing costs from our Phase 2 clinical trial of nimacimab for obesity, an increase of $74,758 in consulting expense, and an increase of $122,174 in travel and other business expenses.

*Cost to acquire IPR&D asset*

Below is a summary of our cost to acquire the IPR&D asset, nimacimab, pursuant to the BRB Acquisition (as defined in Note 2 of to the accompanying Unaudited Condensed Consolidated Financial Statements) during the three months ended September 30, 2024, and for the same period in 2023:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| Cost to acquire IPR&D asset | $ — | $ 21,215,214 | $ (21,215,214) | (100)% |

Cost to acquire the IPR&D asset for the three months ended September 30, 2024, decreased by $21,215,214 as compared to the same period in 2023. The decrease is due to the cost of the acquired IPR&D in the BRB Acquisition during the three months ended September 30, 2023 and no acquisition of IPR&D in the same period during 2024.

*General and Administrative Expenses*

Below is a summary of our general and administrative expenses during the three months ended September 30, 2024, and for the same period in 2023:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| General and administrative expenses | $ 4,638,927 | $ 2,235,899 | $ 2,403,028 | 107 % |

General and administrative expenses for the three months ended September 30, 2024, increased by $2,403,028 as compared to the same period in 2023. The increase in general and administrative expenses was primarily due to an increase in salaries and benefits of $1,826,208 driven by stock-based compensation expense from the achievement of certain performance based milestones related to RSUs granted to members of management and a member of the board of directors of the Company and increased headcount. During the three months ended September 30, 2024, professional fees increased by $214,192 due to services provided under a financial advisory agreement, increased corporate tax fees and corporate legal fees related to patent prosecution for nimacimab. The net increase included an offset of $164,000 from the reduction in general corporate legal expenses related to the Cunning Lawsuit and Partner Re case as compared to the prior period.

*Change in Estimate for Legal Contingencies*

Total change in estimate for legal contingencies for the three months ended September 30, 2024 and 2023, are as follows:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| Change in estimate for legal contingencies | $ (4,553,468) | $ — | $ (4,553,468) | 100 % |

For the three months ended September 30, 2024, we recorded a change in estimate for legal contingencies (as defined in Note 9 to the accompanying Unaudited Condensed Consolidated Financial Statements) based on changes after September 30, 2024 to the facts and circumstances related to our legal proceedings that existed as of the balance sheet date.

*Other (Income) Expense*

Below is a summary of our other (income) expense for the three months ended September 30, 2024 and for the same period in 2023:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| Interest (income) expense | $ (90,766) | $ 271,307 | $ (362,073) | (133) % |
| Interest income | (907,697) | (16,562) | (891,135) | 5381 % |
| (Gain) loss from asset sales | (72,837) | — | (72,837) | 100 % |
| Wind-down costs | — | (14,677) | 14,677 | (100) % |
| Other expense | $ 801 | $ — | 801 | 100 % |
| **Total other (income) expense** | **$ (1,070,499)** | **$ 240,068** | **$ (1,310,567)** | **(546)%** |

For the three months ended September 30, 2024, we had net other income of $1,070,499 related primarily to the increase in interest income of $891,135 resulting from interest earned on our cash and cash equivalents and the restricted cash on deposit with financial institutions, offset by a decrease in interest expense primarily from the reversal of accrued interest on our legal contingency, which was vacated. The interest income was offset by an increase in interest expense from the Convertible Note (as defined in Note 5 to the accompanying Unaudited Condensed Consolidated Financial Statements).

For the three months ended September 30, 2023, we had net other expense of $240,068 related primarily to interest expense from the premiums on the irrevocable letter of credit and appeal bond for the Cunning Lawsuit (as defined in Note 9 to the accompanying Unaudited Condensed Consolidated Financial Statements), and interest expense from the Convertible Note.

***For the nine months ended September 30, 2024 and 2023***

*Research and Development Expenses*

Below is a summary of our research and development expenses during the nine months ended September 30, 2024 and for the same period in 2023:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| Research and development expenses | $ 10,908,538 | $ 4,227,967 | $ 6,680,571 | 158 % |

Research and development expenses for the nine months ended September 30, 2024, increased by $6,680,571 as compared to the same period in 2023. The net increase in research and development expenses was primarily due to an increase of $1,494,336 in research and development salaries from increased headcount and equity based compensation, a net increase of $4,570,417 in contracted clinical costs and manufacturing associated with our clinical trial for nimacimab in obesity and the completion of our Phase 2a clinical trial for SBI-100 OE in glaucoma. In addition, we had increased travel expenses of $95,275 due to our increased presence at conferences and events during the nine months ended September 30, 2024.

In connection with the discontinuation of our clinical trials for SBI-100 OE, we incurred contract cancellation fees and other general expenses of $335,022. In addition, there was an increase in consulting fees of $265,853 related to our Phase 2 clinical trial for nimacimab in obesity, which was offset by a decrease in license fees of $70,248 from the elimination of the SBI-200 license agreement with the University of Mississippi in the prior year.

*Cost to acquire IPR&D asset*

Below is a summary of our cost to acquire the IPR&D in connection with the BRB Acquisition asset during the nine months ended September 30, 2024, and for the same period in 2023:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| Cost to acquire IPR&D asset | $ — | $ 21,215,214 | $ (21,215,214) | (100)% |

Cost to acquire the IPR&D asset for the nine months ended September 30, 2024, decreased by $21,215,214 as compared to the same period in 2023 .The decrease is due to the cost of the acquired IPR&D in the BRB Acquisition during the nine months ended September 30, 2024 and no acquisition of IPR&D in the same period during 2024.

*General and Administrative Expenses*

Below is a summary of our general and administrative expenses during the nine months ended September 30, 2024, and for the same period in 2023:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| General and administrative expenses | $ 13,171,547 | $ 5,357,577 | $ 7,813,970 | 146 % |

General and administrative expenses for the nine months ended September 30, 2024, increased by $7,813,970 as compared to the same period in 2023. The increase in general and administrative expenses was primarily due to an increase in salaries and benefits of $5,389,259 from increased headcount and the recognition of stock based compensation expense due to the achievement of certain performance based milestones related to RSUs granted to members of management and a members of the board of directors of the Company.

During the nine months ended September 30, 2024, professional fees increased by $1,035,567 due to services provided under a financial advisory agreement, professional services related to the registration of the resale of shares issued in the January and March PIPE Financings and general corporate legal fees associated with our uplisting to Nasdaq, the filing of our shelf registration statement, legal fees related to nimacimab patent prosecution, increased tax fees due to increased tax complexity and the entry into the ATM Agreement. In addition, our general business expenses increased by $875,842 due to regulatory agency filing fees, the Nasdaq initial listing fee, recruiting fees, investor relations fees and corporate events. Other increases included consulting, insurance, marketing, software and travel of $127,188, $177,458, $130,907, $73,704 and $122,630, respectively.

*Change in Estimate for Legal Contingencies*

Total change in estimate for legal contingencies for the nine months ended September 30, 2024 and 2023, are as follows:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| Change in estimate for legal contingencies | $ (4,553,468) | $ (151,842) | $ (4,401,626) | 2899 % |

For the nine months ended September 30, 2024, we recorded a change in estimate for legal contingencies (as defined in Note 9 to the accompanying Unaudited Condensed Consolidated Financial Statements) based on changes after September 30, 2024 to the facts and circumstances related to our legal proceedings that existed as of the balance sheet date.

*Other (Income) Expense*

Below is a summary of our other (income) expense for the nine months ended September 30, 2024, and for the same period in 2023:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
| Interest (income) expense | $ 796,222 | $ 476,135 | $ 320,087 | 67 % |
| Interest income | (2,296,488) | (49,669) | (2,246,819) | 4524 % |
| (Gain) loss from asset sales | (1,217,978) | 307,086 | (1,525,064) | (497) % |
| Debt conversion inducement expense | — | 1,383,285 | (1,383,285) | (100) % |
| Wind-down costs | — | 455,504 | (455,504) | (100) % |
| Other expense (income) | 2,200 | (3) | 2,203 | 100 % |
| **Total other (income) expense** | **$ (2,716,044)** | **$ 2,572,338** | **$ (5,288,382)** | **(206)%** |

For the nine months ended September 30, 2024, we had net other income of $2,716,044 related primarily to the gain on the sale of the AVI building and collections from the sale of VDL of $1,217,978, an increase in interest income of $2,246,819, offset by a net increase of $320,087 in interest expense from an increase in interest on our Convertible Note offset by the reversal of interest from the judgment related to the Cunning Lawsuit. In addition, during 2023, we incurred a one-time debt conversion inducement expense of $1,383,285 and recognized wind down costs of $455,504 from the EHT Acquisition.

