

ANAVEX LIFE SCIENCES CORP.

[AVXL.OB]

- An emerging biopharmaceutical company engaged in the discovery of novel drugs for the treatment of cancer and neurological diseases
 - 7 lead compounds in IND and pre-clinical stage development
 - Pharmaceutical sector relishes substantial growth prospects and Avanex is positioned to assert a share of these
-



Valuation & Research Specialists (VRS)

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INITIAL STATEMENT

by **VALUATION & RESEARCH SPECIALISTS (VRS)**

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ANAVEX Life Sciences Corp.

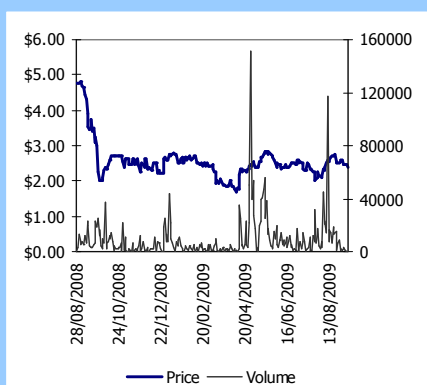
Sector : Biopharmaceuticals

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Company Description:

Anavex Life Sciences Corp. (www.anavex.com) is an emerging biopharmaceutical company. It is engaged in the discovery and development of novel drugs which target the treatment of cancer and neurological diseases such as Alzheimer's, epilepsy and depression. The Company's shares are listed in the US OTC market (OTCBB: AVXL).

Price (Sept. 15, 2009)	\$ 2.4
Shares Outstanding	20.75 million
Mkt Cap	\$ 49.8 million



Source: www.otcbb.com

Key Investment Points

- ⊙ **“ANAVEX” has a robust portfolio of drugs in development** targeting diseases of the Central Nervous System (CNS), such as Alzheimer's, epilepsy and depression, as well as types of cancer. The ANAVEX drug candidates have a new, unique mechanism of action. This offers not only a proven symptomatic treatment mechanism of cognitive disorders but, more importantly, the potential for a disease-modifying approach.
- ⊙ The Company, **“ANAVEX”, has 7 product candidates in development for 8 disease indications.** One of the products is in IND stage and six of them in Preclinical stage. The Company's target is to launch Human Clinical Trials for 4 of its compounds (Alzheimer's, Melanoma, Prostate and Epilepsy) by the beginning of 2010, while the other compounds will follow up.
- ⊙ The **potential sales** of the Company's products after their launch are estimated to reach US\$6 billion.
- ⊙ Efficacy, very low toxicity, possible use in combination therapies and potential disease modifying mechanism of action are some of the Company's two leading compound characteristics (Alzheimer's and Melanoma). The aforementioned characteristics provide confidence to the Company that the compounds will reach Phase II stage by late 2010 or early 2011 with high certainty.
- ⊙ **We initiate coverage on the Company with a Buy recommendation**, setting our target price at \$6.30 per share valuing the Company at \$130.90 million and estimating a 163% upside potential.
- ⊙ The Company has a **high-risk profile, given the development stage of its products and the lack of any revenues realized yet.** However, the innovative platform for its drugs' development along with the remarkable results demonstrated so far, provide confidence that its products will reach safely the market. The potentials at that stage are tremendous.

Please see important disclosure and disclaimer statements at the end of this report

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General Overview

ANAVEX Life Sciences Corp. (“ANAVEX” or the “Company”) is an emerging biopharmaceutical company. The Company is engaged in the discovery, development, and commercialization of novel therapeutics for the treatment of the Central Nervous System (CNS) diseases such as Alzheimer’s, epilepsy and depression, as well as types of cancer by utilizing its proprietary drug discovery platform.

The Company has a **robust pipeline of novel, clinical-ready compounds** in development stemming from its nine-year pre-clinical R&D history. The development of its compounds is based on a new, unique mechanism of action, and come from its “SIGMACEPTOR™” Discovery Platform, which doesn’t only offer a proven symptomatic treatment mechanism of cognitive disorders but, more importantly, provides the potential for a disease-modifying approach of Alzheimer’s and other central nervous system diseases.

The “SIGMACEPTOR™” discovery platform has been developed by Dr. Alexandre Vamvakides, the scientific founder of the Company.

The compounds stemming from the SIGMACEPTOR™ Discovery Platform act through sigma receptors, a relatively new class of receptors that is able to activate multiple pathways and provide treatment solutions in many types of diseases. The Company presumes that it is in an appropriate stage to evaluate the potential of compounds (ligands) that activate these receptors with regards to effective dosing, safety and efficacy.

The leading CNS compounds have demonstrated superior efficacy and substantially fewer side effects compared to commercially available drugs for the treatment of Alzheimer’s and other central nervous system conditions in animal models, while they have also presented a remarkable efficacy and safety profile.

The first compounds of the Company are expected to enter the market in 2015-2016.

Based on clinical data, the people currently suffering by Alzheimer's, Epilepsy, depression and types of cancer such as melanoma, prostate and pancreas (the diseases that the Company's compounds aim at fighting) are estimated **world wide** at 275 million. By the time the Company's products will have been launched, in 2020, the respective number of the aforementioned population is estimated to have increased to 328 million, based on each disease's expansion growth rate demonstrated so far.

