# Initiation Report

ENVERIC BIOSCINECES INC.

DIAMOND EQUITY RESEARCH

# Enveric Biosciences Inc. – Translating Psychedelics Science and AI into Breakthrough Therapies for Debilitating CNS Disorders

**Enveric Biosciences Inc. (NASDAQ: ENVB)**

| Share Price: $2.26 | Valuation: $10.00 |
|---|---|

## Key Statistics

| | |
|---|---|
| 52 Week Range | $1.30 - $7.19 |
| Avg. Volume (3 months) | 1.47M |
| Shares Outstanding | 2.15M |
| Market Capitalization | $4.86M |
| EV/Revenue | n/a |
| Cash Balance* | $7.08M |
| Analyst Coverage | 3 |

***Cash balance as of June 2023**

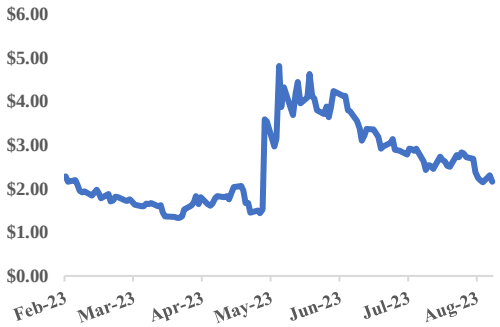
## Revenue (in $mm)

| Dec - FY | 2022A | 2023E | 2024E |
|---|---|---|---|
| 1Q | 0.00 | 0.00 | 0.00 |
| 2Q | 0.00 | 0.00 | 0.00 |
| 3Q | 0.00 | 0.00 | 0.00 |
| 4Q | 0.00 | 0.00 | 0.00 |
| FY | 0.00 | 0.00 | 0.00 |

## EPS (in $)

| Dec – FY | 2022A | 2023E | 2024E |
|---|---|---|---|
| 1Q | (5.34) | (2.31) | (1.03) |
| 2Q | (2.73) | (3.04) | (1.05) |
| 3Q | (1.46) | (1.93) | (0.93) |
| 4Q | (4.22) | (1.24) | (0.57) |
| FY | (13.00) | (8.52) | (3.58) |

## Stock Price Chart (in $)




## Investment Highlights

- **Second Wave of Psychedelics, Regulatory Tailwinds, and Potential Superiority:** The 1950s and 1960s marked the period during which psychedelics gained popularity due to their promise to alter consciousness and treat mental illness. In the 1970s, psychedelics were classified as Schedule 1 drugs which hindered the use and research of these substances for the decades to come. However, the current resurgence is characterized by thorough scientific investigations, a medical paradigm, a shift in societal attitudes to lessen the stigma associated with the use of psychedelics, and, consequently, the easing of restrictions and the development of comprehensive regulatory structures. Breakthrough therapy status to MDMA and psilocybin, approval of esketamine for treatment-resistant depression, and the FDA's recent guidance for clinical trials involving psilocybin are a few of the key milestones in the improving regulatory environment. Legislative shifts in U.S. states and local jurisdictions, such as Oregon and Colorado, have also led to reduced penalties and decriminalization of certain psychedelics. Globally, there's a growing recognition of the need for more effective and safer therapeutic alternatives to conventional antidepressants for treating anxiety disorders. Psychedelics have demonstrated significant promise in this context. The initial scientific research has provided multiple evidence of psychedelics' superiority when compared to conventional antidepressants such as SSRIs in terms of both efficacy and safety. Psychedelics have been found to potentially demonstrate fewer side effects, minimal toxicity and abuse potential, no significant long-term physiological or psychological consequences and rapid and lasting therapeutic effect especially when combined with psychotherapy.

- **Psybrary™ and PsyAI™ Remain a Key Differentiator:** Enveric Biosciences differentiates itself by utilizing its unique AI platform PsyAI™ and a library of psychedelic compounds, Psybrary™, to discover promising drug candidates. The Psybrary™ contains three generations of more than 500 psychedelic molecules, the latter two of which are optimized versions of classic psychedelics or first-generation molecules created to enhance the therapeutic potential and minimize adverse effects. The company's PsyAI™ tool speeds up the pharmaceutical development process by using machine learning and computational technique to predict the drug potential of these compounds. It evaluates numerous factors, such as drug likeness, CNS exposure, and toxicity, to identify the most suitable drug candidates. These advancements result in potential new drugs (prodrugs and new chemical entities) targeting beneficial attributes such as precise dosing, a better safety profile, and a rapid therapeutic effect. The Psybrary™ is protected by a broad portfolio of 15 patent families with over a million potential variations and hundreds of synthesized molecules. The combination of PsyAI™ and Psybrary™ gives Enveric a significant competitive edge in the burgeoning field of psychedelic-inspired treatments.

- **Valuation:** We have valued Enveric Biosciences using risk adjusted DCF as our primary valuation methodology. We have assumed a discount rate of 12.5% and a probability of success at 10% for EB-373. Our valuation approach yielded a valuation of $21.47 million or $10.00 per share contingent on successful execution by the company.

## Company Description

Enveric Biosciences is an innovative mental health company pioneering in the field of psychedelic medicine. Leveraging its unique AI platform, PsyAI™, and a library of novel derivative psychedelic molecules, known as Psybrary™, the company is committed to discovering and developing effective treatments for hard-to-treat mental health conditions.

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- **Tackling the Commercial and Therapeutics Constraints of Psychedelics:** Even with a potentially robust efficacy and safety profile when compared to traditional antidepressants, psychedelics also face certain constraints that hinder its commercial or medical viability and scalability. Classical psychedelics are found within nature itself and are thus difficult to patent. Limited research on Psychedelics' therapeutic application has also revealed certain drawbacks that include prolonged and inconsistent psychedelic experience and GI issues. Leveraging the synergistic potential of PsyAI™ and Psybrary™, Enveric has created the EVM201 series of second-generation psychedelics molecules (prodrug) and the EVM301 series of third-generation psychedelic molecules (new chemical entities) that addresses constraints and limitations of current anxiety pharmacologic treatments, i.e., traditional antidepressants and first gen psychedelics. Both the EVM201 and EVM301 series of drug overcomes the issue of patentability due to the unique nature of the resultant formulation. While the EVM201 series have potentially faster access to the target, quick onset of action, and lower side effects (GI, systemic) when compared to classic psychedelics, the EVM301 series goes far ahead with an optimized treatment regimen, no hallucinatory activity removing the need for observation, optimized psychoactive properties, and therapeutic action. With the EVM201 series, the company has nominated EB-373, a psilocin prodrug, as its lead therapeutic candidate for anxiety disorders. The drug has undergone preclinical trials confirming the desired attributes of EVM201, including reduced GI upset and vomiting, swift conversion to the active substance, and quick onset of action.

- **General Anxiety Disorder, A Significant Unmeet Need:** General Anxiety Disorder (GAD), a widespread and debilitating mental health issue, places a significant strain on society and the economy. It is estimated that each year around 2.9% of U.S. adults (aged 18-64) or roughly 6 million people struggle with the GAD. An estimated 6.2% of U.S. adults experience generalized anxiety disorder at some time in their lives. The first line of treatment includes the use of anxiolytics and antidepressants such as SSRIs and SNRIs. These drugs have been found to have limited efficacy, a high recurrence rate, risk of dependence and abuse, and a plethora of potential side effects, including sleep disturbances, weight changes, sexual dysfunction, and more. Moreover, these medications often require a long-term commitment, which can result in additional complications related to withdrawal symptoms upon discontinuation. It should also be noted that many of the first-line treatments were originally approved for depressive disorders and then later for anxiety disorders, with very few drugs being developed de novo for anxiety. The last FDA-approved drug to treat Generalized Anxiety Disorder was Cymbalta (Duloxetine), approved in 2004, nearly twenty years ago. There is an immense need for alternative treatments that can more effectively address the root cause of generalized anxiety disorder, offer more consistent results with fewer side effects, and ideally mitigate the risk of dependency and abuse.

## Company Overview

Enveric Biosciences, Inc. (NASDAQ: ENVB) is a patient-centric biotechnology company headquartered in Naples, FL, with additional offices in Cambridge, MA, and Calgary, AB, Canada. The company is making significant strides in the development of novel small-molecule therapeutics for the treatment of mental health disorders, including anxiety, depression, and addiction. Enveric's unique approach to drug development is driven by a combination of synthetic chemistry and synthetic biology. This has resulted in the creation of a proprietary library, the Psybrary™, which houses a diverse portfolio of drug candidates with therapeutically relevant neuroactive properties. The Psybrary™ includes 15 patent families, and the company has synthesized several hundred new chemical entities to date.