**Liquidity and Capital Resources**

***Liquidity***

We have incurred operating losses and negative cash flows from operations since our inception, and as of September 30, 2024, we had working capital of $74,184,006, an accumulated deficit of $121,203,193, and stockholders' equity of $75,803,375. We had unrestricted cash and cash equivalents in the amount of $67,412,614 as of September 30, 2024, as compared to $1,256,453 as of December 31, 2023. For the nine months ended September 30, 2024 and 2023, the Company incurred losses from operations of $19,526,617 and $30,648,916, respectively. For the nine months ended September 30, 2024 and 2023, the Company incurred net losses of $16,820,644 and $33,224,854, respectively.

In January 2024 and March 2024, we completed the January and March PIPE Financings (as such terms are defined in Note 6 to the accompanying Unaudited Condensed Consolidated Financial Statements), in which we raised combined net aggregate proceeds of $83,556,563. We expect the capital from the January and March PIPE Financings to fund our Phase 2 clinical trial for obesity through top line Phase 2 data in late 2025 and the potential expansion of our metabolic program.

In May 2024, we entered into the ATM Agreement under which the Company may, sell up to $100,000,000 of shares of common stock through the Sales Agent. The Company has not sold any shares under the ATM Agreement as of the date hereof and is not obligated to, and cannot provide any assurances that the Company will continue to, make any sales of the shares under the ATM Agreement.

In July 2024, 1,301,573 pre-funded warrants, with an intrinsic value of $10,424,294, were exercised on a cashless basis, resulting in the issuance 1,301,410 shares of our common stock (see Note 6 to the accompanying Unaudited Condensed Consolidated Financial Statements).

In August 2024, the holder of the Convertible Note exercised their conversion option and converted the principal balance of $5,000,000 into 968,973 shares of our common stock.

In March of 2023, we appealed the judgment in the Cunning Lawsuit to the Ninth District Court of Appeals (the "Ninth Circuit"). In October of 2024, the Ninth Circuit issued its decision and vacated the $6,053,468 judgment and remanded the case back to the District Court for the Central District of California for a new trial. By the end of 2024, we expect to exonerate the bond and recover the $9,080,202 restriction on our cash balance to extend our cash runway and reallocate the funds to further our clinical pipeline.

The Company's Unaudited Condensed Consolidated Financial Statements have been prepared on the basis of the Company continuing as a going concern for the next 12 months. Based on its current operational requirements, the Company believes that its current cash will be sufficient to fund its projected operations for at least 12 months from the date of the issuance of these consolidated financial statements. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we expect. Additionally, the process of testing product candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

Our future capital requirements will depend on many factors, including:

- the scope, rate of progress, results and costs of our clinical trials, preclinical studies and other related activities;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such agreements;
- the timing of, and the costs involved in, obtaining regulatory approvals for any of nimacimab or any future drug candidates;
- the number and characteristics of the drug candidates we seek to develop or commercialize;
- the cost of manufacturing clinical supplies, and establishing commercial supplies, of our drug candidates;
- the cost of commercialization activities if our current or future drug candidates are approved for sale, including marketing, sales and distribution costs;
- the expenses needed to attract and retain skilled personnel;
- the costs associated with being a public company;
- the amount of revenue, if any, received from commercial sales of our drug candidates, should any of our drug candidates receive marketing approval; and
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing possible patent claims, including litigation costs and the outcome of any such litigation.

*Cash Flows*

The following is a summary of our cash flows for the periods indicated and has been derived from our Unaudited Condensed Consolidated Financial Statements which are included elsewhere in this Quarterly Report on Form 10-Q:

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2024** | **2023** |
| Net cash used in operating activities | $ (17,064,377) | $ (10,107,460) |
| Net cash (used in) provided by investing activities | (336,025) | 6,603,473 |
| Net cash provided by financing activities | 83,556,563 | 16,465,924 |

*Cash Flows from Operating Activities*

The primary use of cash for our operating activities during the period was to fund research development activities for our clinical product candidates and general and administrative activities. Our cash used in operating activities also reflected changes in our working capital, net of adjustments for non-cash charges, such as stock-based compensation, depreciation and amortization, amortization of debt discount and the (gain) loss from divestiture of assets.

Cash used in operating activities of $17,064,377 during the nine months ended September 30, 2024, reflected a net loss of $16,820,644, partially offset by aggregate non-cash charges of $1,515,581 and included a $1,759,314 net change in our operating assets and liabilities.

Non-cash charges included $6,228,270 for stock-based compensation expense primarily attributable to the vesting of RSUs related to the achievement of certain market based performance milestones, $599,006 in non-cash interest expense debt

amortization expense, $1,217,978 gain from the sale of a real estate asset, $123,347 in depreciation and amortization and $325,610 from the write-off of vendor deposits. The net change in our operating assets and liabilities included a $2,076,835 cash outflow from changes in our prepaid expenses and other current assets, a $711,281 net cash outflow from changes in our accrued expenses and other current liabilities and a $375,760 cash outflow from the repayment of our accounts payable.

Cash used in operating activities of $10,107,460 during the nine months ended September 30, 2023, reflected a net loss of $33,224,854, partially offset by aggregate non-cash charges of $23,476,130 and included a $358,736 net change in our operating assets and liabilities.

*Cash Flows from Investing Activities*

During the nine months ended September 30, 2024, the Company purchased $1,554,003 in machinery and office equipment and recognized $1,217,978 in net proceeds from the sale of the AVI building and the collection of receivables from the sale of VDL (see Note 2 to the accompanying Unaudited Condensed Consolidated Financial Statements).

During the nine months ended September 30, 2023, the Company purchased $5,533 in machinery office equipment, received $5,532,266 in proceeds related to the divestiture of VDL and received $1,076,740 in cash from the acquisition of BRB.

*Cash Flows from Financing Activities*

Cash flows from financing activities primarily reflect proceeds from the sale of our securities and loan repayments.

During the nine months ended September 30, 2024, cash provided by financing activities included $83,556,563 in proceeds received in connection with the January and March PIPE Financings, net of issuance costs.

During the nine months ended September 30, 2023, cash provided by financing activities included $4,973,684 in proceeds received in connection with the Convertible Note net of issuance costs, and $11,734,947 in proceeds received in connection with the 2023 PIPE Financing, net of issuance costs, offset by a $236,681 repayment on our insurance premium loan payable.

**Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

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

Not applicable.

**Item 4. Controls and Procedures.**

**Evaluation of disclosure controls and procedures.** We maintain controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any control and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily is required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2024. Based upon their evaluation and subject to the foregoing, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures were effective at a reasonable assurance level.

**Changes in internal controls.** Management determined there were no changes in internal control over financial reporting that occurred during the fiscal quarter covered by this report 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**

For a description of material legal proceedings, see Note 9, "*General Litigation and Disputes*" to the accompanying Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

**Item 1A. Risk Factors.**

There have been no material changes in or additions to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2023 and our quarterly report on Form 10-Q for the three months ended March 31, 2024.

**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.**

*Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements*
During the three months ended September 30, 2024, neither the Company or any of its officers (as that term is defined by the SEC in Rule 16a-1(f) under the Exchange Act) or directors adopted or terminated a Rule 10b5-1 trading arrangement or a non Rule 10b5-1 trading arrangement for the sale of the Company's common stock.

**Item 6. Exhibits.**

| | |
|---|---|
| 3.1 | Amended and Restated Articles of Incorporation of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 22, 2024) |
| 3.2 | Amended and Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K for the year ended December 31, 2020 filed on March 2, 2021) |
| 10.1* | Skye Bioscience, Inc. Amended and Restated Omnibus Incentive Plan |
| 10.2 | Employment Agreement between the Registrant and Dr. Puneet Arora (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 4, 2024) |
| 31.1* | Certification of Principal Executive Officer, pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934 |
| 31.2* | Certification of Principal Financial Officer, pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934 |
| 32.1* | Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | The following materials from the Skye Biosciences, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Condensed Consolidated Balance Sheets (Unaudited), (ii) Condensed Consolidated Statements of Operations (Unaudited), (iii) Condensed Consolidated Statements of Cash Flows (Unaudited), (iv) Condensed Consolidated Statements of Stockholders' Deficit (Unaudited), and (v) related Notes to the Unaudited Condensed Consolidated Financial Statements. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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(*) Filed herewith.

+ Certain exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted exhibits or schedules upon request.

**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.

**Skye Bioscience, Inc.,**
**a Nevada corporation**

November 7, 2024

By: */s/ Punit Dhillon*
*Punit Dhillon*
Its: Chief Executive Officer, Secretary and Director
(Principal Executive Officer)

November 7, 2024

By: */s/ Kaitlyn Arsenault*
*Kaitlyn Arsenault*
Its: Chief Financial Officer
(Principal Financial and Accounting Officer)

**SKYE BIOSCIENCE, INC.**
**AMENDED AND RESTATED OMNIBUS INCENTIVE PLAN**

## ARTICLE I

## PURPOSE AND ADOPTION OF THE PLAN

1.01 Purpose. The purpose of the Skye Bioscience, Inc. Amended and Restated Omnibus Incentive Plan (as may be further amended from time to time, the "Plan") is to assist in attracting and retaining highly competent employees, executive officers, directors and Consultants to act as an incentive in motivating selected employees, executive officers, directors and Consultants of the Company and its Subsidiaries to achieve long-term corporate objectives.