In the USA, similarly to the other regions, in order for a drug to be approved and enter the market, it must complete certain stages' tests (pre-clinical, IND, Phase I, II and III stages) before finally receiving the FDA (Food and Drug Administration) approval. One of the Company's compounds has entered the IND stage and six others are in the pre-clinical stage.

As the Company's compounds aim at dealing with the main cause of Central Nervous System diseases and Cancer, they may find application in more than one targeted disease i.e. AVANEX 1-41 targets Alzheimer's and depression, both diseases of the Central Nervous system.

We initiate coverage on the Company with a Buy recommendation, setting our target price at \$6.30 per share and \$4.86 per share on fully dilutive basis. We have valued the Company at \$130.90 million, estimating a 163% upside potential based on the current market value of \$ 49.8 million.

We have valued the Company applying weighted valuation method based on comparables and previous deals experience in the pharmaceutical sector.

Investment Case

Central Nervous System Diseases: Alzheimer's, Epilepsy, Depression

Alzheimer's

Alzheimer's disease (AD) is the most common form of dementia (a serious cognitive disorder). This disease was first described in 1906. Generally it is diagnosed in people over 65 years of age, although the less-prevalent early-onset Alzheimer's can occur much earlier. Based on the report of Johns Hopkins University, **26.6 million** people worldwide suffered from Alzheimer's disease in 2006 while this number is expected to quadruple by 2050. According to **IMS** (Global healthcare advisor), annual sales for drugs that combat Alzheimer's disease are projected to reach \$8 billion by 2012.

The cause and progression of Alzheimer's disease have not been well identified. Research indicates that the disease is associated with plaques and tangles in the brain. Currently used treatments offer a small symptomatic benefit while they cannot delay or halt the progression of the disease. As of 2008, more than 500 clinical trials were investigating possible treatments for AD, but none of them has been proved successful.

ANAVEX 2-73

ANAVEX 2-73 is a novel sigma 1 receptor agonist targeting Alzheimer's disease. The compound has successfully completed the pre-clinical trials and it has entered the IND phase.

ANAVEX 2-73 has demonstrated through the R&D process that it provides protection from oxidative stress. Oxidative stress damages and destroys neurons and hence, it is believed to be a primary cause of the Alzheimer's disease. Recent years' research has indicated that oxidative stress is a precursor to amyloid-beta plaques and tau, while the protection against oxidative stress may help to prevent or decelerate the expansion of the disease. ANAVEX 2-73 has indicated to possess the potentials to protect neurons from degeneration.

During the pre-clinical studies, ANAVEX 2-73 has demonstrated significant neuroprotective, anti-amnesic and anti-convulsive properties, while it has also

exhibited an excellent safety profile and therapeutic activity at very low doses.

The compound is expected to reach the market in 2017 while the potential average annual sales generated are estimated at US\$1,753.3 million, based on the projected number of patients and the expected yearly therapy cost.

Epilepsy

Epilepsy is a common chronic neurological disorder characterized by recurrent unprovoked seizures. These seizures are transient signs and/or symptoms of abnormal, excessive or synchronous neuronal activity in the brain. It has been estimated that about **50 million** people worldwide suffer from epilepsy, according to the International Bureau for Epilepsy, with almost 90% of these people located in developing countries. Epilepsy is more likely to occur in young children or people over the age of 65 years; however it can occur at any time. Epilepsy is usually controlled, but not cured, with medication, although surgery may be considered in difficult cases. Nevertheless, over 30% of people with epilepsy do not have seizure control even with the best available medications.

A range of antiepileptic drugs have been marketed worldwide in recent decades, but there is still a great demand for drugs that produce better results with fewer side effects. The currently available drugs treat symptoms rather than halting the disease's progression or preventing it outright – a genuine disease-modifying treatment for epilepsy. New drugs that can modify the onset and progression of epilepsy are required. Such drugs would have a novel mode of action that combines anti-amnesic, anxiolytic and neuroprotective (i.e. protects nerve cells from degeneration or death) properties, as well as excellent safety and low toxicity. ANAVEX is currently developing drug candidates demonstrating the above properties.

The world market for epilepsy therapies was estimated at US \$ 10.4 billion in 2004 while this number is projected to increase to US \$ 13.2 billion by 2010 and to US \$ 15.3 billion by 2015.

ANAVEX 19-144

ANAVEX 19-144 is a tetrahydrofuranic compound which is currently in advanced pre-clinical phase for the treatment of epilepsy.

ANAVEX 19-144 has presented mixed pharmacological activity involving muscarinic, sodium channel, NMDA and sigma-1 components demonstrating prominent anti-amnesic, anticonvulsant and anti-depressant potential.

The results up to date based on the animal models for epilepsy, regarding ANAVEX 19-144, have exhibited very efficient anticonvulsive action, inhibition of tonic crises in maximal electroshock seizures (MES) and pentetrazole (PTZ) animal (preclinical) models of generalized convulsions.

The ANAVEX 19-144 compound is expected to enter the market in 2018 while the yearly peak sales of the compound at that time are estimated to reach US \$ 837.91 million based on the expected number of patients and annual therapy cost.