*Enveric Biosciences, Inc., a patient-focused biotech company is advancing in the creation of unique small-molecule treatments for mental health issues like anxiety, depression, and addiction*

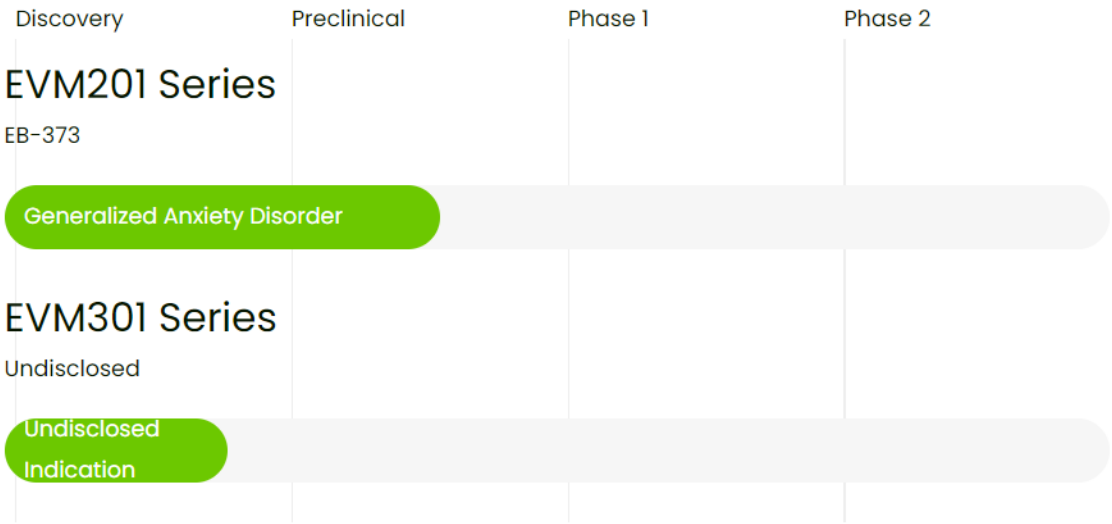


Exhibit 1: Enveric Biosciences Pipeline. Source: Company Website

The company's lead program, the EVM201 Series, comprises next-generation synthetic prodrugs of the active metabolite psilocin. The first product from this series, EB-373, is being developed for the treatment of anxiety disorders. EB-373 has demonstrated oral bioavailability and a well-tolerated safety profile in animal studies. The company has also developed a Phase 1 ready formulation for EB-373 and initiated scaled-up manufacturing. Enveric is also advancing its EVM301 Series, which offers a holistic approach to treating central nervous system disorders. These new chemical entities are designed to modulate multiple brain receptors and networks, offering a rapid onset and lasting therapeutic action. They are intended for both acute and maintenance treatment of anxiety, mood, and substance abuse disorders.

The company’s recent developments have highlighted positive results from animal studies demonstrating oral bioavailability, a well-tolerated side-effect profile for EB-373, the development of Phase 1 ready formulation for EB-373, and the initiation of scaled-up manufacturing. Enveric has also received a Notice of Allowance from the United States Patent and Trademark Office (USPTO) for a patent application involving its EVM301 Series of molecules, as well as for C4-carboxylic acid-substituted tryptamine derivatives for next-generation psilocin prodrug.

## Anxiety Disorder Faces Limited Treatment Options

Among the most common and debilitating psychiatric disorders, anxiety disorder affects an estimated 4.05% of the world's population, translating to 301 million people.[1] Notably, the prevalence of this disorder is even higher in the United States, affecting more than 40 million people or 19.1% of the country's population.[2] The global prevalence of anxiety disorder has been rising over the last three decades and has increased by more than 55% from 1990 to 2019.[1] COVID-19 exacerbated the prevalence of anxiety and depression even further, as it increased by 25% in the first year of the pandemic.[3] Anxiety Disorder represents a group of mental health conditions that are characterized by significant feelings of anxiety and fear. These feelings are strong enough to interfere with one's daily activities and are not just a temporary concern or reaction to a stressful event but are persistently present over a longer period. Anxiety disorders can be categorized into various types, each with unique characteristics. According to a 2005 study, the financial burden of anxiety disorders ranges from $42.3 billion to $46.6 billion.[4] The majority of these costs, over 75%, are due to factors such as illness, death, reduced productivity, and other indirect expenses.

*Anxiety Disorders with a global prevalence of over 300 million people represents a group of mental health conditions that are characterized by significant feelings of anxiety and fear*

| Anxiety Disorder | 12-month Prevalence | Lifetime Prevalence | About the Disease |
|---|---|---|---|
| Specific Phobia | 10.1% | 13.8% | This disorder is characterized by an excessive and irrational fear of a specific object, situation, or activity that is generally not harmful. |
| Social Anxiety Disorder (SAD) | 8.0% | 13.0% | Also known as social phobia, this disorder involves a significant fear of social situations where the individual fears they may be judged, embarrassed, or humiliated. |
| Generalized Anxiety Disorder (GAD) | 2.9% | 6.2% | GAD is characterized by chronic and excessive worry about various aspects of life, such as work, health, or finances. |
| Panic Disorder | 3.1% | 5.2% | People with this condition experience recurrent, unexpected panic attacks. |
| Agoraphobia | 1.7% | 2.6% | Fear of places or situations where escape might be difficult, often resulting in avoidance of these situations. |

Exhibit 2: Types of Anxiety Disorders and their Prevalence Rates. Source: Kessler RC et al.

It is estimated that only 36.9% of those suffering from some form of anxiety disorder receive treatment.[5] The present therapeutic approach for anxiety disorders typically combines psychotherapy and prescription medications such as antidepressants (serotonin-norepinephrine reuptake inhibitors (SNRIs) and selective serotonin reuptake inhibitors (SSRIs)), as well as a category of drugs known as benzodiazepines, Antihistamine and Beta-blockers. Even with such high prevalence rates across the globe and in the United States, there is a dearth of novel medications under investigation for anxiety disorders, with conventional treatment options failing to achieve the necessary results across a significant number of cases. Current treatment and medication for anxiety disorders show effectiveness in 60%-85%, meaning these individuals

*The current standard of care involves use of psychotherapy and prescription medications such as antidepressants, as well as a category of drugs known as benzodiazepines, Antihistamine, and beta-blockers*

[1] Javaid, S.F., Hashim, I.J., Hashim, M.J. et al. Epidemiology of anxiety disorders: global burden and sociodemographic associations. Middle East Curr Psychiatry 30, 44 (2023).
[2] https://www.nami.org/About-Mental-Illness/Mental-Health-Conditions/Anxiety-Disorders
[3] https://www.who.int/news/item/02-03-2022-covid-19-pandemic-triggers-25-increase-in-prevalence-of-anxiety-and-depression-worldwide
[4] Devane CL, Chiao E, Franklin M, Kruep EJ. Anxiety disorders in the 21st century: status, challenges, opportunities, and comorbidity with depression. Am J Manag Care. 2005;11(12 Suppl): S344-S353.
[5] https://adaa.org/understanding-anxiety/facts-statistics#Facts%20and%20Statistics

experience at least 50% improvement.[6] However, only about half of those responding patients reach recovery. Furthermore, evidence suggests that patients, especially those with Generalized Anxiety Disorder (GAD) and Social Anxiety Disorder (SAD), often have high rates of symptoms of recurrence or persistent anxiety, particularly if they also suffer from Major Depression Disorder (MDD).

| Medication Class | FDA approvals for anxiety disorder | Off-label uses | Initial FDA Approval |
|---|---|---|---|
| **SSRIs:** | | | |
| Fluoxetine | PD | GAD, SAD | 1987 |
| Sertraline | PD, SAD | GAD | 1991 |
| Citalopram | GAD | GAD, PD, SAD | 1998 |
| Escitalopram | GAD | PD, SAD | 2002 |
| Paroxetine | PD, SAD, GAD | None | 1992 |
| Paroxetine ER | PD, SAD | GAD | 1999 |
| Fluvoxamine | None | GAD, PD, SAD | 1994 |
| **SNRIs:** | | | |
| Duloxetine | GAD | PD, SAD | 2004 |
| Venlafaxine (XR) | GAD | PD, SAD | 1993 |
| Desvenlafaxine | None | GAD, PD, SAD | 2008 |
| **TCAs:** | | | |
| Clomipramine | None | GAD, PD, SAD | 1989 |
| Imipramine | None | GAD, PD, SAD | 1959 |
| Desipramine | None | GAD, PD, SAD | 1964 |
| Nortriptyline | None | GAD, PD, SAD | 1964 |
| **MAOIs:** | | | |
| Phenelzine | None | GAD, PD, SAD | 1961 |
| **Mixed antidepressants:** | | | |
| Mirtazapine | None | Anxiety, GAD, PD, SAD | 1996 |
| **GABAergic drugs:** | | | |
| Pregabalin | None | GAD, SAD | 2004 |
| Gabapentin | None | GAD, PD, SAD | 1993 |
| **Benzodiazepines:** | | | |
| Clonazepam | PD | Anxiety, GAD, PD, SAD | 1975 |
| Alprazolam | Anxiety, PD | GAD, PD, SAD | 1981 |
| Lorazepam | Anxiety | GAD, PD, SAD | 1997 |
| Chlordiazepoxide | Anxiety | GAD, PD, SAD | 1960 |
| Oxazepam | Anxiety | GAD, PD, SAD | 1995 |
| **Antipsychotics:** | | | |
| Trifluoperazine | Anxiety | GAD, PD, SAD | 1959 |
| Olanzapine | None | Anxiety, GAD | 1996 |
| Quetiapine | None | Anxiety, GAD | 1997 |
| **Beta-blockers:** | | | |
| Propranolol | None | Anxiety, PD, SAD | 1967 |
| **Antihistamines:** | | | |
| Hydroxyzine | Anxiety | GAD, PD, SAD | 1956 |

Exhibit 3: FDA-approved and off-label medication for DSM-5 anxiety disorder. Source: Garakani A et al., Diamond Equity Research
(Key: PD - Panic Disorder, SAD - Social Anxiety Disorder, GAD - Generalized Anxiety Disorder)

[6] Garakani A, Murrough JW, Freire RC, et al. Pharmacotherapy of Anxiety Disorders: Current and Emerging Treatment Options. Front Psychiatry. 2020; 11:595584. Published 2020 Dec 23. doi:10.3389/fpsyt.2020.595584

In the past-30 years, first-line anxiety disorder treatments have continued to revolve around selective serotonin reuptake inhibitors (SSRIs) and serotonin-norepinephrine reuptake inhibitors (SNRIs). These drugs, along with benzodiazepines, remains a few of the widely prescribed drug for anxiety disorders that have also improved patient tolerance. However, there's been a lack of advancements, with most treatments focusing on similar neurological systems. In addition, the risk of dependency associated with the use of benzodiazepines has remained high and proven to be fatal. In 1999, drug abuse deaths relating to benzodiazepines were 1,135, which had increased to 11,537 by 2017, representing 16.4% of all overdose deaths.[7] It should also be noted that the first-line treatments were originally approved for depressive disorders and then later for anxiety disorders, with very few drugs being developed de novo for anxiety. There is also a significant issue with treatment resistance, with about a third of patients not responding effectively to standard treatments, and this phenomenon is poorly understood.[8] These issues indicate that while current anxiety disorder treatment may be effective for some, there is a significant need for innovation and the development of new therapies. Importantly, future drug development should focus more on anxiety disorders, rather than repurposing drugs initially created for depressive disorders.