1.02 Adoption and Term. The Plan was initially approved and adopted by the Board to be effective as of October 31, 2014. The Plan, as most recently amended and restated, was approved by the Board on September 10, 2024 (the "Amendment and Restatement Date"), subject to the approval of the stockholders of the Company. The Plan shall remain in effect until the tenth ($10^{th}$) anniversary of the Amendment and Restatement Date, or until terminated by action of the Board, whichever occurs sooner.

## ARTICLE II

## DEFINITIONS

For the purpose of this Plan, capitalized terms shall have the following meanings:

2.01 "Administrator" has the meaning specified in Section 3.

2.02 "Affiliate" means an entity in which, directly or indirectly through one or more intermediaries, the Company has at least a fifty percent (50%) ownership interest or, where permissible under Section 409A of the Code, at least a twenty percent (20%) ownership interest; *provided*, *however*, for purposes of any grant of an Incentive Stock Option, "Affiliate" means a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, directly or indirectly.

2.03 "Award" means any one or a combination of Non-Qualified Stock Options or Incentive Stock Options described in Article VI, Stock Appreciation Rights described in Article VI, Restricted Shares and Restricted Stock Units described in Article VII, Performance Awards described in Article VIII, other stock-based Awards described in Article IX, or any other Award made under the terms of the Plan.

2.04 "Award Agreement" means a written agreement between the Company and a Participant or a written acknowledgment from the Company to a Participant specifically setting forth the terms and conditions of an Award granted under the Plan.

2.05 "Award Period" means, with respect to an Award, the period of time, if any, set forth in the Award Agreement during which specified target performance goals must be achieved or other conditions set forth in the Award Agreement must be satisfied.

2.06 "Beneficiary" means an individual, trust or estate who or which, by a written designation of the Participant filed with the Company, or if no such written designation is filed, by operation of law, succeeds to the rights and obligations of the Participant under the Plan and the Award Agreement upon the Participant's death.

2.07 "Board" means the Board of Directors of the Company.

2.08 "Cause" means (a) if a Participant is a party to a written employment, severance or consulting agreement with the Company or any of its Subsidiaries or an Award Agreement in which the term "cause" is defined, "Cause" as defined in such agreement, and (b) if no such agreement exists, (i) the Administrator's determination that the Participant failed to substantially perform the Participant's duties (other than a failure resulting from the Participant's Disability); (ii) the Administrator's determination that the Participant failed to carry out, or comply with any lawful and reasonable directive of the Board or the Participant's immediate supervisor; (iii) the Participant's unauthorized use or disclosure of confidential information or trade secrets of the Company or any of its Subsidiaries or any material breach of a written agreement between the Participant and the Company; (iv) the occurrence of any act or omission by the Participant that could reasonably be expected to result in (or has resulted in) the Participant's conviction, plea of no contest, plea of nolo contendere, or imposition of un-adjudicated probation for any felony or indictable offense or crime involving moral turpitude; (v) the Participant's unlawful use (including being under the influence) or possession of illegal drugs on the premises of the Company or any of its Subsidiaries or while performing the Participant's duties and responsibilities for the Company or any of its Subsidiaries; or (vi) the Participant's commission of an act of fraud, embezzlement, misappropriation, misconduct, or breach of fiduciary duty against the Company or any of its Subsidiaries.

2.09 "Canadian Person" means any person subject to tax under the laws of Canada or any province or territory situated therein in respect of an Award.

2.10 "Change in Control" means, and shall be deemed to have occurred upon the occurrence of, any one of the following events:

(a) The acquisition in one or more transactions, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Company, an Affiliate or any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a number of Company Voting Securities in excess of 50% of the Company Voting Securities unless such acquisition has been approved by the Board;

(b) Any election has occurred of persons to the Board that causes two-thirds of the Board to consist of persons other than (i) persons who were members of the Board on the

Amendment and Restatement Date and (ii) persons who were nominated for elections as members of the Board at a time when two-thirds of the Board consisted of persons who were members of the Board on the Amendment and Restatement Date, provided, however, that any person nominated for election by a Board at least two-thirds of whom constituted persons described in clauses (i) and/or (ii) or by persons who were themselves nominated by such Board shall, for this purpose, be deemed to have been nominated by a Board composed of persons described in clause (i);

(c) The consummation (i.e. closing) of a reorganization, merger or consolidation involving the Company, unless, following such reorganization, merger or consolidation, all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Common Stock and Company Voting Securities immediately prior to such reorganization, merger or consolidation, following such reorganization, merger or consolidation beneficially own, directly or indirectly, more than 75% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or trustees, as the case may be, of the entity resulting from such reorganization, merger or consolidation in substantially the same proportion as their ownership of the Outstanding Common Stock and Company Voting Securities immediately prior to such reorganization, merger or consolidation, as the case may be;

(d) The consummation (i.e. closing) of a sale or other disposition of all or substantially all the assets of the Company, unless, following such sale or disposition, all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Common Stock and Company Voting Securities immediately prior to such sale or disposition, following such sale or disposition beneficially own, directly or indirectly, more than 75% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or trustees, as the case may be, of the entity purchasing such assets in substantially the same proportion as their ownership of the Outstanding Common Stock and Company Voting Securities immediately prior to such sale or disposition, as the case may be; or

(e) a complete liquidation or dissolution of the Company.

2.11 "Code" means the Internal Revenue Code of 1986, as amended. References to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section.

2.12 "Common Stock" means the common stock of the Company, par value $0.001 per share.

2.13 "Company" or "Skye" means Skye Bioscience, Inc., a Nevada corporation, and its successors.

2.14 "Company Voting Securities" means the combined voting power of all outstanding voting securities of the Company entitled to vote generally in the election of directors to the Board.

2.15 "Consultant" means an individual consultant or an employee, executive officer or director of a consultant entity who spends a significant amount of time and attention on the affairs and business of the Company or a Subsidiary, other than a Participant that is an employee, who:

(a) is engaged to provide services on a *bona fide* basis to the Company or a Subsidiary, other than services provided in relation to a distribution of securities of the Company or a Subsidiary;

(b) provides the services under a written contract with the Company or a Subsidiary; and

(c) spends or will spend a significant amount of time and attention on the affairs and business of the Company or a Subsidiary.

2.16 "Date of Grant" means the date designated by the Administrator as the date as of which it grants an Award, which shall not be earlier than the date on which the Administrator approves the granting of such Award.

2.17 "Disability" means (a) if a Participant is a party to a written employment, severance or consulting agreement with the Company or any of its Subsidiaries or an Award Agreement in which the term "disability" is defined, "Disability" as defined in such agreement, and (b) if no such agreement exists, a permanent and total disability under Section 22(e)(3) of the Code, as amended.

2.18 "Dividend Equivalent Account" means a bookkeeping account in accordance with Section 11.17 and related to an Award that is credited with the amount of any cash dividends or stock distributions that would be payable with respect to the shares of Common Stock subject to such Awards had such shares been outstanding shares of Common Stock.

2.19 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.20 "Exercise Price" means, with respect to a Stock Appreciation Right, the amount established by the Administrator in the Award Agreement which is to be subtracted from the Fair Market Value on the date of exercise in order to determine the amount of the payment to be made to the Participant, as further described in Section 6.02(b).

2.21 "Fair Market Value" means, as of any applicable date:

(a) for Canadian persons, if the Common Stock is listed on the Canadian Securities Exchange, the closing sales price of the Common Stock on the exchange on that date, or, if no sale of the Common Stock occurred on that date, on the next preceding date on which there was a reported sale;

(b) for US persons, if the Common Stock is listed on a national securities exchange or is authorized for quotation on the Nasdaq National Market System ("**NMS**"), the closing sales price of the Common Stock on the exchange or NMS, as the case may be, on that date, or, if no sale of the Common Stock occurred on that date, on the next preceding date on which there was a reported sale;

(c) if none of the above apply for the particular person, the closing bid price as reported by the Nasdaq Capital Market on that date, or if no price was reported for that date, on the next preceding date for which a price was reported;

(d) if none of the above apply for the particular person, the last reported bid price published in the "pink sheets" or displayed on the Financial Industry Regulatory Authority ("FINRA"), Electronic Bulletin Board, or OTC Markets, Inc. as the case may be; or

(e) if none of the above apply, the fair market value of the Common Stock as determined under procedures established by the Administrator.

2.22 "Incentive Stock Option" means a stock option within the meaning of Section 422 of the Code.

2.23 "Non-Qualified Stock Option" means a stock option which is not an Incentive Stock Option.

2.24 "Options" means all Non-Qualified Stock Options and Incentive Stock Options granted at any time under the Plan.

2.25 "Outstanding Common Stock" means, at any time, the issued and outstanding shares of Common Stock.