Depression

Depression is a major cause of morbidity worldwide. Lifetime prevalence varies widely, from 3% in Japan to 17% in the US. In most countries the number of people who would suffer from depression during their lives falls within an 8–12% range. In North America the probability of having a major depressive episode within a year-long period is 3–5% for males and 8–10% for females. Population studies have consistently shown major depression to be about twice as common in women as in men, although it is unclear why this happens. The relative increase in occurrence is related to pubertal development rather than chronological age which reaches adult ratios between the ages of 15 and 18, and appears associated with psychosocial more than hormonal factors.

ANAVEX 1-41

ANAVEX 1-41 is a novel tetrahydrofuranic compound, which is currently in the advanced pre-clinical phase. The compound targets Alzheimer's disease, depression and fatigue.

ANAVEX 1-41 has presented mixed pharmacological activity involving serotonergic, sigma-1 and sodium channel components, suggesting a prototype mechanism of action and representing a new class of antidepressants.

In addition it has also demonstrated mixed pharmacological activity involving the modulation of sigma-1 and muscarinic components showing prominent anti-

amnesic, antidepressant and weak anticonvulsant activity at low sigma-1 agonistic doses. Furthermore, it has presented mixed pharmacological activity involving the modulation of sigma-1 receptors as well as sodium and chloride channels showing neuroprotection.

The Pre-clinical tests have revealed that the compound contains significant neuroprotective benefits through the prevention of oxidative stress. In addition, ANAVEX 1-41 prevents the expression of caspase-3, an enzyme that plays a key role in apoptosis (programmed cell death) and in the loss of cells in the hippocampus, the part of the brain that regulates learning, emotion and memory. These activities involve both sigma-1 and muscarinic receptor systems through a novel mechanism of action.

Furthermore, ANAVEX 1-41 has exhibited antidepressant properties that have not been observed so far with any of the currently available antidepressants.

The compound is currently under additional pre-clinical trials in order to further examine its anti-amnesic and neuroprotective properties and its related derivatives.

The drug candidate is expected to reach the market in 2019 while the projected sales anticipated at that time are estimated at \$ US 1,147.2 million based on the estimated number of patients and therapy cost.

Cancer Disease: Melanoma, Prostate, Pancreas

Cancer is the second leading cause of mortality, with **7 million** deaths per year globally. In the US, one in two men and one in three women will develop cancer during their lifetime. Currently available treatments are not effective for all patients, and have limited impact on survival for patients with metastatic disease.

The potentials for a patented compound with a novel mechanism of action which could improve the effectiveness of the current treatments would be substantial. The IMS Global Learning Consortium, Inc. estimates that the market for cancer drugs will reach \$ 80 billion annually by 2012, which is almost double compared to 2007 value of \$ 41 billion (IMS Global Oncology Forecast, 2008).

New treatments with novel mechanisms of action that can overcome resistance

mechanisms, inhibit tumor cell proliferation, and trigger tumor cell death could offer greater therapeutic benefit and improved survival. The ANAVEX program of sigma receptor ligands is designed to achieve these benefits, while reducing toxicity to normal cells.

The major target indications addressed by the ANAVEX Oncology program are the following:

The SIGMACEPTOR™-C program

Combating cancers: melanoma, prostate and pancreas

Scientific studies indicate that sigma-1 and sigma-2 receptor ligands can induce cell death and inhibit tumor growth. Through the SIGMACEPTOR™-C program, ANAVEX is leveraging these properties to develop new drug candidates with lead indications melanoma, prostate, and pancreas.

In addition, through tumor cell membrane reorganization and interactions with sodium and chloride channels, the Company's drug candidates are believed to play an important role in inhibiting the processes of metastasis (spreading of cancer cells from the original site to other parts of the body), angiogenesis (the formation of new blood vessels) and tumor cell proliferation.

ANAVEX has already screened approximately 30 novel compounds that show potent anti-cancer activity. Some of these compounds, have already been subjected to detailed in-vivo xenograft studies and have shown high potency and replicability for melanoma, prostate and pancreas xenografts (anti-proliferative, anti-metastatic and tumor growth inhibiting activity).

Melanoma

Melanoma is a malignant tumor of melanocytes which are found predominantly in skin but also in the bowel and the eye. It is one of the less common types of skin cancer but causes the majority of skin cancer related deaths. Malignant melanoma is a serious type of skin cancer. It is due to uncontrolled growth of pigment cells, called melanocytes. Despite many years of intensive laboratory and clinical research, the sole effective cure is surgical resection of the primary tumor before it achieves a Breslow thickness greater than 1 mm.

Around **0.16 million** new cases of melanoma are diagnosed nationally each year, and

it is more frequent in males. According to a World Health Organization (WHO) report about 48,000 melanoma related deaths occur worldwide per year. Malignant melanoma accounts for 75% of all deaths associated with skin cancer.

The treatment includes surgical removal of the tumor, adjuvant treatment, chemo- and immunotherapy, or radiation therapy.

ANAVEX 3-97

The Compound is currently in pre-clinical studies, presenting properties which can help in the treatment of Melanoma. It should be noted that the Company expects to make a detailed announcement regarding this candidate drug in the near future.