*Psychedelics presents a promising avenue to address limitations of existing treatments, including limited effectiveness, high recurrence, risk of abuse, and numerous side effects*

## Redefining Anxiety Treatment: The Emergence of Psychedelics

Psychedelics is a new frontier in the treatment of anxiety disorders, promising unprecedented potential in terms of efficacy and therapeutic breakthroughs. These substances, which include psilocybin (the active ingredient of "magic mushrooms"), LSD (lysergic acid diethylamide), and MDMA (3,4-Methylenedioxymethamphetamine), have recently been the focus of rigorous scientific research. Psychedelic substances have a long history of use in spiritual, religious, and cultural rituals, particularly in Central and South America. However, their global spread in the 1960s led to stringent drug control laws in many Western countries, including the United States, where these substances are still classified as Schedule I drugs (Substances categorized as illegal with no currently accepted medical use and a high potential for abuse). This classification and the ensuing stigma have hindered scientific research and broad medical acceptance. Recently, a resurgence of interest in psychedelic research is focusing on these substances as a potential treatment for addiction, mood disorders, anxiety, and cancer-related depression. In contrast to conventional antidepressants that come with adverse side effects and limited efficacy, Psychedelics can potentially serve as an effective alternative due to their low toxicity, low addictive potential, and absence of long-term negative physiological or psychological implications. Psychedelics, when used in conjunction with psychotherapy, have shown significant potential, often outperforming. the currently prevalent antidepressant medication, SSRIs. Notably, the effect tends to manifest more rapidly, sometimes evident after just one therapeutic session, while SSRIs often take several weeks to bring about a noticeable change.[9] Additionally, the impact of psychedelics seems to be potentially more enduring compared to an SSRI treatment regimen.[10]

[7] The U.S. National Institute on Drug Abuse (NIDA)
[8] Garakani A, Murrough JW, Freire RC, et al. Pharmacotherapy of Anxiety Disorders: Current and Emerging Treatment Options. Front Psychiatry. 2020; 11:595584. Published 2020 Dec 23. doi:10.3389/fpsyt.2020.595584
[9] Sanches RF, de Lima Osório F, Dos Santos RG, et al. Antidepressant Effects of a Single Dose of Ayahuasca in Patients with Recurrent Depression: A SPECT Study. J Clin Psychopharmacol. 2016;36(1):77-81. doi:10.1097/JCP.0000000000000436
[10] Hendricks PS, Thorne CB, Clark CB, Coombs DW, Johnson MW. Classic psychedelic use is associated with reduced psychological distress and suicidality in the United States adult population. J Psychopharmacol. 2015;29(3):280-288. doi:10.1177/0269881114565653

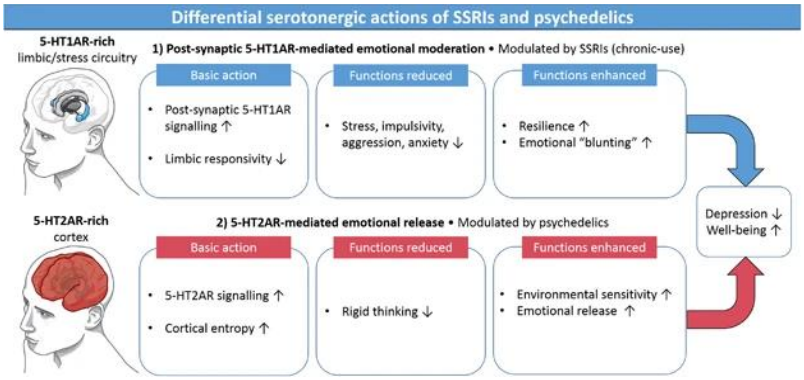


Exhibit 4: A two-part model of serotonin function that concentrates on the impacts of signaling after synapse at the 5-HT1AR and 5HT2AR receptors. Source: Carhart-Harris, R. et al.

Psychedelics strongly bind and activate the 5-HT2A receptor, which leads to a cascade of neurochemical events, including the release of various neurotransmitters and a profound effect on information processing in the brain. These effects have been found to persist well beyond the pharmacological half-life, suggesting that psychedelics may have an influence on neural plasticity, contributing to their potential therapeutic effects.[11] Furthermore, psychologically, psychedelics may reduce ego defense mechanisms allowing new perceptions and alternate thought processes, including those shaping our identity.[11] The renewed interest in psychedelic research paints an optimistic picture for the treatment of anxiety and depression, one underscored by compelling findings from numerous historical studies. In the past decade, there has been a significant increase in the number of clinical studies involving psychedelic drugs, mostly sponsored by academia. A comprehensive review of 105 registered clinical trials from 2007 to 2020 involving psychedelic drugs saw that 77.1% were initiated from 2017 onwards.[12] The substances under most scrutiny were cannabinoids and psilocybin, largely investigated in the context of substance addiction, post-traumatic stress disorder (PTSD), and major depressive disorder (MDD).

*By stimulating the 5-HT2A receptor, psychedelics may offer new treatment strategies for anxiety, underscored by the recent rise in related clinical trials*

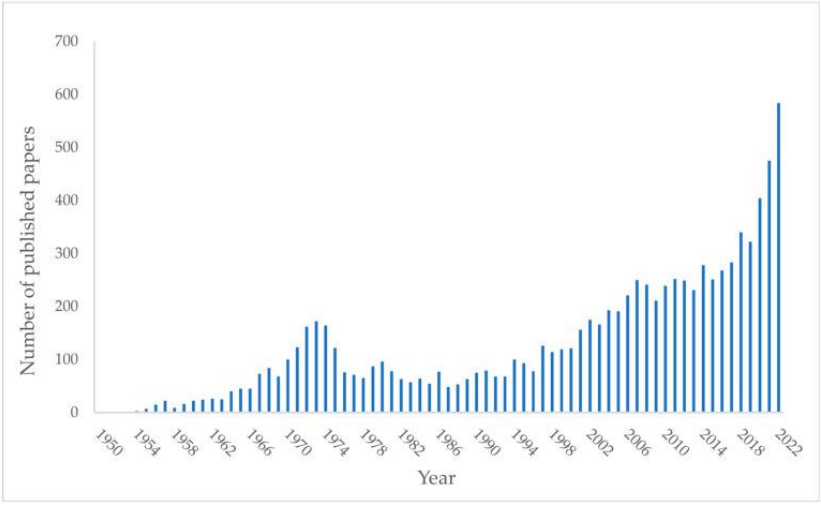


Exhibit 5: Number of Research Papers Discussing "psychedelic therapies" on PubMed. Source: Mastinu A et al.

[11] Stoliker D, Egan GF, Friston KJ, Razi A. Neural Mechanisms and Psychology of Psychedelic Ego Dissolution. Pharmacol Rev. 2022;74(4):876-917. doi:10.1124/pharmrev.121.000508

[12] Kurtz JS, Patel NA, Gendreau JL, et al. The Use of Psychedelics in the Treatment of Medical Conditions: An Analysis of Currently Registered Psychedelics Studies in the American Drug Trial Registry. Cureus. 2022;14(9):e29167. Published 2022 Sep 14. doi:10.7759/cureus.29167

A study by Johns Hopkins Medicine researchers exhibited the antidepressant effects of psilocybin-assisted therapy in patients with major depressive disorders. The studies indicated that psilocybin could relieve major depressive disorder symptoms in adults for up to a month and may last at least a year for some patients. A comprehensive meta-analysis of 25 clinical studies involving the application of ayahuasca, psilocybin, and LSD for various mental and substance use disorders suggested the promise of these treatment options. The studies showed a significant and rapid response following psychedelic administration, which lasted for several months, even with a single dose. The studies were mainly descriptive or open-label and involved small sample sizes, yet no severe adverse events were reported. In another recently concluded groundbreaking phase 2b clinical trial sponsored by COMPASS Pathways evaluated the effects of psilocybin in 233 patients with treatment-resistant depression. The study found a significant reduction ($\geqslant$50%) in depression symptoms in about 37% of people with the drug, indicating a satisfactory safety profile.

## Regulatory Tailwinds Accelerating Adoption

The push for decriminalization or legalization of psychedelic substances such as magic mushrooms is gaining traction in America's statehouses, reminiscent of the earlier movement that changed attitudes towards cannabis. The playbook that led to the de-stigmatization and political acceptance of marijuana is being used once again for psychedelics. In the U.S., while possession and distribution of many psychedelic substances, including those controlled by the 1971 convention, are illegal under federal law, their research use is allowed. This has facilitated the investigation of the medical application of these substances in light of the growing mental health crisis. Such research led to the Food and Drug Administration (FDA) speeding up the investigation of psychedelics' therapeutic potential by giving MDMA and psilocybin "breakthrough therapy" designations in 2017 and 2019 for the treatment of PTSD and MDD, respectively. Additionally, in 2019, the FDA approved esketamine (the nasal spray form of S enantiomer of racemic ketamine) for treating treatment-resistant depression.