2.26 "Participant" means an employee, director or Consultant of the Company or any Subsidiary, or a Permitted Assign thereof, who receives an Award under the Plan in accordance with Section 5.01, who enters into an Award Agreement with respect to such Award that is fully executed and delivered by all parties thereto, and, with respect to Canadian Persons, whose participation in the distribution is voluntary. Participation in a distribution is considered "voluntary" if:

(a) in the case of an employee or the employee's Permitted Assign, the employee or the employee's Permitted Assign is not induced to participate in the distribution by expectation of employment or continued employment of the employee with the Company;

(b) in the case of a Consultant or the Consultant's Permitted Assign, the Consultant or the Consultant's Permitted Assign is not induced to participate in the distribution by expectation of engagement of the Consultant to provide services or continued engagement of the Consultant to provide services to the Company; and

(c) in the case of an employee of a Consultant, the individual is not induced by the Company or the Consultant to participate in the distribution by expectation of employment or continued employment with the Consultant.

2.27 "Performance Awards" means Awards granted in accordance with Article VIII.

2.28 "Performance Goals" mean the criteria (and adjustments) that the Administrator may select for an Award to establish performance goals for a performance period, which may include, without limitation, the following: net earnings or losses (either before or after one or more of interest, taxes, depreciation, amortization, and non-cash equity-based compensation expense); gross or net sales or revenue or sales or revenue growth; net income (either before or after taxes) or adjusted net income; profits (including but not limited to gross profits, net profits, profit growth, net operation profit or economic profit), profit return ratios or operating margin; budget or operating earnings (either before or after taxes or before or after allocation of corporate overhead and bonus); cash flow (including operating cash flow and free cash flow or cash flow return on capital); return on assets; return on capital or invested capital; cost of capital; return on stockholders' equity; total stockholder return; return on sales; costs, reductions in costs and cost control measures; expenses; working capital; earnings or loss per share; adjusted earnings or loss per share; price per share or dividends per share (or appreciation in or maintenance of such price or dividends); regulatory achievements or compliance; implementation, completion or attainment of objectives relating to research, development, regulatory, commercial, or strategic milestones or developments; market share; market capitalization; economic value or economic value added models; division, group or corporate financial goals; customer satisfaction/growth; customer service; employee satisfaction; recruitment and maintenance of personnel; human capital management (including diversity and inclusion); supervision of litigation and other legal matters; strategic partnerships and transactions; financial ratios (including those measuring liquidity, activity, profitability or leverage); debt levels or reductions; sales-related goals; financing and other capital raising transactions; cash on hand; acquisition activity; investment sourcing activity; and marketing initiatives, any of which may be measured in absolute terms or as compared to any incremental increase or decrease. Such performance goals also may be based solely by reference to the Company's performance or the performance of a Subsidiary, division, business segment or business unit of the Company or a Subsidiary, or based upon performance relative to performance of other companies or upon comparisons of any of the indicators of performance relative to performance of other companies.

2.29 "Permitted Assign" means, for a person that is an employee, executive officer, director or Consultant of the Company or of a Subsidiary: (a) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the person; (b) a holding entity of the person; (c) a "registered retirement savings plan", "registered retirement income fund", or "tax-free savings account" (all within the meaning of the *Income Tax Act* (Canada)) of the person; (d) a spouse of the person; (e) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the spouse of the person; (f) a holding entity of the spouse of the person; or (g) a "registered retirement savings plan", "registered retirement income fund", or "tax-free savings account" (all within the meaning of the *Income Tax Act* (Canada)) of the spouse of the person.

2.30 "Plan" has the meaning given to such term in Section 1.01.

2.31 "Purchase Price" with respect to Options, shall have the meaning set forth in Section 6.01(b).

2.32 "Related Person" means, for the Company: (a) a director or executive officer of the Company or an Affiliate of the Company; (b) an associate of a director or executive officer of the Company or an Affiliate of the Company; or (c) a Permitted Assign of a director or executive officer of the Company or an Affiliate of the Company.

2.33 "Restricted Shares" means Common Stock subject to restrictions imposed in connection with Awards granted under Article VII.

2.34 "Restricted Stock Unit" means a unit representing the right to receive Common Stock or the value thereof in the future subject to restrictions imposed in connection with Awards granted under Article VII.

2.35 "Rule 16b-3" means Rule 16b-3 promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as the same may be amended from time to time, and any successor rule.

2.36 "Stock Appreciation Rights" means awards granted in accordance with Article VI.

2.37 "Subsidiary" means any corporation in which the Company owns, directly or indirectly, at least 50% of the total combined voting power of all classes of stock, or any other entity (including partnerships and joint ventures) in which the Company owns, directly or indirectly, at least 50% of the combined equity thereof; provided, however, that for purposes of determining whether any individual may be a Participant for purposes of any grant of an Incentive Stock Option, "Subsidiary" shall have the meaning ascribed to such term in Section 424(f) of the Code.

2.38 "Termination of Service" means the voluntary or involuntary termination of a Participant's service as an employee, director or consultant with the Company or an Affiliate for any reason, including death, Disability, retirement or as the result of the divestiture of the Participant's employer or any similar transaction in which the Participant's employer ceases to be the Company or one of its Subsidiaries. Whether entering military or other government service shall constitute Termination of Service, or whether and when a Termination of Service shall occur as a result of Disability, shall be determined in each case by the Administrator in its sole discretion.

## ARTICLE III

## ADMINISTRATION

3.01 Administrator.

(a) Duties and Authority. The Plan shall be administered by the Board, or at the discretion of the Board, by a committee of the Board consisting of not less than two (2) directors (the Board or such committee of the Board, the "Administrator"); provided, however, that if any member of the Administrator is not a "Non-Employee Director" within the meaning of Rule 16b-3, then any Awards granted to individuals subject to the reporting requirements of Section 16 of the Exchange Act shall be approved by the Board. The Administrator shall have exclusive and final authority in each determination, interpretation or other action affecting the Plan and its Participants.

The Administrator shall have the sole discretionary authority to interpret the Plan, to establish and modify administrative rules for the Plan, to impose such conditions and restrictions on Awards as it determines appropriate, and to make all factual determinations with respect to and take such steps in connection with the Plan and Awards granted hereunder as it may deem necessary or advisable. The Administrator may delegate such of its powers and authority under the Plan as it deems appropriate to a subcommittee of the Administrator or designated officers or employees of the Company. In the event of such delegation of authority or exercise of authority by the Board, references in the Plan to the Administrator shall be deemed to refer, as appropriate, to the delegate of the Administrator or the Board. Actions taken by the Administrator or any subcommittee thereof, and any delegation by the Administrator to designated officers or employees, under this Section 3.01 shall comply with Section 16(b) of the Exchange Act, and the regulations promulgated under such statutory provisions, or the respective successors to such statutory provisions or regulations, as in effect from time to time, to the extent applicable.

(b) Indemnification. Each person who is or shall have been a member of the Board or the Administrator, or an officer or employee of the Company to whom authority was delegated in accordance with the Plan shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such individual in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf; provided, however, that the foregoing indemnification shall not apply to any loss, cost, liability, or expense that is a result of his or her own willful misconduct. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, conferred in a separate agreement with the Company, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

## ARTICLE IV

## SHARES

4.01 Share Reserve.

(a) General. The total number of shares authorized to be issued under the Plan, since its inception, shall equal 4,000,000. The foregoing share limit shall be subject to adjustment in accordance with Section 11.07. The shares to be offered under the Plan shall be authorized and unissued Common Stock, or issued Common Stock that shall have been reacquired by the Company.

(b) Automatic Increases. The aggregate number of shares of Common Stock reserved for awards under Section 4.01(a) will automatically increase on January 1 of each year, for a period of no more than ten years, commencing on January 1, 2023 and ending on (and including) January 1, 2032 in an amount equal to 5% of the total number of shares of Common Stock outstanding on December 31 of the preceding calendar year. Notwithstanding the foregoing, the Board may act prior to January 1 of a given year to provide that there will be no January 1 increase for such year or that the increase for the year will be a lesser number of shares of Common Stock than provided herein.

(c) Incentive Stock Option Limitation. Subject to the adjustment in Section 11.07, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options is 4,000,000 provided that such number will automatically increase on January 1 of each year, for a period of no more than ten years, commencing on January 1, 2023 and ending on (and including) January 1, 2032 in an amount equal to 5% of the total number of shares of Common Stock outstanding on the Amendment and Restatement Date. Notwithstanding the foregoing, the Board may act prior to January 1 of a given year to provide that there will be no January 1 increase for such year or that the increase for the year will be a lesser number of shares of Common Stock than provided herein.

4.02 Limits on Awards. Unless securityholder approval is obtained in accordance with applicable securities laws, the following limitations shall apply to the Plan and all Awards:

(a) the number of securities, calculated on a fully diluted basis, reserved for issuance under the Awards granted to: (i) Related Persons, shall not exceed 10% of the outstanding securities of the Company, or (ii) a Related Person, shall not exceed 5% of the outstanding securities of the Company; and

(b) the number of securities, calculated on a fully diluted basis, issued within 12 months, to: (i) Related Persons, shall not exceed 10% of the outstanding securities of the Company, or (ii) a Related Person, shall not exceed 5% of the outstanding securities of the Company.