Prostate cancer

Prostate cancer is a form of cancer that develops in the prostate, a gland in the male reproductive system. The cancer cells may metastasize from the prostate to other parts of the body, particularly the bones and lymph nodes.

Rates of detection of prostate cancers vary widely across the world, with South and East Asia detecting less frequently than in Europe, and especially the United States.

Prostate cancer is a slow-growing form of the disease, with over 65% of men over the age of 70 estimated to carry microscopic evidence of the disease in their bodies. The growth in the number of cases of prostate cancer is expected to continue to be high in relation to other cancer types, with the market for treatments projected to reach \$6.95 billion by 2015.

ANAVEX 7-1037

ANAVEX 7-1037 is designed to modulate sigma-1 and sigma-2 receptors, controlling voltage-gated sodium channels and volume-regulating channels, and also antagonizing M3 muscarinic receptors.

During the advanced pre-clinical studies (in-vivo xenograft models), ANAVEX 7-1037 has revealed anti-tumor potential within acceptable toxicity levels. The compound has showed very encouraging results in prostate in-vivo studies, while it has demonstrated anti-proliferative, anti-metastatic and tumor-growth inhibiting action.

Looking forward, additional pre-clinical in-vivo studies are currently underway,

using immune-deficient mouse models to further assess ANAVEX 7-1037 and its related derivatives for various types of cancers. In addition, pharmacokinetic and bioavailability studies has been also programmed.

Pancreas

Pancreatic cancer is a malignant neoplasm of the pancreas. In the United States, c. **0.043 million** individuals are diagnosed with this condition each year and 0.035 million die from the disease. The prognosis is in general poor as less than 5% of those diagnosed live for more than five years after diagnosis. Complete remission is still extremely rare. About 95% of exocrine pancreatic cancers are adenocarcinomas. The remaining 5% include adenosquamous carcinomas, squamous cell carcinomas, and giant cell carcinomas. Exocrine pancreatic cancers are far more common than endocrine pancreatic cancers (islet cell carcinomas), which make up about 1% of total cases.

ANAVEX 22-1068

The compound is currently in pre-clinical studies and is demonstrating that it possesses properties which can assist in the treatment of pancreatic cancer. It should be noted that the Company expects to make a detailed announcement regarding this candidate's drug profile by the end of the year.

Diabetes, Neuropathic Pain

Diabetes mellitus -often referred to simply as diabetes- is a condition in which the body does not produce enough, or properly respond to, insulin, a hormone produced in the pancreas. Insulin enables cells to absorb glucose in order to turn it into energy. In diabetes, the body either doesn't respond properly to its own insulin, doesn't make enough insulin, or both. This causes glucose to accumulate in the blood, often leading to various complications and degenerations. The American Diabetes Association reported in 2009 that there are **23.6 million** children and adults in the United States, 7.8% of the population, who have diabetes. While an estimated 17.9 million in the US alone have been diagnosed with diabetes, nearly one in four (5.7 million) diabetics are unaware that they have the disease.

ANAVEX 2-73 for Diabetic Degenerations

The compound is currently in pre-clinical studies regarding its application for the treatment of diabetic degenerations. However, it is well known in the literature that Sigma-1 agonists have been very effective in treating degenerations emanating from diabetes, such as Diabetic Retinopathy¹.

Neuropathic Pain

Neuralgia or neuropathic pain can be defined as a pain that is not related to activation of pain receptor cells in any part of the body. Neuralgia is a pain produced by a change in neurological structure or function. Unlike nociceptive pain, neuralgia exists with no continuous nociceptive input. Neuralgia falls into two categories: central neuralgia and peripheral neuralgia. This unusual pain is thought to be linked to four possible mechanisms: ion gate malfunctions; the nerve becomes mechanically sensitive and creates an ectopic signal; cross signals between large and small fibers; and malfunction due to damage in the central processor.

Neuralgia is often difficult to diagnose, and most treatments show little or no effectiveness. Diagnosis typically involves locating the damaged nerve by identifying missing sensory or motor function. Neuralgia is more difficult to be treated than other types of pain because it does not respond well to normal pain medications. Special medications have become more specific to neuralgia and typically fall under the category of membrane stabilizing drugs or antidepressants.

ANAVEX 10-90

The compound is currently in pre-clinical trials. Based on international literature², the sigma receptor antagonists have demonstrated properties which can assess the treatment of pain. The Company is expected to make an announcement regarding this compound's profile in the near future.

¹ Analysis of sigma receptor (sigmaR1) expression in retinal ganglion cells cultured under hyperglycemic conditions and in diabetic mice.

Ola MS, Moore P, Maddox D, El-Sherbeny A, Huang W, Roon P, Agarwal N, Ganapathy V, Smith SB. Brain Res Mol Brain Res. 2002 Nov 15;107(2):97-107.

² The pharmacology of sigma-1 receptors.

Maurice T, Su TP. Pharmacol Ther. 2009 Jul 18. [Epub ahead of print]
Links (publication is also existing in ANAVEX website)

FDA Procedure and Phases for a Drug Approval

The steps ordinarily required before a new drug is launched and marketed in the United States, which are similar to the steps required in most of other countries, include:

- Non-clinical laboratory tests, non-clinical studies in animals, formulation studies and the submission to the FDA of an investigational new drug application;
- Adequate and well-controlled clinical trials to establish the safety and efficacy of the drug;
- The submission of a new drug application or biologic license application to the FDA; and
- FDA review and approval of the new drug application or biologics license application.