*Australia has become the first country to permit the use of MDMA for PTSD and psilocybin for certain depressions in psychiatric care*

This was recently followed by another major announcement by the U.S. FDA on June 23, 2023, providing draft guidance for conducting clinical trials involving classic psychedelics such as psilocybin, LSD, and MDMA, which are primarily 5-HT2A receptor agonists.[13] On a related note, as of July 2023, psychiatrists in Australia are now allowed to prescribe psychedelic substances such as psilocybin for treatment-resistant depression and MDMA for PTSD, as per the Therapeutic Goods Administration's (TGA) new regulations.[14] Even though no specific psilocybin or MDMA products have been approved by the TGA yet, psychiatrists who have received approval from the registered human research ethics committee and the TGA can access and legally prescribe medicines containing these unapproved substances to their patients. Between January 2019 and September 2022, legislature bodies in 25 states considered 74 bills aimed at revising existing laws that limit access to psychedelic drugs or advocating further research into such reform legislation.[15] Seven states have enacted 10 of these bills into law. In terms of the proposed changes, 58% of the bills advocated decriminalization, while 42% suggested policy research to explore potential

[13] https://www.fda.gov/news-events/press-announcements/fda-issues-first-draft-guidance-clinical-trials-psychedelic-drugs
[14] https://www.nature.com/articles/d41586-023-02093-8
[15] Siegel JS, Daily JE, Perry DA, Nicol GE. Psychedelic Drug Legislative Reform and Legalization in the US. JAMA Psychiatry. 2023;80(1):77-83. doi:10.1001/jamapsychiatry.2022.4101

pathways. Several local jurisdictions in the United States, influenced by advocacy groups and voter's initiatives, have moved ahead towards decriminalizing and reducing penalties for certain activities such as possession or supply of psychedelics. Two prominent examples are Oregon and Colorado, which have enacted laws allowing regulated access to certain psychedelics.

*Oregon and Colorado have pioneered psychedelic decriminalization for mental health treatment with more states expected to follow*

Significant regulatory advancements continue to drive the use of psychedelics in the realm of therapeutic applications. However, this burgeoning field is not without its challenges. The path toward a comprehensive understanding of the safety, efficacy, and mechanisms of action of these substances remains fraught with scientific, legal, and societal uncertainties. There is a compelling need for further research to establish standardized dosages and treatment protocols and to identify potential side effects or risks. Additionally, appropriate legal frameworks are required to manage the accessibility and ethical use of these substances while minimizing the potential for misuse.

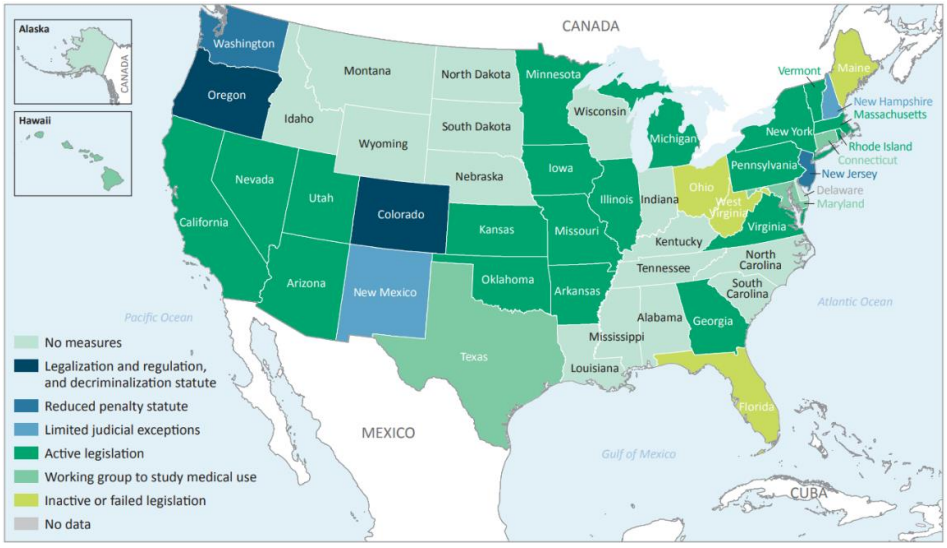


Exhibit 6: Policy and Regulatory Developments Related to Psychedelics in the United States, 2023. Source: World Drug Report 2023

*Patentability issues, anecdotal efficacy reports and GI upset can impact the commercial use of classic psychedelics*

**Multiple Factors Limiting Commercial Marketability**

The second or the recent wave of psychedelics in scientific and medical circles is characterized not only by growing interest and increasing investment in research and development but also by several challenges that remain to be addressed before psychedelics can successfully find their place in the commercial market.

- **Need for Extensive Clinical Trials:** Much of the evidence for the benefits of psilocybin comes from anecdotal reports and less rigorous investigations.[16] While these can provide valuable insights, they lack the scientific rigor and controls of randomized controlled trials. The inability to properly double-blind clinical trials and scant evidence supporting the efficacy and safety of micro-dosing are a few of these challenges that are needed to be addressed for broad adoption.

[16] https://www.neurologylive.com/view/anecdotal-evidence-need-trials-psychedelics-headache-disorders-bryan-roth

- **Patentability Challenges:** Psilocybin is a naturally occurring compound and has been known to science for a long time, which makes it difficult to patent. Under most patent laws, including those in the United States and Europe, naturally occurring substances and discoveries cannot be patented. One way to bypass these challenges is by patenting unique formulations, delivery methods, or specific therapeutic protocols involving psychedelic substances.

- **Prolonged and Inconsistent Psychedelic Experience:** The effects of psilocybin can last for a long time, sometimes up to six hours or longer.[17] This long duration could potentially limit its use as the individual might need to be supervised during this time. Additionally, the effects can be highly variable between individuals and even between uses by the same individual, adding to the unpredictability of the experience.

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- **GI Issues:** Hallucinogenics, especially when consumed in mushroom form, can lead to gastrointestinal upset, including nausea, vomiting, and diarrhoea, causing severe or life-threatening toxicity in a few cases.

## Proprietary Discovery Platform - Psybrary™ + PsyAI™ Overcoming Current Limitations

Enveric Biosciences, a next-generation mental health company, is an emerging player that is leveraging a proprietary AI platform, PsyAI™, and a library of novel derivative molecules based on psychedelics, Psybrary™, to identify promising drug candidates. This unique method of lead discovery and generation enables the company to create novel molecules with the potential to overcome the current limitation in psychedelics-assisted treatment.

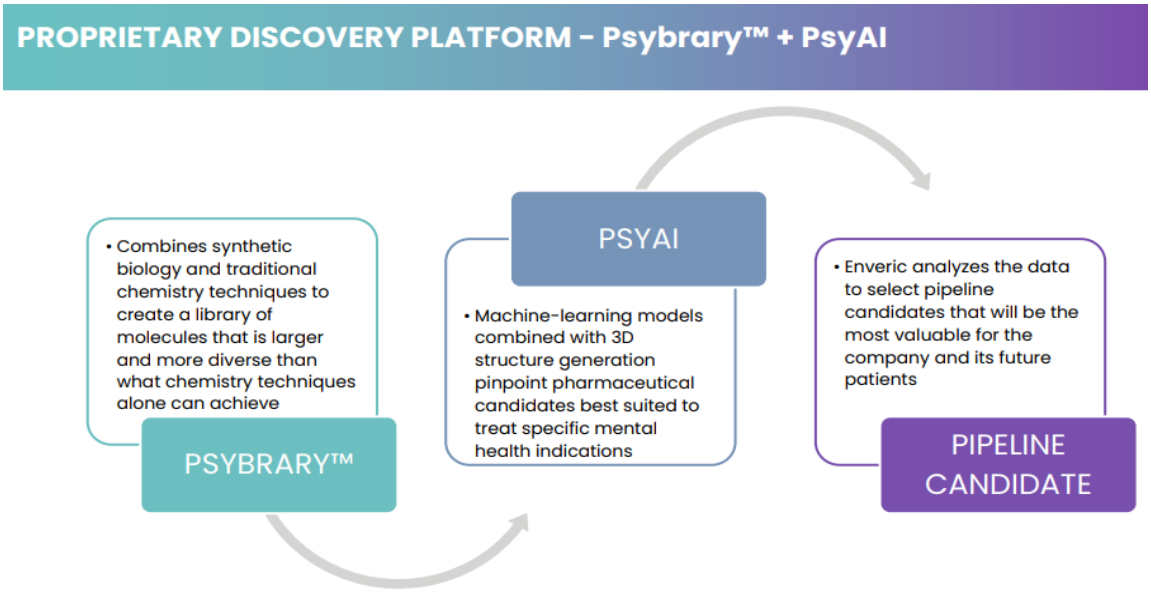


Exhibit 7: Proprietary Discovery Platform. Source: Investor Presentation

[17] https://www.verywellmind.com/how-long-does-psilocybin-stay-in-your-system-80319

The Psybrary™, a library of 500 psychedelic molecular compounds, houses three types of molecules: Generation 1 (classic psychedelics), Generation 2 (pro-drugs), and Generation 3 (new chemical entities). Generation 2 and Generation 3 molecules are modified version of classic psychedelics that has been created by combining the strengths of both advanced synthetic biology and synthetic chemistry techniques. The aim of these modifications is to optimize their therapeutic potential while minimizing adverse effects. Psybrary™ includes 15 patent families with over a million potential variations and hundreds of synthesized molecules.