4.03 Shares Subject to Terminated Awards. Common Stock covered by any unexercised portions of Options or Stock Appreciation Rights or terminated or forfeited Awards,

and Common Stock subject to any Awards that are otherwise surrendered by the Participant may again be subject to new Awards under the Plan. Shares of Common Stock surrendered to or withheld by the Company in payment or satisfaction of the Purchase Price of an Option or tax withholding obligation with respect to an Award shall be available for the grant of new Awards under the Plan. In the event of the exercise of Stock Appreciation Rights, whether or not granted in tandem with Options, only the number of shares of Common Stock actually issued in payment of such Stock Appreciation Rights shall be charged against the number of shares of Common Stock available for the grant of Awards hereunder.

4.04 Non-Employee Director Compensation. Notwithstanding any provision to the contrary in the Plan, the Administrator may establish compensation for non-employee Directors from time to time, subject to the limitations in the Plan. The Administrator will from time to time determine the terms, conditions and amounts of all such non-employee Director compensation in its discretion and pursuant to the exercise of its business judgment, taking into account such factors, circumstances and considerations as it shall deem relevant from time to time, provided that the sum of any cash compensation, or other compensation, and the value (determined as of the grant date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) of Awards granted to a non-employee Director as compensation for services as a non-employee Director during any calendar year of the Company may not exceed $1,000,000 (increased to $1,500,000 in the calendar year of a non-employee Director's initial service as a non-employee director or any calendar year during which a non-employee Director serves as chairman of the Board or lead independent Director, which limits shall not apply to the compensation for any non-employee Director of the Company who serves in any capacity in addition to that of a non-employee Director for which he or she receives additional compensation or any compensation paid to any non-employee Director prior to the calendar year following the calendar year in which the Amendment and Restatement Date occurs). The Administrator may make exceptions to this limit for individual non-employee Directors, as the Administrator may determine in its discretion.

## ARTICLE V

## PARTICIPATION

5.01 Eligible Participants. Participants in the Plan shall be such employees, directors and Consultants of the Company and its Subsidiaries as the Administrator, in its sole discretion, may designate from time to time. The Administrator's designation of a Participant in any year shall not require the Administrator to designate such person to receive Awards or grants in any other year. The designation of a Participant to receive Awards or grants under one portion of the Plan does not require the Administrator to include such Participant under other portions of the Plan. The Administrator shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Awards.

## ARTICLE VI

## STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

6.01 Option Awards.

(a) Grant of Options. The Administrator may grant, to such Participants as the Administrator may select, Options entitling the Participant to purchase shares of Common Stock from the Company in such number, at such price, and on such terms and subject to such conditions, not inconsistent with the terms of this Plan, as may be established by the Administrator. The terms of any Option granted under this Plan shall be set forth in an Award Agreement.

(b) Purchase Price of Options. The Purchase Price of each share of Common Stock which may be purchased upon exercise of any Option granted under the Plan shall be determined by the Administrator; provided, however, that in no event shall the Purchase Price be less than the Fair Market Value on the Date of Grant; provided further that, with respect to Canadian persons, in no event shall the Purchase Price be less than the greater of the Fair Market Value on (a) the trading day prior to the Date of Grant and (b) the Date of Grant.

( c ) Designation of Options. The Administrator shall designate, at the time of the grant of each Option, the Option as an Incentive Stock Option or a Non-Qualified Stock Option; *provided, however,* that an Option may be designated as an Incentive Stock Option only if the applicable Participant is an employee of the Company or a Subsidiary on the Date of Grant.

( d ) Option Term. The term of each Option shall be fixed by the Administrator, but, subject to the special restrictions applicable to Incentive Stock Options specified in Section 6.01(e), no Option shall be exercisable more than ten (10) years after the Date of Grant.

(e) Special Incentive Stock Option Rules. No Participant may be granted Incentive Stock Options under the Plan (or any other plans of the Company) that would result in Incentive Stock Options to purchase shares of Common Stock with an aggregate Fair Market Value (measured on the Date of Grant) of more than $100,000 first becoming exercisable by the Participant in any one calendar year. Notwithstanding any other provision of the Plan to the contrary, the Purchase Price of each Incentive Stock Option shall be equal to or greater than the Fair Market Value of the Common Stock subject to the Incentive Stock Option as of the Date of Grant of the Incentive Stock Option; *provided*, *however*, that no Incentive Stock Option shall be granted to any person who, at the time the Option is granted, owns stock (including stock owned by application of the constructive ownership rules in Section 424(d) of the Code) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, unless at the time the Incentive Stock Option is granted the price of the Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock subject to the Incentive Stock Option and the Incentive Stock Option by its terms is not exercisable for more than five years from the Date of Grant.

(f) Rights as a Stockholder. A Participant or a transferee of an Option pursuant to Section 11.04 shall have no rights as a stockholder with respect to Common Stock covered by an Option until the Participant or transferee shall have become the holder of record of any such shares, and no adjustment shall be made for dividends in cash or other property or distributions or other rights with respect to any such Common Stock for which the record date is prior to the date on which the Participant or a transferee of the Option shall have become the holder of record of any such shares covered by the Option; provided, however, that Participants are entitled to share adjustments to reflect capital changes under Section 11.07.

(g) Exercise Due to Death or Disability. If an optionee's employment with the Company terminates by reason of death or Disability, the Option may thereafter be immediately exercised, to the extent then exercisable (or on such accelerated basis as the Administrator shall determine at or after the grant), by the legal representative of the optionee, by the legal representative of the estate of the optionee, or by the legatee of the optionee under the will of the optionee, within such period of time as is specified in the Award Agreement from the date of such death or Disability.

(h) Period of Exercise After Termination of Employment. Except as otherwise provided in this paragraph or otherwise determined by the Administrator, if an optionee's employment with the Company terminates for any reason other than death or Disability (except for termination for Cause), the optionee must exercise his or her Options, to the extent then exercisable (or on such accelerated basis as the Administrator shall determine at or after grant), within such period of time as is specified in the Award Agreement from the date of such termination. If the optionee does not exercise his or her Options within such specified period, the Options automatically terminate, and such Options become null and void.

(i) Acceleration or Extension of Exercise Time. The Administrator, in its sole discretion, shall have the right (but shall not be obligated), exercisable on or at any time after the Date of Grant, to permit the exercise of an Option or Stock Appreciation Right (i) prior to the time such Option or Stock Appreciation Right would become exercisable under the terms of the Award Agreement, (ii) after the termination of the Option or Stock Appreciation Right under the terms of the Award Agreement, or (iii) after the expiration of the Option or Stock Appreciation Right.

6.02 Stock Appreciation Rights.

(a) Stock Appreciation Right Awards. The Administrator is authorized to grant to any Participant one or more Stock Appreciation Rights. Such Stock Appreciation Rights may be granted either independent of or in tandem with Options granted to the same Participant. Stock Appreciation Rights granted in tandem with Options may be granted simultaneously with, or, in the case of Non-Qualified Stock Options, subsequent to, the grant to such Participant of the related Option; provided however, that: (i) any Option covering any share of Common Stock shall expire and not be exercisable upon the exercise of any Stock Appreciation Right with respect to the same share, (ii) any Stock Appreciation Right covering any share of Common Stock shall expire and not be exercisable upon the exercise of any related Option with respect to the same share, and (iii) an Option and Stock Appreciation Right covering the same share of

Common Stock may not be exercised simultaneously. Upon exercise of a Stock Appreciation Right with respect to a share of Common Stock, the Participant shall be entitled to receive an amount equal to the excess, if any, of (A) the Fair Market Value of a share of Common Stock on the date of exercise over (B) the Exercise Price of such Stock Appreciation Right established in the Award Agreement, which amount shall be payable as provided in Section 6.02(c).

( b ) Exercise Price. The Exercise Price established under any Stock Appreciation Right granted under this Plan shall be determined by the Administrator, but in the case of Stock Appreciation Rights granted in tandem with Options shall not be less than the Purchase Price of the related Option; provided, however, that in no event shall the Exercise Price be less than the Fair Market Value on the Date of Grant. Upon exercise of Stock Appreciation Rights granted in tandem with options, the number of shares subject to exercise under any related Option shall automatically be reduced by the number of shares of Common Stock represented by the Option or portion thereof which are surrendered as a result of the exercise of such Stock Appreciation Rights.

( c ) Payment of Incremental Value. Any payment which may become due from the Company by reason of a Participant's exercise of a Stock Appreciation Right may be paid to the Participant as determined by the Administrator (i) all in cash, (ii) all in Common Stock, or (iii) in any combination of cash and Common Stock. In the event that all or a portion of the payment is made in Common Stock, the number of shares of Common Stock delivered in satisfaction of such payment shall be determined by dividing the amount of such payment or portion thereof by the Fair Market Value on the Exercise Date. No fractional share of Common Stock shall be issued to make any payment in respect of Stock Appreciation Rights; if any fractional share would be issuable, the combination of cash and Common Stock payable to the Participant shall be adjusted as directed by the Administrator to avoid the issuance of any fractional share.