Non-clinical tests include laboratory evaluation of potential drug compound chemistry, formulation and toxicity, as well as animal studies. The results of non-clinical testing are submitted to the FDA as part of an investigational new drug application. A 30-day waiting period after the filing of each investigational new drug application is required prior to the commencement of clinical testing in humans. At any time during the 30-day period or at any time thereafter, the FDA may halt proposed or ongoing clinical trials until the FDA authorizes trials under specified terms. The investigational new drug application process may be extremely costly and substantially delay the development of the potential drug compounds. Moreover, positive results of non-clinical tests will not necessarily indicate positive results in subsequent clinical trials. The FDA may require additional animal testing after an initial investigational new drug application is approved and prior to Phase III trials.

Clinical trials are typically conducted to support new drug applications in three sequential phases, although the phases may be overlapped. During **Phase I**, clinical trials are conducted with a small number of subjects to assess metabolism, pharmacokinetics, and pharmacological actions and safety, including side effects associated with increasing doses. **Phase II** usually involves studies in a limited patient population to assess the efficacy of the drug in specific, targeted indications; assess dosage tolerance and optimal dosage; and identify possible adverse effects and safety risks.

If a compound is identified to be potentially effective and has an acceptable safety profile in Phase II evaluations, it proceeds to **Phase III** trials in order to be further examined for its clinical efficacy and safety within an expanded patient population at geographically dispersed clinical trial sites.

After the successful completion of the required clinical trials, a new drug application is generally submitted. The FDA may request additional information before accepting the new drug application for filing. In this case, a new drug application must be resubmitted with the additional information. Once the submission has been accepted for filing, the FDA reviews the new drug application and responds to the applicant. The FDA's requests for additional information or clarification often extend significantly the review process. The FDA may refer the new drug application to an appropriate advisory committee for review, evaluation, and recommendation as to whether the new drug application should be approved, although the FDA is not bound by the recommendation of an advisory committee.

If the FDA evaluations of the application and the manufacturing facilities are favorable, the **FDA** may issue an **approval letter** or an "approvable" letter. An approvable letter will usually contain a number of conditions that must be met in order to secure final approval of the new drug application and authorization of commercial marketing of the drug for certain indications. The FDA may also refuse to approve the new drug application or issue a "not approvable" letter outlining the deficiencies in the submission and often requiring additional testing or information.

In certain cases the FDA committee may provide a **fast track** review for certain drugs which may find application in the treatment of serious diseases. The FDA committee has developed three distinct and successful approaches to making such drugs available as rapidly as possible:

- Priority Review
- Accelerated Approval
- Fast Track.

Fast track is a process designed to facilitate the development, and expedite the review of drugs to treat serious diseases and fill an unmet medical need. The purpose is to get important new drugs to the patient earlier. Fast Track addresses a broad range of serious diseases.

Determining whether a disease is serious is a matter of judgment, but generally is based on whether the drug will have an impact on such factors as survival, day-to-day functioning, or the likelihood that the disease, if left untreated, will progress from a less severe condition to a more serious one. AIDS, **Alzheimer’s**, heart failure and **cancer** are obvious examples of serious diseases. However, diseases such as **epilepsy**, **depression** and **diabetes** are also considered to be serious diseases.

ANAVEX estimates that **certain neurodegenerative diseases** can potentially be **treated** through the application of its **technology** and thus this can qualify **its products** for a **fast track review** under the revised guidelines.

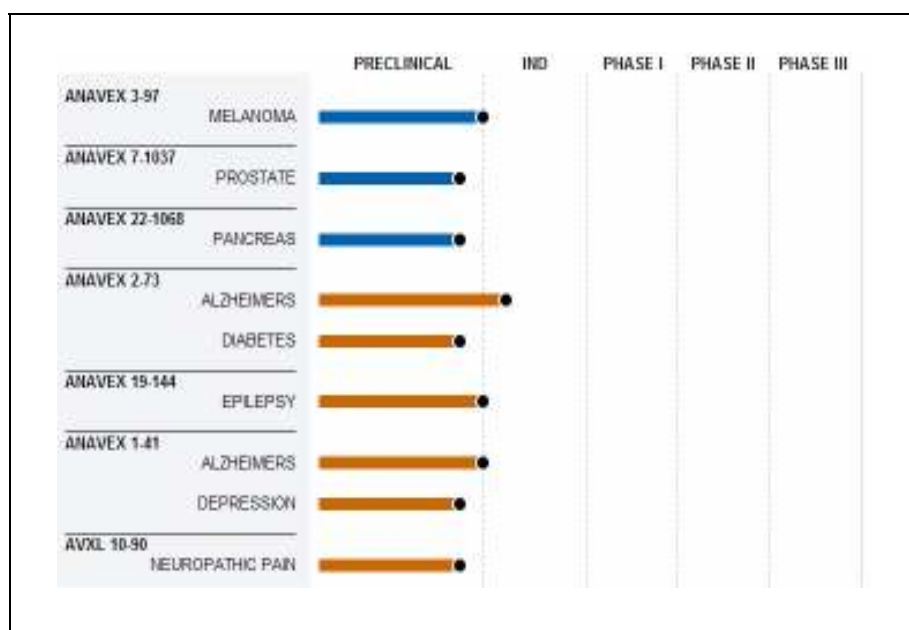
ANAVEX’s Portfolio Current Stage

ANAVEX” has 7 compound candidates in development. One of the compounds is in IND stage and six of them in Preclinical stage. The Company’s target is to launch Human Clinical Trials for 2 of its compounds (Alzheimer’s and Melanoma) in 2010, while the other compounds are expected to follow up. The table below presents graphically the current stages of the Company’s compounds.