*Enveric Biosciences employs it AI tool PsyAI™, to swiftly identify and rank promising psychedelics-derived drugs from its 500-compund Psybrary™*

To screen these newly synthesized molecules, Enveric Biosciences uses PsyAI™, proprietary artificial intelligence (AI) tool, to speed up the development of pharmaceutical candidates specifically tailored for hard-to-treat mental health conditions such as cancer-related distress, PTSD, and other CNS disorders. This AI integration aims to expedite and streamline the development stages while also minimizing costs. PsyAI™ technology utilizes a set of machine-learning models and other computation techniques that offers an innovative approach to predicting the drug potential of compounds in their Psybrary™. These include factors such as drug-likeness, CNS exposure, oral bioavailability, toxicity, and serotonin 5HT-2A receptor affinity and activity. This allows to predict ideal molecular binding structures, evaluate manufacturing possibilities, and determine potential pharmacological effects, all in an effort to identify the most suitable drug candidates.

Additionally, Enveric believes the resulting new drug candidates hold several advantages and desired attributes, such as enhanced precision with a wide range of dosing flexibility, greater safety profile with fewer GI issues, more rapid therapeutic effect, and optimized delivery route. Their well-researched approach, backed by an expanding IP portfolio, positions them to potentially succeed in the emerging field of psychedelic-inspired treatments.

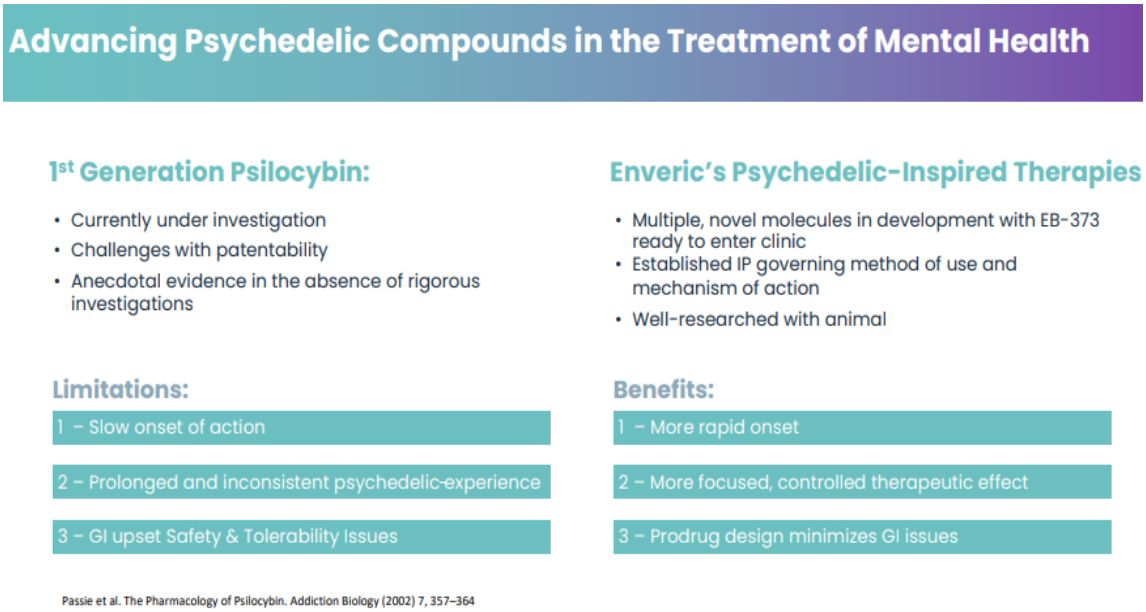


Exhibit 8: Classic Psychedelics v/s ENVB's Next Gen. Psychedelics. Source: Investor Presentation

## EVM201 Series - Second Generation Synthetic Psilocybin Analogues

EVM201 series, a new set of synthetic psilocybin analogues, are considered prodrug to the active substance, psilocin. The company thoroughly screened through the Psybrary™, selecting and characterizing the portfolio of 28 unique compounds represented by nine unique categories of psilocin prodrugs. Every molecule had a different metabolic and pharmacokinetics profile which were modified in a way that made them potentially superior to naturally occurring psilocybin in terms of drug-like properties and pharmacological profile. These evolved compounds aim to augment the therapeutic benefits for patients while reducing potential side effects.

*EVM201 are new set of synthetic psilocybin analogues. Selected from the Psybrary™, these compounds aim to enhance therapeutic benefits of psilocin while reducing side effects*

Each molecule was screened in vitro for its metabolic stability using isolated human serum, as well as cellular samples taken from human liver and intestinal tissues. This process identified fifteen prodrugs that yielded detectable amounts of psilocin during testing. These fifteen EVM201 series molecules were further evaluated in mice models using the methods such as head twitch response (HTR) and Marble Burying Test. These tests provide insights into the 5-HT2A serotonin receptor-mediated response and potential anxiolytic effects of these molecules.

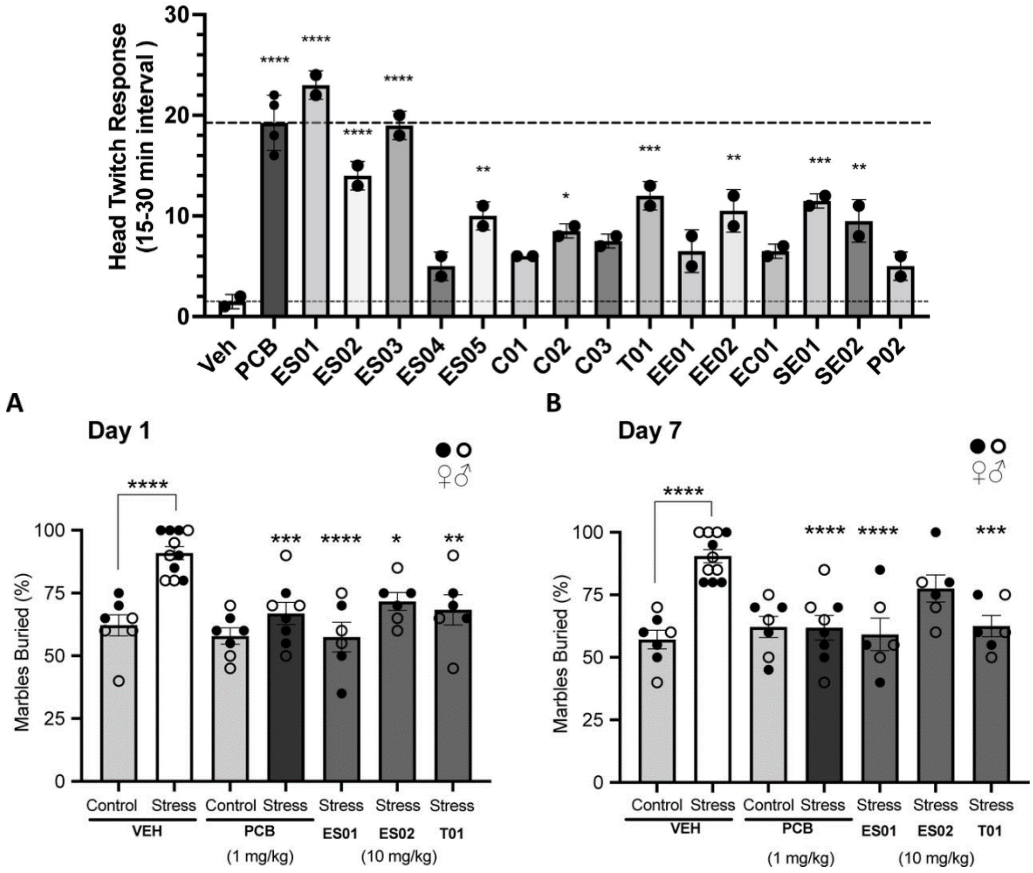


Exhibit 9: Evaluation of Head Twitch Response (HTR) in healthy C57BL/6 mice, Results for the Marble Burying Test (MBT) in mice subjected to a Mild Chronic Stress Paradigm (MCSP). Source: Sheetal A. Raithatha et al.

The results indicated that EVM201 molecules trigger a consistent activation of the 5-HT2A serotonin receptors in vivo, as evidenced by the induction of Head Twitch Response in mice. The resultant activation was achieved irrespective of the dosage or level of brain exposure. The study

also indicated that five ester-based prodrugs (ES01, ES02, ES03, T01, and SE01) induced notable HTR at an intensity statistically equivalent to psilocybin, despite lower peak plasma psilocin concentrations. Furthermore, three novel prodrug derivates, ES01, ES02, and T01, underwent the marble burying test (MBT) in mice subjected to a mild chronic stress paradigm. The test indicated that the single dose of EVM201 significantly reduced the number of marbles buried by the stressed mice from the first day after administration, indicating effective alleviation of anxiety. The effect persisted for up to seven days after the treatment, indicating a lasting anxiety-reducing effect from a single dose of EVM201.

*EVM201 molecules activated serotonin receptors like psilocybin and three variants effectively reduced stress-induced anxiety in mice for a week after a single dose*

Enveric has made significant progress with its EVM201 program, resulting in the development of a promising drug candidate, EB-373. The screening and optimization efforts led to the nomination of EB-373 as the lead development candidate for the treatment of anxiety disorders. The company has further improved upon the formulation of EB-373, creating an optimized version that is designed to enhance the drug's scalability, stability, and delivery. The improved formulation was tested in preclinical studies and will be evaluated in a Phase 1 clinical trial.