6.03 Terms of Stock Options and Stock Appreciation Rights.

( a ) Conditions on Exercise. An Award Agreement with respect to Options or Stock Appreciation Rights may contain such waiting periods, exercise dates and restrictions on exercise (including, but not limited to, periodic installments) as may be determined by the Administrator. In the event the Administrator grants an Option or Stock Appreciation Right that would be subject to Section 409A of the Code, the Administrator may include such additional terms, conditions and restrictions on the exercise of such Option or Stock Appreciation Right as the Administrator deems necessary or advisable in order to comply with the requirements of Section 409A of the Code.

(b) Duration of Options and Stock Appreciation Rights. Options and Stock Appreciation Rights shall terminate upon the first to occur of the following events:

(i) Expiration of the Option or Stock Appreciation Right as provided in the Award Agreement; or

(ii) Termination of the Award in the event of a Participant's Disability, retirement, death or other Termination of Service as provided in the Award Agreement; or

(iii) In the case of an Option, ten years from the Date of Grant (five years in certain cases, as described in Section 6.01(e)); or

(iv) Solely in the case of a Stock Appreciation Right granted in tandem with an Option, upon the expiration of the related Option.

6.04 Exercise Procedures. Each Option and Stock Appreciation Right granted under the Plan shall be exercised under such procedures and by such methods as the Board may establish or approve from time to time. The Purchase Price of shares purchased upon exercise of an Option granted under the Plan shall be paid in full in cash by the Participant pursuant to the Award Agreement; provided, however, that the Administrator may (but shall not be required to) permit payment to be made (a) except in the case of a Participant that is a Canadian Person, by delivery to the Company of shares of Common Stock held by the Participant, (b) by a "net exercise" method under which Options are exchanged for a number of shares of Common Stock equal to the number of shares that would otherwise be issued upon the Options' exercise minus a number of shares having a Fair Market Value equal to the Options' aggregate Purchase Price (rounded up to the nearest whole number of shares), or (c) such other consideration as the Administrator deems appropriate and in compliance with applicable law (including payment under an arrangement constituting a brokerage transaction as permitted under the provisions of Regulation T applicable to cashless exercises promulgated by the Federal Reserve Board, unless prohibited by Section 402 of the Sarbanes-Oxley Act of 2002). In the event that any Common Stock shall be transferred to the Company to satisfy all or any part of the Purchase Price, the part of the Purchase Price deemed to have been satisfied by such transfer of Common Stock shall be equal to the product derived by multiplying the Fair Market Value as of the date of exercise times the number of shares of Common Stock transferred to the Company. The Participant may not transfer to the Company in satisfaction of the Purchase Price any fractional share of Common Stock.

## ARTICLE VII

## RESTRICTED SHARES AND RESTRICTED STOCK UNITS

7.01 Award of Restricted Stock and Restricted Stock Units. The Administrator may grant to any Participant an Award of Restricted Shares consisting of a specified number of shares of Common Stock issued to the Participant subject to such terms, conditions and forfeiture and transfer restrictions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, as the Administrator shall establish. The Administrator may also grant Restricted Stock Units representing the right to receive shares of Common Stock in the future subject to such terms, conditions and restrictions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, as the Administrator shall establish. The terms of any Restricted Share and Restricted Stock Unit

Awards granted under this Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Administrator and not inconsistent with this Plan.

7.02 Restricted Shares.

(a) Issuance of Restricted Shares. As soon as practicable after the Date of Grant of a Restricted Share Award by the Administrator, the Company shall cause to be transferred on the books of the Company, or its agent, Common Stock, registered on behalf of the Participant, evidencing the Restricted Shares covered by the Award, but subject to forfeiture to the Company as of the Date of Grant if an Award Agreement with respect to the Restricted Shares covered by the Award is not duly executed by the Participant and timely returned to the Company. All Common Stock covered by Awards under this Article VII shall be subject to the restrictions, terms and conditions contained in the Plan and the Award Agreement entered into by the Participant. Until the lapse or release of all restrictions applicable to an Award of Restricted Shares, the share certificates representing such Restricted Shares may be held in custody by the Company, its designee, or, if the certificates bear a restrictive legend, by the Participant. Upon the lapse or release of all restrictions with respect to an Award as described in Section 7.02(d), one or more share certificates, registered in the name of the Participant, for an appropriate number of shares as provided in Section 7.02(d), free of any restrictions set forth in the Plan and the Award Agreement shall be delivered to the Participant.

(b) Stockholder Rights. Beginning on the Date of Grant of the Restricted Share Award and subject to execution of the Award Agreement as provided in Section 7.02(a), the Participant shall become a stockholder of the Company with respect to all shares subject to the Award Agreement and shall have all of the rights of a stockholder, including, but not limited to, the right to vote such shares and the right to receive dividends; provided, however, that any Common Stock distributed as a dividend or otherwise with respect to any Restricted Shares as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such Restricted Shares and held or restricted as provided in Section 7.02(a).

(c) Restriction on Transferability. None of the Restricted Shares may be assigned or transferred (other than by will or the laws of descent and distribution, or to a revocable inter vivos trust with respect to which the Participant is treated as the owner under Sections 671 through 677 of the Code, except to the extent that Section 16 of the Exchange Act limits a Participant's right to make such transfers), pledged or sold prior to lapse of the restrictions applicable thereto.

(d) Delivery of Shares Upon Vesting. Upon expiration or earlier termination of the forfeiture period without a forfeiture and the satisfaction of or release from any other conditions prescribed by the Administrator, or at such earlier time as provided under the provisions of Section 7.04, the restrictions applicable to the Restricted Shares shall lapse.

(e) Forfeiture of Restricted Shares. Subject to Sections 7.02(f) and 7.04, all Restricted Shares shall be forfeited and returned to the Company and all rights of the Participant with respect to such Restricted Shares shall terminate unless the Participant continues in the service of the Company or an Affiliate as an employee until the expiration of the forfeiture

period for such Restricted Shares and satisfies any and all other conditions set forth in the Award Agreement. The Administrator shall determine the forfeiture period (which may, but need not, lapse in installments) and any other terms and conditions applicable with respect to any Restricted Share Award.

(f) Waiver of Forfeiture Period. Notwithstanding anything contained in this Article VII to the contrary, the Administrator may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including the death, Disability or Retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of the Restricted Shares) as the Administrator shall deem appropriate.

7.03 Restricted Stock Units.

(a) Settlement of Restricted Stock Units. Payments shall be made to Participants with respect to their Restricted Stock Units as soon as practicable after the Administrator has determined that the terms and conditions applicable to such Award have been satisfied or at a later date if distribution has been deferred. Payments to Participants with respect to Restricted Stock Units shall be made in the form of Common Stock, or cash or a combination of both, as the Administrator may determine. The amount of any cash to be paid in lieu of Common Stock shall be determined on the basis of the Fair Market Value of the Common Stock on the date any such payment is processed. As to shares of Common Stock which constitute all or any part of such payment, the Administrator may impose such restrictions concerning their transferability and/or their forfeiture as may be provided in the applicable Award Agreement or as the Administrator may otherwise determine, provided such determination is made on or before the date certificates for such shares are first delivered to the applicable Participant. Notwithstanding any provision herein to the contrary, no payment shall be made to any Participant that is a Canadian Person in respect of a Restricted Stock Unit later than the end of the third year following the year in respect of which such Restricted Stock Unit was issued.

(b) Stockholder Rights. Until the lapse or release of all restrictions applicable to an Award of Restricted Stock Units, no shares of Common Stock shall be issued in respect of such Awards and no Participant shall have any rights as a stockholder of the Company with respect to the shares of Common Stock covered by such Award of Restricted Stock Units.

(c) Waiver of Forfeiture Period. Notwithstanding anything contained in this Section 7.03 to the contrary, the Administrator may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including the death, Disability or retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of shares issuable upon settlement of the Restricted Stock Units constituting an Award) as the Administrator shall deem appropriate.

(d) Deferral of Payment. If approved by the Administrator and set forth in the applicable Award Agreement, a Participant may elect to defer the amount payable with respect to

the Participant's Restricted Stock Units in accordance with such terms as may be established by the Administrator, subject to the requirements of Section 409A of the Code.

## ARTICLE VIII

## PERFORMANCE AWARDS

8.01 Performance Awards.

(a) Award Periods and Calculations of Potential Incentive Amounts. The Administrator may grant Performance Awards to Participants. A Performance Award shall consist of the right to receive a payment (measured by the Fair Market Value of a specified number of shares of Common Stock, increases in such Fair Market Value during the Award Period and/or a fixed cash amount) contingent upon the extent to which certain performance targets have been met during an Award Period. The Award Period shall be determined by the Administrator.

(b) Performance Targets. Subject to Section 11.18, the performance targets applicable to a Performance Award may include such goals related to the performance of the Company or, where relevant, any one or more of its Subsidiaries or divisions and/or the performance of a Participant as may be established by the Administrator in its discretion. The performance targets established by the Administrator may vary for different Award Periods and need not be the same for each Participant receiving a Performance Award in an Award Period.