CHARTS

ANAVEX’s Portfolio Current Stage

Source: The Company.



Based on the forecasted revenues, the Company's products once they are launched, they will be able to generate c. \$ 6 billion sales.

Projected Turnover Breakdown

Compound	Disease	Current Stage (2009)	Sales Launch	Total Patients 2009 (,000)	CAGR %	Total Patients at Market Time (,000)	Initial Market Share	Compliance	Complied Market Share	Final No. of Expected Patient per Year (,000)	Yearly Therapy Cost (\$)	Projected Yearly Sales after Launch in US\$ '000
ANAVEX 3-97	Cancer-MELANOMA	Pre-clinical	01/01/2016	630	5.00%	886	20.0%	50%	10.0%	88.6	5,000	443,237
ANAVEX 7-1037	Cancer-PROSTATE	Pre-clinical	01/01/2018	2,200	1.55%	2,527	12.5%	65%	8.13%	205.3	3,000	615,867
ANAVEX 22-1068	Cancer-PANCREAS	Pre-clinical	01/01/2015	180	3.00%	215	12.5%	50%	6.25%	13.4	18,000	241,796
ANAVEX 2-73 (backup ANAVEX 1-41)	Alzheimer's	IND	01/01/2017	17,000	3.23%	21,916	10%	50%	5.0%	1,095.8	1,600	1,753,282
ANAVEX 2-73	Diabetic Degeneration	Pre-clinical	01/01/2019	750	15.00%	3,034	20.0%	60%	12.00%	364.1	600	218,460
ANAVEX 19-144	Epilepsy	Pre-clinical	01/01/2018	6,300	0.71%	6,714	13%	80%	10.4%	698.3	1,200	837,931
ANAVEX 1-41	Depression	Pre-clinical	01/01/2019	88,000	1.90%	106,224	3%	60%	1.8%	1,912.0	600	1,147,224
ANAVEX 10-90	Neuropathic Pain	Pre-clinical	01/01/2020	160,000	1.40%	186,439	2.0%	50%	1.00%	1,864.4	400	745,757
TOTAL				275,060		327,956				6,242.0		6,003,553

Source: Company's Estimates & VRS Projections.

Company Profile

The Company was incorporated in the state of Nevada in 2004. On January 2007 the Company completed a merger with its wholly owned subsidiary Anavex Life Sciences Corp.

The principal business office of the Company is located in Geneva, Switzerland, while the registered offices are in the state of Nevada.

ANAVEX conducts its research in its laboratories in Athens while it is also cooperating with leading research institutes mainly in France but also in other countries.

ANAVEX's innovative approach to drug development is its proprietary SIGMACEPTOR™ Discovery Platform. The platform was developed by Dr. Alexandre Vamvakides, the scientific founder of the Company and it is the result of a nine-year pre-clinical R&D history.

The continuous and persistent R&D research has led to:

- Lead CNS compounds which have demonstrated superior efficacy and substantially fewer side effects compared to all commercially available drugs for the treatment of Alzheimer's and other central nervous system conditions;
- Lead Cancer compounds which have presented remarkable efficacy and safety in animal models.

Patents

The Company has a strong portfolio of patents with extended expiration date (up to 2027). ANAVEX protects and extends its patents' application by consistently affirming its property rights to the areas of interest.

PATENTS		
Title of Application / Patent No. Jurisdiction	Filing, Issue / Expiration	Claims
Patent No. 1002616/Greece	February 21, 1996/ February 20, 1997/ February 20, 2017	Invention related to the synthesis of the method of the synthesis of molecules of a novel formula. This method is to be applied for the obtention of anticonvulsant, antidepressant and nootropic pharmaceuticals.
Patent No. 1004208/Greece	October 15, 2001/ April 4, 2003/ April 4, 2023	Aminotetrahydrofuran derivatives, muscarinics/sigma/sodium channel ligands, with synergic sigma/muscarinic (neuroactivative) components, as prototypical activating-neuroprotectors and neuromodulating and neuroregenerative drugs
Patent No. 1004868/Greece	April 22, 2003/ April 26, 2005/ April 26, 2025	Aminotetrahydrofuran derivatives, muscarinics/sigma/sodium channel ligands, ortho and allo-sterically operating, as prototypical neuromodulating and neuroregenerative drugs
Patent No. 200701100020/Greece	January 17, 2007/ April 7, 2008/ January 18, 2027	New sigma (ce) receptor ligands with anti-apoptic and/or pro-apoptic properties over celllural biochemical mechanisms, with neuroprotective, anti-cancer, anti-metastatic and anti-(chronic) inflammatory action
EU Patent Application		No. 08702158.0
US Patent Application		Serial No. 12/522.761

Source: The Company.