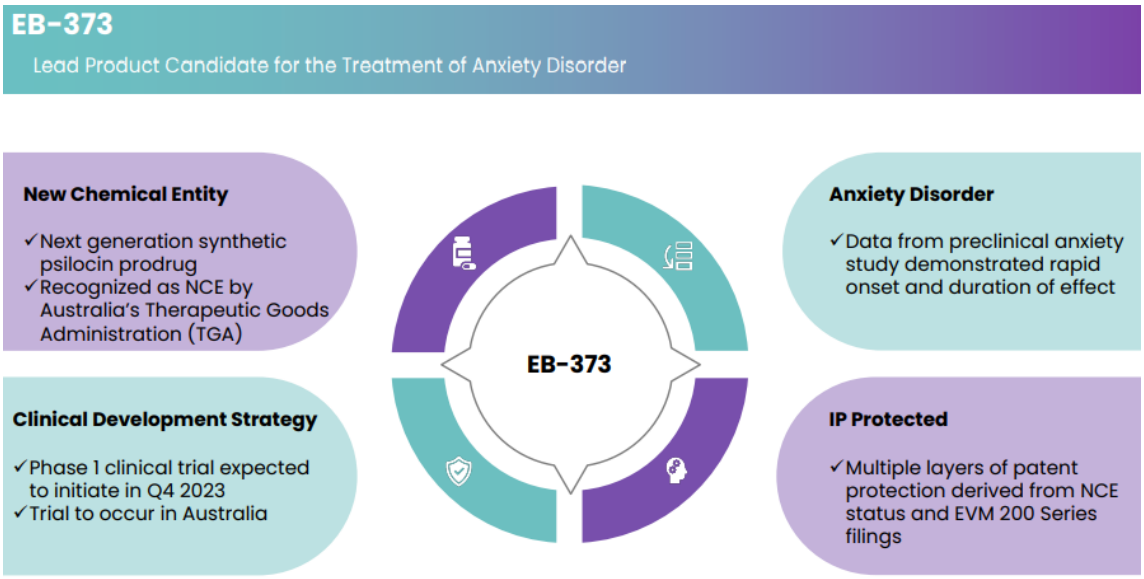


Exhibit 10: EB-373 Lead Product Candidate. Source: Investor Presentation

*EB-373's preclinical trials demonstrated fast, efficient conversion to psilocin and a favorable safety profile*

## EB-373- A Next-Generation Proprietary Psilocin Prodrug for Anxiety Disorders

EB-373 underwent preclinical studies supporting the metabolic profile of the lead candidate. The preclinical trial evaluated EB-373's metabolic and toxicology profile in in-vitro and in-vivo studies.

- In-vitro assays were performed using liver extracts from humans, dogs, rats, and mice. These assays provided insight into the metabolic conversion of EB-373 to psilocin across different species.

- In-vivo pharmacokinetic (PK) animal studies were conducted to understand how EB-373 and its active metabolite, psilocin, are absorbed, distributed, and metabolized in the body.

The results from in vitro studies indicated that EB-373 was able to efficiently convert psilocin in the liver, with over 95% of the parent prodrug converting to psilocin to achieve highly efficacious levels in the blood. The oral administration of EB-373 in both dogs and rats resulted in a dose-dependent increase in psilocin blood concentrations, reaching levels that are expected to be effective in humans. The results also indicated extremely rapid conversion of prodrug to active substance psilocin, with EB-373's blood concentration reaching obscure levels after two hours. Furthermore, the peak concentration of psilocin in the blood was observed one hour following the administration of EB-373, suggesting a faster onset of therapeutic action. The studies indicated a satisfactory toxicity profile with no vomiting and no serious adverse events observed at any dose level.

The results support the advantages of EB-373 over psilocybin, including reduced GI upset and vomiting, swift conversion to the active substance, quick onset of action, and efficient clearance from the body. The findings indicate improved PK characteristics compared to psilocybin and support the potential of EB-373 as a promising therapeutic option. The company expects to file a clinical trials notification (CTN) with the TGA in Australia and a submission to the Human Research Ethics Committee (HREC) for trial approval in late 2023. The company has also received a notice of allowance from the United States Patent and Trademark Office (USPTO) for a patent application involving EB-373.

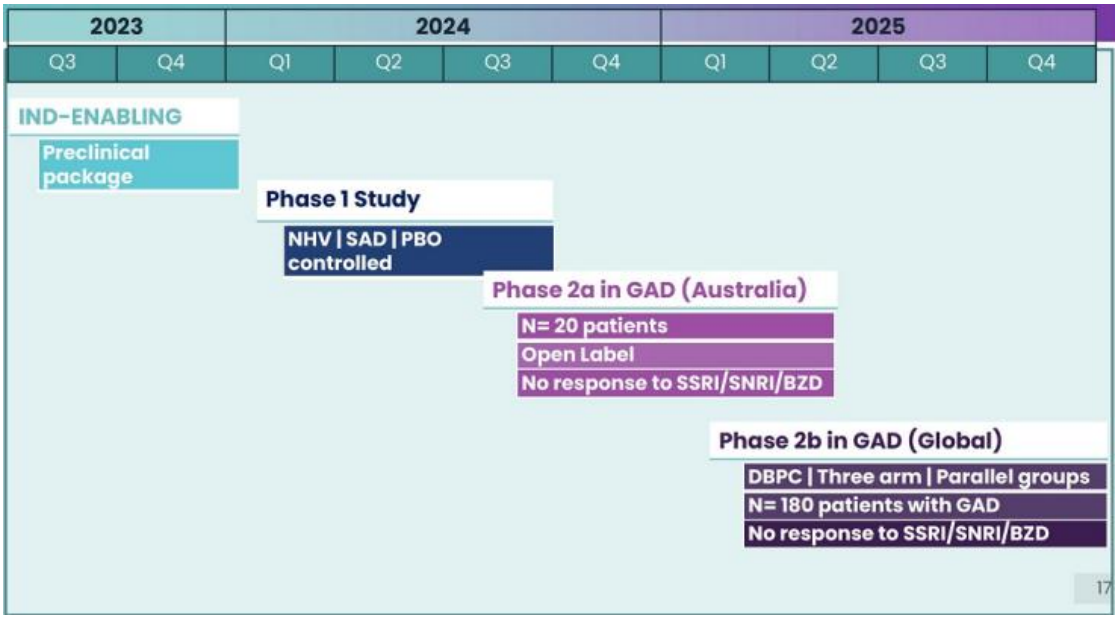


Exhibit 11: EB-373 Clinical Plan. Source: Corporate Presentation

## EVM301 Series - Third Generation New Chemical Entities with Optimized Psychoactive Properties

Enveric Biosciences is also developing its third generation of therapies, EVM301, which represents a new wave of potential therapeutic agents aimed at treating anxiety, depression, and addiction disorders. The therapeutic agents in the EVM301 series are currently in the early stages of discovery and characterization, with efforts to speed up the identification of potential neuroactive drug candidates. The company has also received a Notice of Allowance from the United States Patent and Trademark Office (USPTO) for a patent application pertaining to its EVM301 Series of molecules. The EVM301 series comprises tryptamine-based drug candidates that are currently in the stages of lead generation and characterization. The key goal of EVM301 is to develop compounds that can maximize therapeutic effects and minimize hallucinatory activity with an optimized treatment regimen. EVM301 series of molecules are being developed in a way to engage the serotonin 5HT2A receptor and other neurotransmitter receptors to stimulate neuroplasticity - the brain's ability to change and adapt in response to experience. This could yield substantial therapeutic benefits, especially in the treatment of anxiety and depression disorders.

*The third-generation EVM301 series is focused on developing novel, safe and effective CNS treatments with quick and enduring action*

- **Maximizing Therapeutic Effect**: EVM301 series of therapeutic agents work by modulating multiple brain receptors and networks, primarily affecting a subset of serotonin receptors. This action has a downstream effect on neurotransmitters such as serotonin, norepinephrine, and dopamine, which are implicated in providing potential synergistic therapeutic benefits. This allows the EVM301 series to potentially amplify therapeutic outcomes by focusing on multiple receptors in the serotonin family and enhancing the interaction of other crucial neurotransmitters.

- **Minimizing Hallucinatory Activity:** Unlike traditional psychedelic drugs, where hallucinations are part of the therapeutic process, the EVM301 series of molecules are being developed with psychoactive properties without the hallucinatory effects.

- **Ease of Administration:** The EVM301 series of molecules can potentially be administered without the need for psychotherapy or the presence of a healthcare professional. This aspect amplifies the company’s advantage while creating a paradigm shift in the realm of psychedelic-assisted therapy. Additionally, the drug could potentially be prescribed for daily maintenance and taken in multiple setting that is more convenient to patients.

EVM301 series goes multiple steps ahead of its former EVM201 series of molecules and potentially exhibits an optimized treatment regimen, no hallucinatory activity, optimized psychoactive properties, and therapeutic action. EVM301 series is designed for both acute and maintenance treatment. The development of EVM301 signifies significant advancement in the approach toward using psychedelics in the treatment of depression and anxiety disorders. The company has discovered and screened numerous leads and is in the process of building a larger basket. Candidate nomination within the EVM301 series is expected by Q4 2023/Q1 2024.