(c) Earning Performance Awards. The Administrator, at or as soon as practicable after the Date of Grant, shall prescribe a formula to determine the percentage of the Performance Award to be earned based upon the degree of attainment of the applicable performance targets.

(d) Payment of Earned Performance Awards. Subject to the requirements of Section 11.05, payments of earned Performance Awards shall be made in cash or Common Stock, or a combination of cash and Common Stock, in the discretion of the Administrator. The Administrator, in its sole discretion, may define, and set forth in the applicable Award Agreement, such terms and conditions with respect to the payment of earned Performance Awards as it may deem desirable.

8.02 Termination of Service. In the event of a Participant's Termination of Service during an Award Period, the Participant's Performance Awards shall be forfeited except as may otherwise be provided in the applicable Award Agreement.

## ARTICLE IX

## OTHER STOCK-BASED AWARDS

9.01 Grant of Other Stock-Based Awards. Other stock-based awards, consisting of stock purchase rights (with or without loans to Participants by the Company containing such

terms as the Administrator shall determine), Awards of Common Stock, or Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, may be granted either alone or in addition to or in conjunction with other Awards under the Plan. Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be granted pursuant to such Awards, and all other conditions of the Awards. Any such Award shall be confirmed by an Award Agreement executed by the Administrator and the Participant, which Award Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of this Plan with respect to such Award.

9.02 Terms of Other Stock-Based Awards. In addition to the terms and conditions specified in the Award Agreement, Awards made pursuant to this Article IX shall be subject to the following:

(a) Any Common Stock subject to Awards made under this Article IX may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses; and

(b) If specified by the Administrator in the Award Agreement, the recipient of an Award under this Article IX shall be entitled to receive, currently or on a deferred basis, interest or dividends or dividend equivalents with respect to the Common Stock or other securities covered by the Award; and

(c) The Award Agreement with respect to any Award shall contain provisions dealing with the disposition of such Award in the event of a Termination of Service prior to the exercise, payment or other settlement of such Award, whether such termination occurs because of Retirement, Disability, death or other reason, with such provisions to take account of the specific nature and purpose of the Award.

## ARTICLE X

## [RESERVED]

## ARTICLE XI

## TERMS APPLICABLE GENERALLY TO AWARDS GRANTED UNDER THE PLAN

11.01 Plan Provisions Control Award Terms. Except as provided in Section 11.16, the terms of the Plan shall govern all Awards granted under the Plan, and in no event shall the Administrator have the power to grant any Award under the Plan which is contrary to any of the provisions of the Plan. In the event any provision of any Award granted under the Plan shall conflict with any term in the Plan as constituted on the Date of Grant of such Award, the term in the Plan shall control. Except as provided in Section 11.03 and Section 11.07, the terms of any

Award granted under the Plan may not be changed after the Date of Grant of such Award so as to materially decrease the value of the Award without the express written approval of the holder.

11.02 Award Agreement. No person shall have any rights under any Award granted under the Plan unless and until the Company and the Participant to whom such Award shall have been granted shall have executed and delivered an Award Agreement or received any other Award acknowledgment authorized by the Administrator expressly granting the Award to such person and containing provisions setting forth the terms of the Award.

11.03 Modification of Award After Grant. No Award granted under the Plan to a Participant may be modified (unless such modification does not materially decrease the value of the Award) after the Date of Grant except by express written agreement between the Company and the Participant, provided that any such change (a) shall not be inconsistent with the terms of the Plan, and (b) shall be approved by the Administrator.

11.04 Limitation on Transfer. Except as provided in Section 7.02(c) in the case of Restricted Shares, a Participant's rights and interest under the Plan may not be assigned or transferred other than by will or the laws of descent and distribution, and during the lifetime of a Participant, only the Participant personally (or the Participant's personal representative) may exercise rights under the Plan. The Participant's Beneficiary may exercise the Participant's rights to the extent they are exercisable under the Plan following the death of the Participant.

11.05 Taxes. The Company shall be entitled, if the Administrator deems it necessary or desirable, to withhold (or secure payment from the Participant in lieu of withholding) the amount of any withholding or other tax required by law to be withheld or paid by the Company with respect to an Award, and the Company may defer payment or issuance of the cash or shares upon exercise or vesting of an Award unless indemnified to its satisfaction against any liability for any such tax. The amount and method of such withholding or tax payment shall be determined by the Administrator and shall be payable by the Participant at such time as the Administrator determines in accordance with the following rules:

(a) The Administrator may require or, if approved by the Administrator, the Participant (provided that he or she is not a Canadian Person) may elect, to have the withholding requirement satisfied (i) if approved in advance by the Administrator, by having withheld from such Award at the appropriate time that number of shares of Common Stock, rounded down to the nearest whole share, whose Fair Market Value is equal to the minimum statutory withholding with respect to the Award or such greater amount that is permitted by applicable law and by the Administrator, provided such greater amount does not exceed the maximum statutory rates in the applicable jurisdictions or cause adverse accounting consequences for the Company, (ii) by direct payment to the Company in cash of the amount of any taxes required to be withheld with respect to such Award (iii) by withholding from the wages or other cash compensation paid to the Participant, (iv) by such other method that is approved by the Administrator or (v) by a combination of the foregoing methods. Participants that are Canadian Persons shall be required to meet their withholding requirements in the manner described in paragraph 11.05(a)(ii).

(b) In the case of Participants who are subject to Section 16 of the Exchange Act, the Administrator may impose such limitations and restrictions as it deems necessary or appropriate with respect to the sale, delivery or withholding of shares of Common Stock to meet tax withholding obligations.

11.06 Surrender of Awards; Authorization of Repricing. Any Award granted under the Plan may be surrendered to the Company for cancellation on such terms as the Administrator and the holder approve. Without requiring stockholder approval, the Administrator may substitute a new Award under this Plan in connection with the surrender by the Participant of an equity compensation award previously granted under this Plan or any other plan sponsored by the Company, including the substitution or grant of (i) an Option or Stock Appreciation Right with a lower exercise price than the Option or Stock Appreciation Right being surrendered, (ii) a different type of Award upon the surrender or cancellation of an Option or Stock Appreciation Right with an exercise price above the Fair Market Value of the underlying Common Stock on the date of such substitution or grant, or (iii) any other Award constituting a repricing of an Option or Stock Appreciation Right.

11.07 Adjustments to Reflect Capital Changes.

(a) Recapitalization. In the event of any corporate event or transaction (including, but not limited to, a change in the Common Stock or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, a combination or exchange of Common Stock, dividend in kind, or other like change in capital structure, number of outstanding shares of Common Stock, distribution (other than normal cash dividends) to stockholders of the Company, or any similar corporate event or transaction, the Administrator, in order to prevent dilution or enlargement of Participants' rights under this Plan, shall make equitable and appropriate adjustments and substitutions, as applicable, to or of the number and kind of shares subject to outstanding Awards, the Purchase Price or Exercise Price for such shares, the number and kind of shares available for future issuance under the Plan and the maximum number of shares in respect of which Awards can be made to any Participant in any calendar year, and other determinations applicable to outstanding Awards. The Administrator shall have the power and sole discretion to determine the amount of the adjustment to be made in each case.

( b ) Change in Control. Upon a Change in Control or a merger, reorganization or other transaction following which the Company is not the surviving entity, except as otherwise provided in an Award Agreement or in an employment, change in control, severance or similar agreement to which the Company and the Participant are parties, all outstanding Awards shall be treated in the manner described in the definitive transaction agreement to which the Company is party (or, if there is no such agreement, in the manner determined by the Administrator), which agreement or determination need not treat all Awards in an identical manner. The treatment specified in the definitive transaction agreement or as determined by the Administrator may include, without limitation, one or more of the following with respect to outstanding Awards:

(i) the cancellation of Awards (whether vested or unvested);

(ii) the assumption or substitution of Awards with appropriate adjustments as to the number and kind of Shares or other securities or property and applicable exercise price, base amount or purchase price;

(iii) the acceleration of vesting of Awards;

(iv) the cancellation of vested Awards, together with a payment to the Participants holding such vested Awards so canceled of an amount based upon the consideration being paid per Share in connection with such Change in Control or other transaction in cash or, in the sole discretion of the Administrator, in the form of such other consideration necessary for a Participant to receive property, cash or securities (or a combination thereof) as the Participant would have been entitled to receive upon such Change in Control or other transaction, if the Participant had been, immediately prior to such Change in Control, the holder of the number of Shares covered by the Award at such time, less any applicable exercise price or base amount; provided, however, that holders of vested Options and vested SARs shall be entitled to such consideration only if the per-Share consideration exceeds the applicable exercise price or base amount, and to the extent that the per-Share consideration is less than or equal to the applicable exercise price or base amount, such vested Options and vested SARs shall be cancelled for no consideration; or

(v) the replacement of Awards with a cash incentive program that preserves the value of the Awards so replaced (determined as of such Change in Control or other transaction).