ANAVEX has expanded these patents to other countries too, namely India, China and Russia.

Board of Directors

Name	Position
Cameron Durrant	Chairman
Hervé de Kergrohen (CEO)	Member
Harvey Lalach (President, CFO, Secretary)	Member
Alison Ayers	Member
David L. Tousley	Member

Source: The Company.

Shareholders' Structure

Shareholder	Equity Stake
Cede & Co.*	16.32%
Athanasios Skarpelos	36.70%
George Kalkanis	5.14%
Harvey Lalach	3.27%
Free Float (with each investor holding less than 5%)	38.57%

* Cede & Co is the nominee name for The Depository Trust Company.

Source: The Company.

The Sector

Biopharmaceuticals: A Crucial and Growing Sector

The global pharmaceutical market has been expanding consistently during the last several decades. The growth presented will remain robust based on the continuous progress presented day by day. Smaller biotech companies are fuelling innovation to the big pharmaceutical firms while deals are also sealed between the big pharmaceutical companies.

The sector has demonstrated significant potentials. The global pharmaceutical market grew to US \$ 712 billion in 2007 at a compound annual growth rate (CAGR) of 10.0% between 1999 and 2007. The global pharmaceutical market increased to 10.7% in 2007 on y-o-y basis, mainly as a result of strong sales for new innovative products and high market growth in emerging pharmaceutical markets such as China, according to industry researcher URCH Publishing. The leading therapy areas by sales were the Central Nervous System with 16.5% share and the cardiovascular with 15.4%.

According to URCH Publishing, the global pharmaceutical market is forecasted to grow to \$ 929 billion in 2012, an equivalent compound annual growth rate (CAGR) of 5.5% over the next five years.

In addition to the revenues' rapid growth, drug companies have enjoyed extremely high returns on investment capital in recent years as well as a favorable company survivorship rate compared with many other industries.

Demographic trends strongly suggest the need for growth in the pharmaceutical sector in order to support future medical needs and particularly in ANAVEX's areas of focus. In North America, the aging of the baby boom generation is already enhancing the demand for new, disease-modifying treatments for serious age-related diseases such as Alzheimer's and cancer. Meanwhile, the rise of new middle class populations in emerging markets, such as China and India, has created a vast new international market for the best medications available. Companies that can help to satisfy such needs are have substantial potentials.

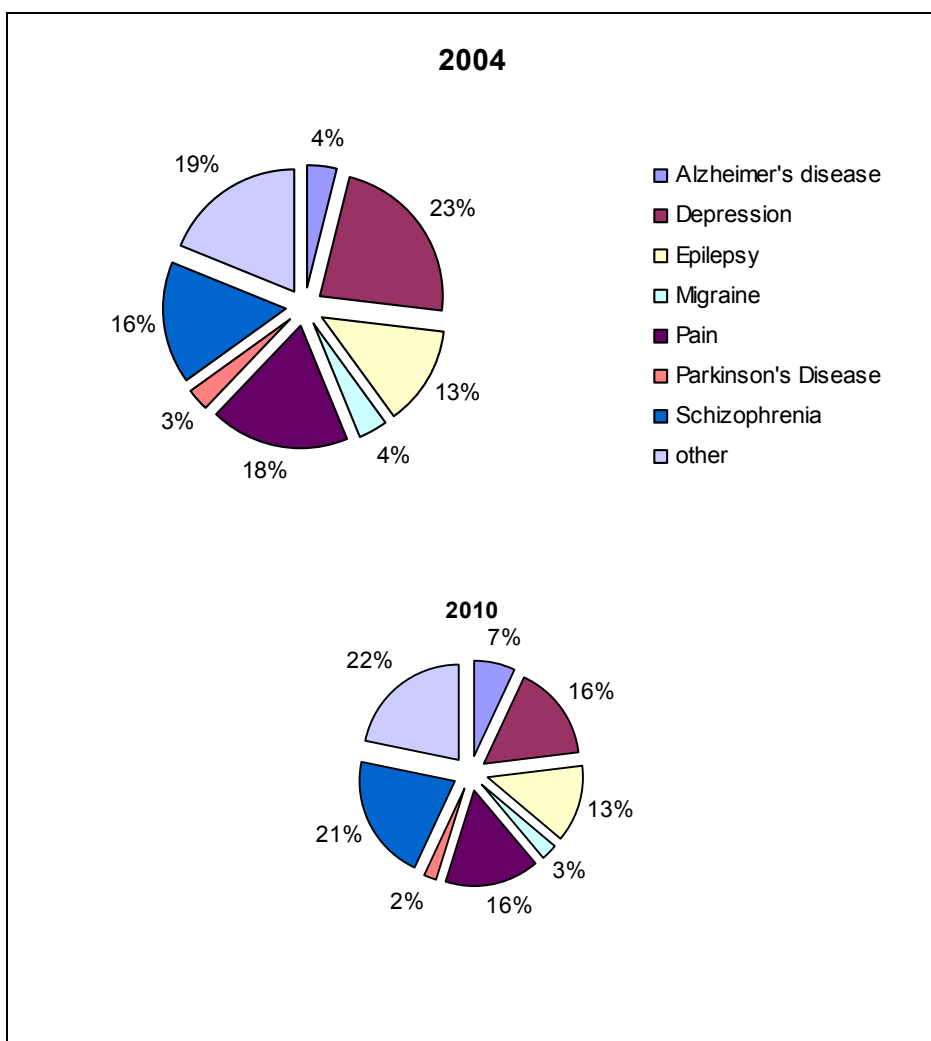
The CNS and Cancer Market

The pie charts displayed below present the development of the 7 major diseases of the Central Nervous System based on their global sales forecasts.