## General Anxiety Disorder (GAD) - Market and Competitive Overview

*It's estimated that in any given year, approximately 2.9% of the U.S. adult population (18-64), equating to approximately 6 million people, grapple with GAD*

General Anxiety Disorder (GAD) is one of the most prevalent mental health conditions worldwide. This persistent, debilitating affliction affects a significant proportion of the population, leading to a high societal and economic burden. It's estimated that in any given year, approximately 2.9% of the U.S. adult population (18-64), equating to approximately 6 million people, grapple with GAD while only 43.2% of them receive treatment. A more compelling statistic is the lifetime prevalence of GAD, which in the U.S. is around 6.2%. This implies that nearly one in sixteen individuals aged 18-64 in the country will face GAD at some juncture in their life. It's important to note that these figures, though substantial, may still be underestimations due to cultural and societal factors that may deter individuals from seeking help or even acknowledging their symptoms, especially in certain regions worldwide.

Given the high prevalence of GAD and the unmet needs in its treatment, the market projections for GAD therapeutics indicate robust growth. It's expected to reach $4.3 billion by 2033, growing at a CAGR of approximately 9%.[18] These trends underscore the considerable commercial potential for companies that are successful in developing novel, efficacious treatments for GAD. While the market is currently dominated by pharmaceutical giants, the search for novel treatment approaches for GAD has opened the doors for smaller, innovative players like Enveric Biosciences. The growing interest in using psychedelics for treating mental health disorders, including GAD, is a key trend to monitor. By focusing on the development of novel small-molecule therapeutics, these companies have the opportunity to differentiate themselves in a crowded marketplace. The exploration of psychedelic substances for treating mental health conditions like GAD represents an emerging and rapidly evolving frontier in psychiatric research. Psychedelics such as psilocybin, initially viewed as taboo due to their potential for misuse, are being reconsidered as serious contenders for the treatment of psychiatric conditions. A landmark clinical trial led by Monash University in partnership with Incannex Healthcare Ltd is assessing the safety and efficacy of psilocybin-assisted psychotherapy for treating severe GAD. This research is one of the largest psychedelic research and development projects in Australia. The Phase 2 clinical trial has shown encouraging interim results, suggesting an over 85% chance of statistically significant benefit from psilocybin-assisted psychotherapy for Generalised Anxiety Disorder compared to placebo treatment.[19] Another major ongoing clinical trial by Mind Medicine Inc. involves assessing the effect of 4 doses of MM-120 (LSD D-Tartrate) for the treatment of anxiety symptoms in subjects diagnosed with generalized anxiety disorder (GAD).

**Competitive Landscape**

Currently, the GAD treatment market is primarily dominated by established pharmaceutical giants such as Eli Lilly, GlaxoSmithKline, and Pfizer. Their primary treatment modalities consist of selective serotonin reuptake inhibitors (SSRIs) and serotonin and norepinephrine reuptake inhibitors (SNRIs), which have become the mainstay of GAD treatment. However, the therapeutic

[18] https://www.futuremarketinsights.com/reports/generalized-anxiety-disorder-treatment-market
[19] https://www.globenewswire.com/en/news-release/2023/03/15/2627537/0/en/Interim-review-of-proprietary-PsiGAD-clinical-trial-data-indicates-no-safety-concerns-and-projects-a-statistically-significant-benefit-for-the-psilocybin-arm-versus-the-placebo-arm.html

potential of alternative therapies, including psychedelic substances, has begun to disrupt the traditional landscape. Companies like Enveric Biosciences, Mind Medicine Inc., and Incannex Healthcare Limited specializing in the development of innovative small-molecule therapeutics, are beginning to break ground in this rapidly shifting market. There has also been progress in developing novel non-psychedelic anxiolytics targeting GAD and other anxiety disorders.

| Drug/Trial Name | Sponsor | Phase | Category |
|---|---|---|---|
| GRX-917/Deuterated etifoxine | Atai Life Sciences | 2 | GABAergic drug |
| Zuranolone (SAGE-217) | Sage Therapeutics | 2 | GABAergic drug |

Exhibit 12: Non-Psychedelic Novel Anxiolytics for GAD. Source: Diamond Equity Research

As of 2023, several ongoing clinical trials are investigating the potential efficacy of psychedelic substances in treating GAD and other mental health problems. These trials, though nascent, have already garnered attention for their promising preliminary results.

| Trial Name | Sponsor | Intervention | Phase | Estimated Completion |
|---|---|---|---|---|
| Psilocybin-assisted psychotherapy in the treatment of severe GAD | Incannex Healthcare Limited, Monash University | Psilocybin | 2 | 2023 |
| LSD D-Tartrate for GAD | Mind Medicine, Inc. | MM-120 (LSD D-Tartrate), Placebo | 2 | 2024 |
| COMP360 for MDD | COMPASS Pathways | Psilocybin | 2 | 2024 |
| COMP360 for PTSD | COMPASS Pathways | Psilocybin | 2 | 2024 |
| COMP360 for TRD | COMPASS Pathways | Psilocybin | 3 | 2025 |
| Psilocybin for MDD | Usona Institute | Psilocybin | 2 | 2024 |
| Psilocybin-assisted Group Therapy for AIDS Survivors | University of California | Psilocybin | 2 | 2024 |
| Psilocybin for Migraine Treatment | Yale University | Psilocybin | 2 | 2024 |
| Psilocybin-assisted Therapy for PTSD | Ohio State University | Psilocybin | 2 | 2025 |
| Psilocybin for Severe OCD | Beersheva Mental Health Center | Psychotherapy assisted psilocybin | 1/2 | 2023 |
| MDMA-Assisted Group Therapy for PTSD | Portland VA Research Foundation, Inc | MDMA, Group Therapy | 1/2 | 2025 |
| MDMA-Assisted Therapy for AUD-PTSD | Carolina Haass-Koffler | MDMA | 2 | 2025 |
| MDMA on Prefrontal and Amygdala Activation in PTSD | Yale University | MDMA | 1 | 2025 |

Exhibit 13: Ongoing Psychedelic Clinical Trials for CNS Disorders. Source: Diamond Equity Research

Looking ahead, we expect the GAD market's competitive dynamics to undergo significant changes as new research outcomes shape the future treatment paradigm. Companies, such as Enveric Biosciences that possess robust research pipelines and a strategic focus on innovation are poised to capitalize on the new prospects in the GAD treatment market. They may carve out a niche in a domain traditionally monopolized by the pharmaceutical behemoths, thereby opening up a new chapter in the annals of GAD treatment.

## Management Overview

Enveric Biosciences is guided by a skilled team of professionals, each with a distinct set of expertise and experience in the biotechnology field. The company's leadership comprises individuals who have demonstrated competence in their respective roles, contributing to the development and progression of the company. The following is a brief overview of these key team members and their backgrounds.

**Dr. Joseph Tucker, Ph.D. - Chief Executive Officer, Director**

Dr. Joseph Tucker, Ph.D., currently serves as the Chief Executive Officer and Director of Enveric Biosciences Inc. His extensive experience in the biotechnology industry includes his role as founder and CEO of Stem Cell Therapeutics, which he led to its public listing on the Toronto Stock Exchange (TSX: SSS), and which was later acquired by Trillium Therapeutics (NASDAQ: TRIL, TSX: TRIL) in 2013. He also co-founded Epimeron Inc., later becoming part of Willow Biosciences Inc. (TSX: WLLW), where he held positions as Executive Chairman and COO. Prior to his entrepreneurial ventures, Dr. Tucker worked as a healthcare analyst at two investment banks and worked in technology commercialization for a university technology transfer office. His educational credentials include a Ph.D. in Biochemistry and Molecular Biology from the University of Calgary.

**Dr. Peter Facchini, Ph.D. - Chief Innovation Officer**

Dr. Peter Facchini, Ph.D., occupies the role of Chief Innovation Officer at Enveric Biosciences Inc. For a span of 25 years, he has been affiliated with the University of Calgary as a Professor of Plant Biochemistry in the Department of Biological Sciences. Dr. Facchini has had the distinction of holding the Canada Research Chair in Plant Metabolic Processes Biotechnology, and presently, he serves as a Parex Resources Innovation Fellow within the Faculty of Science. His entrepreneurial pursuits are marked by co-founding Willow Biosciences Inc. (TSX: WLLW) and Epimeron Inc. and serving as the Chief Scientific Officer for both ventures. A prolific contributor to his field, Dr. Facchini has authored over 160 scientific papers and co-invented more than 30 patents. His education is further bolstered by a Ph.D. in his area of expertise, positioning him as an international leader in the biochemistry and biotechnology of natural product metabolism.

**Kevin Coveney, CPA - Chief Financial Officer**

Kevin Coveney, CPA, serves as the Chief Financial Officer at Enveric Biosciences Inc. With a comprehensive background in finance, he brings a wealth of experience from his former CFO roles at Memgen, Inc., a clinical-stage immune-oncology company, and Q-State Biosciences, a biotech entity specializing in CNS disorders. Notably, his expertise extends to investor financial due diligence and financial reporting. Prior to these roles, he contributed significantly at Vedanta Biosciences and Berg Health, and his career trajectory also includes senior roles at prestigious accounting firms such as Grant Thornton and Ernst & Young. Mr. Coveney's educational accomplishments include a BS in Management from the University of Massachusetts.