(c) Acquisition or other Transactions. After any merger, stock purchase, asset purchase or other form of transaction in which the Company or an Affiliate shall be a surviving corporation, the Administrator may grant substituted or assumed Awards under the provisions of the Plan, pursuant to and in compliance with the requirements of Section 424 of the Code or (in the case of Options issued to Canadian Persons) subsection 7(1.4) of the *Income Tax Act* (Canada), replacing old equity awards granted under a plan of another party to the transaction whose shares or stock subject to the old equity awards may no longer be issued following the transaction. The foregoing adjustments and manner of application of the foregoing provisions shall be determined by the Administrator in its sole discretion. Any such adjustments may provide for the elimination of any fractional shares which might otherwise become subject to any Options. Additionally, available shares under a stockholder approved plan of an acquired company (as appropriately adjusted to reflect such acquisition) may be used for Awards under the Plan and shall not be counted against the Share limit set forth in 4.01, except as required by the rules of any applicable stock exchange.

11.08 No Right to Continued Service. No person shall have any claim of right to be granted an Award under this Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the service of the Company or any of its Subsidiaries.

11.09 Awards Not Includable for Benefit Purposes. Payments received by a Participant pursuant to the provisions of the Plan shall not be included in the determination of benefits under

any pension, group insurance or other benefit plan applicable to the Participant which is maintained by the Company or any of its Subsidiaries, except as may be provided under the terms of such plans or determined by the Board.

11.10 Governing Law. All determinations made and actions taken pursuant to the Plan shall be governed by the laws of Nevada and construed in accordance therewith.

11.11 No Strict Construction. No rule of strict construction shall be implied against the Company, the Administrator, or any other person in the interpretation of any of the terms of the Plan, any Award granted under the Plan or any rule or procedure established by the Administrator.

11.12 Compliance with Rule 16b-3. It is intended that, unless the Administrator determines otherwise, Awards under the Plan be eligible for exemption under Rule 16b-3. The Board is authorized to amend the Plan and to make any such modifications to Award Agreements to comply with Rule 16b-3, as it may be amended from time to time, and to make any other such amendments or modifications as it deems necessary or appropriate to better accomplish the purposes of the Plan in light of any amendments made to Rule 16b-3.

11.13 Captions. The captions (i.e., all Section headings) used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions have been used in the Plan.

11.14 Severability. Whenever possible, each provision in the Plan and every Award at any time granted under the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan or any Award at any time granted under the Plan shall be held to be prohibited by or invalid under applicable law, then (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law and (b) all other provisions of the Plan and every other Award at any time granted under the Plan shall remain in full force and effect.

11.15 Amendment and Termination.

(a) Amendment. The Board shall have complete power and authority to amend the Plan at any time; provided, however, that the Board shall not, without the requisite affirmative approval of stockholders of the Company, make any amendment which requires stockholder approval under the Code or under any other applicable law or rule of any stock exchange which lists Common Stock or Company Voting Securities. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted under the Plan, adversely affect the right of such individual under such Award.

(b) Termination. The Board shall have the right and the power to terminate the Plan at any time. No Award shall be granted under the Plan after the termination of the Plan, but the termination of the Plan shall not have any other effect and any Award outstanding at the

time of the termination of the Plan may be exercised after termination of the Plan at any time prior to the expiration date of such Award to the same extent such Award would have been exercisable had the Plan not terminated.

11.16 Foreign Qualified Awards. Awards under the Plan may be granted to such employees of the Company and its Subsidiaries who are residing in foreign jurisdictions as the Administrator in its sole discretion may determine from time to time. The Administrator may adopt such supplements to the Plan as may be necessary or appropriate to comply with the applicable laws of such foreign jurisdictions and to afford Participants favorable treatment under such laws; provided, however, that no Award shall be granted under any such supplement with terms or conditions inconsistent with the provision set forth in the Plan.

11.17 Dividend Equivalents. For any Award granted under the Plan, the Administrator shall have the discretion, upon the Date of Grant or thereafter, to establish a Dividend Equivalent Account with respect to the Award, and the applicable Award Agreement or an amendment thereto shall confirm such establishment. If a Dividend Equivalent Account is established, the following terms shall apply:

(a) Terms and Conditions. Dividend Equivalent Accounts shall be subject to such terms and conditions as the Administrator shall determine and as shall be set forth in the applicable Award Agreement. Such terms and conditions may include, without limitation, for the Participant's Account to be credited as of the record date of each cash dividend on the Common Stock with an amount equal to the cash dividends which would be paid with respect to the number of shares of Common Stock then covered by the related Award if such shares of Common Stock had been owned of record by the Participant on such record date.

(b) Unfunded Obligation. Dividend Equivalent Accounts shall be established and maintained only on the books and records of the Company and no assets or funds of the Company shall be set aside, placed in trust, removed from the claims of the Company's general creditors, or otherwise made available until such amounts are actually payable as provided hereunder.

11.18 Adjustment of Performance Goals and Targets. Notwithstanding any provision of the Plan to the contrary, the Administrator shall have the authority to adjust any Performance Goal, performance target or other performance-based criteria established with respect to any Award under the Plan if circumstances occur (including, but not limited to, unusual or nonrecurring events, changes in tax laws or accounting principles or practices or changed business or economic conditions) that cause any such Performance Goal, performance target or performance-based criteria to be inappropriate in the judgment of the Administrator.

11.19 Legality of Issuance. Notwithstanding any provision of this Plan or any applicable Award Agreement to the contrary, the Administrator shall have the sole discretion to impose such conditions, restrictions and limitations (including suspending exercises of Options or Stock Appreciation Rights and the tolling of any applicable exercise period during such suspension) on the issuance of Common Stock with respect to any Award unless and until the Administrator determines that such issuance complies with (i) any applicable registration

requirements under the Securities Act of 1933, as amended, or the Administrator has determined that an exemption therefrom is available, (ii) any applicable listing requirement of any stock exchange on which the Common Stock is listed, (iii) any applicable Company policy or administrative rules, and (iv) any other applicable provision of state, federal or foreign law, including foreign securities laws where applicable.

11.20 Restrictions on Transfer. Regardless of whether the offering and sale of Common Stock under the Plan have been registered under the Securities Act of 1933, as amended, or have been registered or qualified under the securities laws of any state, the Company may impose restrictions upon the sale, pledge, or other transfer of such Common Stock (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable to achieve compliance with the provisions of the Securities Act of 1933, as amended, the securities laws of any state, the United States or any other applicable foreign law.

11.21 Further Assurances. As a condition to receipt of any Award under the Plan, a Participant shall agree, upon demand of the Company, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company, to implement the provisions and purposes of the Plan.

11.22 Provisions for Foreign Participants. The Administrator will have the power, subject to, and within the limitations of, the express provisions of the Plan, to adopt such procedures and sub-plans as are necessary or appropriate to permit and facilitate participation in the Plan by, or take advantage of specific tax treatment for Awards granted to Participants who are foreign nationals or employed outside the United States (provided that Administrator approval will not be necessary for immaterial modifications to the Plan or any Award Agreement to ensure or facilitate compliance with the laws of the relevant foreign jurisdiction).

11.23 Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other Applicable Law and any clawback policy that the Company otherwise adopts, to the extent applicable and permissible under Applicable Law. In addition, the Administrator may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Administrator determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired Shares or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a Participant's right to voluntary terminate employment upon a "resignation for good reason" or for a "constructive termination" or any similar term under any plan of or agreement with the Company.

**EXHIBIT 31.1**

**Certification of Principal Executive Officer,**
**Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended,**
**as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Punit Dhillon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Skye Bioscience, Inc. for the quarter ended September 30, 2024;

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

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

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

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

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

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

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

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

   (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.

*/s/ Punit Dhillon*
*Punit Dhillon*
Chief Executive Officer, Chairman of the Board, and Director

Date: November 7, 2024

**EXHIBIT 31.2**

**Certification of Principal Financial Officer,**
**Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended,**
**as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, *Kaitlyn Arsenault*, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Skye Bioscience, Inc. for the quarter ended September 30, 2024;

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

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

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

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

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

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

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

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

   (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.

*/s/ Kaitlyn Arsenault*
*Kaitlyn Arsenault*
Chief Financial Officer
(Principal Accounting Officer)

Date: November 7, 2024

**EXHIBIT 32.1**

**Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350,**
**as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Skye Bioscience, Inc. a Nevada corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Punit Dhillon, Chief Executive Officer, Chairman of the Board, and Director of the Company, certifies to the best of his knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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.

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

*/s/ Punit Dhillon*

*Punit Dhillon*

Chief Executive Officer, Chairman of the Board, and Director

Date: November 7, 2024

**EXHIBIT 32.2**

**Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350,**
**as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Skye Bioscience, Inc. a Nevada corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kaitlyn Arsenault, Chief Financial Officer of the Company, certifies to the best of his knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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.

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

*/s/ Kaitlyn Arsenault*
*Kaitlyn Arsenault*
Chief Financial Officer
(Principal Accounting Officer)

Date: November 7, 2024