Enveric Biosciences' strategic direction is shaped by its Board of Directors and Scientific Advisors. The Board, with its diverse experience, provides governance and strategic oversight. The Scientific Advisors, experts in their respective fields, steer the company's research and development efforts. Their collective expertise is a key asset in Enveric's pursuit of novel treatments for mental health conditions.

| Name | Position | |
|---|---|---|
| Maurizio Fava, M.D. | Scientific Advisor | Psychiatrist-in-Chief of the Massachusetts General Hospital, Associate Dean for Clinical and Translational Research at Harvard Medical School, and a world leader in the field of depression with over 900 published articles. |
| Stephen M. Stahl, M.D., Ph.D. | Scientific Advisor | Clinical Professor of Psychiatry and Neuroscience at the University of California Riverside, editor-in-chief of CNS Spectrums, and an internationally renowned author with over 50 textbooks in psychiatry and psychopharmacology. |
| Sheila DeWitt, Ph.D. | Scientific Advisor | Life Sciences Executive & Serial Entrepreneur with over 30 years of experience, currently the Chair, President & CEO of DeuteRx, LLC, and internationally recognized for her contributions to pharmaceutical R&D. |
| John Krystal, M.D. | Scientific Advisor | Professor of Translational Research, Professor of Psychiatry, Neuroscience, and Psychology at Yale University. A leading researcher in the neurobiology and treatment of schizophrenia, alcoholism, PTSD, and depression. |
| Michael Liebowitz, M.D. | Scientific Advisor | Professor of Psychiatry at Columbia University, Director at Medical Research Network, and a pioneer in the field of anxiety disorders, known for developing the Liebowitz Social Anxiety Scale (LSAS). |

## Financials and Balance Sheet Strength

Enveric Biosciences concluded Q2 2023 with a cash reserve of $7.08 million and a negligible debt profile. The company's operating cash burn for the same quarter amounted to $4.46 million, and for 2022 was $17.15 million. Furthermore, general and administrative expenses and research and development expenses for the six months ended June 2023 were $5.91 million and $4.53 million, respectively. Considering the historical burn rate, current cash reserves, the company's expected advances within both the EB-373 lead novel prodrug candidate and the EVM301 series, we model upcoming capital raises.

| Year-end 31 Dec. (in $mm) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| Revenue | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Gross Profit | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| EBITDA | ($63.97) | ($27.09) | ($20.81) | ($23.44) | ($25.68) |
| Depreciation & Amortization | ($0.66) | ($0.33) | ($0.32) | ($0.09) | ($0.10) |
| EBIT | ($64.62) | ($27.42) | ($21.13) | ($23.53) | ($25.78) |
| Interest Income/Expense | ($0.01) | ($0.01) | ($0.00) | ($0.00) | ($0.00) |
| Profit Before Tax (PBT) | ($56.43) | ($19.96) | ($21.55) | ($23.53) | ($25.78) |
| Profit After Tax (PAT) | ($48.98) | ($18.80) | ($21.55) | ($23.53) | ($25.78) |
| Basic Shares Outstanding (M) | 0.47 | 1.45 | 2.53 | 6.58 | 10.53 |
| EPS - basic and diluted | ($103.69) | ($13.00) | ($8.52) | ($3.58) | ($2.45) |
| **BALANCE SHEET** | | | | | |
| Cash and cash equivalents | $17.36 | $17.72 | $4.99 | $14.82 | $5.06 |
| Other current assets | $0.38 | $0.71 | $0.49 | $0.51 | $0.54 |
| Total current assets | $17.74 | $18.43 | $5.48 | $15.33 | $5.60 |
| Non-current assets | $8.98 | $1.12 | $1.08 | $1.03 | $0.98 |
| **Total Assets** | **$26.72** | **$19.55** | **$6.56** | **$16.36** | **$6.58** |
| Short-term borrowing | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Other current liabilities | $2.74 | $4.00 | $4.51 | $4.64 | $4.78 |
| Total current liabilities | $2.74 | $4.00 | $4.51 | $4.64 | $4.78 |
| Long-term borrowing | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Other non-current liabilities | $1.68 | $0.00 | $0.00 | $0.00 | $0.00 |
| Total liabilities | $4.41 | $4.00 | $4.51 | $4.64 | $4.78 |
| Total Equity | $22.31 | $15.56 | $2.05 | $11.72 | $1.80 |
| **Total Liabilities & Equity** | **$26.72** | **$19.55** | **$6.56** | **$16.36** | **$6.58** |

Exhibit 14: Income Statement Snapshot. Source: Diamond Equity Research

## Valuation

Our primary approach to valuing Enveric Biosciences remains the conventional risk-adjusted DCF approach. We have forecasted the revenue, expenses, and cash flows for its lead product candidate, EB-373, for generalized anxiety disorder (GAD). Moreover, significant upside optionality also exists pertaining to the EVM301 series, which we believe adds an extra layer of potential upside to our assessment of Enveric Bioscience.

We assume a discount rate of 12.50% and a probability of success for EB-373 at 10%, resulting in a valuation of $21.02 million based on our risk-adjusted DCF approach. Notably, the company's current market capitalization of $4.86 million is lower than its net cash position of $7.07 million. It's important to consider that this situation, commonly found in non-revenue-generating biotech companies, often arises due to elevated risks and the potential for higher cash burn rates. Additionally, we undertook a comparable company-based valuation analysis, assigning a weightage of 10% to this relative valuation approach. The blended approach resulted in a valuation of $21.47 million, or $10.00 per share, contingent on successful execution by the company.

| Drug | Indication | Probability of Success | Commercialization Year |
|---|---|---|---|
| **EB-373** | **Generalized Anxiety Disorder** | **10%** | **2028** |

| **Calculated Equity Value ($ mm)** | |
|---|---|
| Enterprise Value | $13.95 |
| - Debt and Preferred Stock | $0.01 |
| + Cash | $7.08 |
| Net Debt | $7.07 |
| Equity Value | **$21.02** |

| **Approaches (in $ mm)** | **Value (USD)** | **Weight** | **Wtd. Value** |
|---|---|---|---|
| DCF | $21.02 | 90% | $18.92 |
| GPCM | $25.51 | 10% | $2.55 |
| GTM | - | 0% | $0.00 |
| **Wtd. Avg. Equity Value (USD)** | | | **$21.47** |
| **No of Shares Outstanding** | | | **2.15** |
| **Intrinsic Value Per Share** | | | **$10.00** |

| Company Name | Ticker | Price | Currency | Country | Mkt Cap. | P/B | P/R&D |
|---|---|---|---|---|---|---|---|
| Pfizer Inc. | PFE | 36.84 | USD | US | $207,997 | 2.1x | 18.6x |
| Sage Therapeutics Inc. | SAGE | 19.75 | USD | US | $1,182 | 1.2x | 3.3x |
| GH Research PLC | GHRS | 10.70 | USD | IE | $556 | 2.3x | 24.1x |
| COMPASS Pathways plc | CMPS | 9.43 | USD | GB | $431 | 2.6x | 5.9x |
| Atai Life Sciences N.V. | ATAI | 1.63 | USD | DE | $270 | 1.3x | 3.6x |
| Mind Medicine (MindMed) Inc. | MNMD | 4.11 | USD | US | $163 | 1.5x | 3.7x |
| Seelos Therapeutics Inc. | SEEL | 1.11 | USD | US | $141 | n.a. | 3.2x |
| Incannex Healthcare Limited | IXHL | 1.54 | USD | AU | $101 | 1.6x | 20.3x |
| Cybin Inc. | CYBN | 0.31 | USD | CA | $74 | 2.5x | 3.8x |
| Numis Wellness Inc. | NUMI | 0.18 | CAD | CA | $35 | 2.1x | 31.0x |
| **Median** | | | | | | **2.1x** | **4.8x** |
| **Mean** | | | | | | **1.9x** | **11.7x** |

Exhibit 15: Valuation Snapshot. Source: Diamond Equity Research
(Valuation multiples are based on LTM figures) *

## Risk Profile

- **Liquidity and Capital Raising Risks:** Enveric Biosciences is confronting increasing liquidity demands due to its significant operational and development expenses. The future capital needs are dependent on various factors, including the progress of R&D activities, regulatory requirements, revenue generation, and market developments, among others. The company intends to fulfill these capital needs through financing arrangements, but the availability of such arrangements on favorable terms cannot be guaranteed.

- **Uncertainties Associated with Medical Cannabinoids and Psychedelics Research:** The research landscape surrounding medical cannabinoids and psychedelics is still nascent, and the limited number of studies presents a risk of future contradictions or challenges to the current understanding of these substances' medical benefits, viability, safety, efficacy, and dosage. The possibility of future research producing differing or even negative outcomes compared to the existing studies Enveric Biosciences relies upon could negatively impact the social acceptance of cannabinoids and psychedelics, which could, in turn, affect the demand for the company's product candidates.

- **Significant Market Competition**: Enveric Biosciences operates within a highly competitive landscape, which could hinder its ability to market or commercialize its products effectively. The competition spans from global pharmaceutical giants to specialty biotechnology firms, along with academic institutions. If Enveric Biosciences cannot sustain its competitive standing, it may experience a reduction in market share, diminished pricing power, and a subsequent downturn in financial performance.

- **Market Acceptance Risk:** The commercial success of Enveric Biosciences' products is contingent upon market acceptance by end-users, institutions, doctors, and others in the mental health industry. The company's products must be perceived as user-friendly, efficient, and superior to alternatives to maintain market acceptance. Failure to secure and sustain such acceptance could have a materially adverse effect on Enveric Biosciences' business, financial condition, and operational results.

- **Regulatory and Adverse Event Risk**: The success of Enveric Biosciences' marketed product and product candidates could be hindered by undesirable adverse events or other properties that could delay or prevent their regulatory approval, limit the approved label's commercial profile, or result in significant negative consequences post-approval.

- **Success of Product Candidates Hinges on Preclinical and Clinical Trial Outcomes**: The success of Enveric Biosciences is highly contingent on the successful completion of preclinical and clinical trials for its product candidates, which involve complex, time-consuming, and expensive processes with uncertain results.

***This list of risk factors is not comprehensive. For a full list, please refer to Enveric Biosciences' latest prospectus and/or annual filings.***

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