CHARTS

CNS (Central Nervous System) Market Segmentation

Source: The Company, Business Insights Ltd.



The **Alzheimer's** disease market share in central nervous system treatments was estimated at 4% in 2004 and valued at approximately \$ 2,719 million per year. This share may seem small compared to the other central nervous system indications but it exhibits continuously rising levels of sales growth, despite current compounds' lack of efficacy. The market currently features only two major classes of treatments, low number of major brands and rising patient population which creates an unprecedented opportunity for market penetration.

It should be noted that based on a number of other reports and on Company's research, the Alzheimer's market share is expected to gain a larger percentage of the CNS market by 2010 vs. the 7% share presented in the pie chart, driven by a large number of innovative drugs in late stages of development.

The **depression** market is dominated by a large number of blockbuster brands, with the leading nine brands accounting for approximately 75% of the total sales. However, the dominance of the leading brands is waning, largely due to the effects of patent expiration and generic competition. The need for innovation is evident based on the low sales' growth rates. This need is expected to create opportunities which consequently will alter the depression market.

The **epilepsy** market features two classes of drugs, the older traditional Anti Epileptic Drugs and the second generation Anti Epileptic Drugs which are currently the driving force of the market. However, the second generation anti-convulsants drugs may offer limited benefits in terms of efficacy compared to the traditional anticonvulsants but they prevail in terms of side effects and dosing. Given the fact that epilepsy afflicts sufferers in several different ways, there is a considerable need for an array of drugs that can be used in combination with both traditional Anti Epileptic Drugs and other second generations Anti Epileptic Drugs, providing efficacious treatment to the widest range of epilepsy sufferers.

Furthermore, with additional benefits in supplementary indications such as migraine prophylaxis, bipolar disorder and neuropathic pain, second-generation Anti Epileptic Drugs have significantly expanded the potential of the market for epilepsy treatments and they are also driving the sales upwards.

The market of the treatments for diseases of the central nervous system is expected to become the fastest growing disease area over the next two decades mainly driven by two main factors:

- Improved patient and physician awareness of central nervous system disorders;
- A better understanding of the neuropharmacological mechanisms which underlay these disorders.

Cancer

Cancer is the second leading cause of death by disease, following heart disease, in our society. There are many treatment methods but none of them are highly effective and about one third of patients die from cancer within 5 years after diagnosis.

New treatments with novel mechanisms of action that can overcome resistance mechanisms, inhibit tumor cell proliferation, and trigger tumor cell death could offer greater therapeutic benefit and improved survival.

Valuation

We have applied two valuation methods in order to value ANAVEX Corp. given the nature and the current development stage of the Company.

As the Company has not generated any sales yet from its products while it has spent a substantial amount for the research and the development of its products, it has reported only cumulative losses so far. Consequently we haven't applied any methodology involving future earnings or cash flows forecasting, but alternatively we have been based on multiples and past reported deals of the industry. We have chosen though to display a number of companies listed whose products have proceeded to Phases I, II and III aiming at presenting the potential value of the Company in the future stages. In addition, we have presented the expected evolution of the Company's compounds in 2010 and 2011 where it can be shown more clearly their rapid development within the following two years. The expected stages of the compounds have been estimated based on the results they have demonstrated so far. In addition we have also displayed a list of deals conducted in similar stages in order to present the size and the value that a company could potentially worth at these stages.

Price to Sales ratio

The first methodology applied is based on multiples valuation and especially on the Price/Sales ratio. The methodology has been modified though, in order to take into account the level of uncertainty for each product to reach the market and generate the respective sales.

The pool of data chosen in order to obtain the P/S multiple is consisted of twelve major pharmaceutical companies (presented in the table below) which operate globally. We have selected the specific companies as they can be characterized as benchmarks of the industry while their worldwide operations, substantial market capitalization and significant liquidity make the results of the analysis more unbiased.

Symbol	Company Name	Price* (in US\$)	Market Capitalization (in US\$,000)	2009 Revenue estimates (in US\$,000)	P/S 2009
PFE	PFIZER INC	16.88	113,930,000	45,364,500	2.51x
AZN	ASTRAZENECA PLC ADS	46.09	66,740,000	31,932,875	2.09x
NVS	NOVARTIS AG ADS	46.03	104,250,000	42,562,333	2.45x
ABT	ABBOTT LABORATORIES	46.16	71,370,000	30,432,462	2.35x
BMJ	BRISTOL-MYERS SQUIBB	23.08	45,720,000	21,540,538	2.12x
LLY	LILLY ELI CO	33.93	38,990,000	21,264,267	1.83x
GSK	GLAXOSMITHKLINE PLC	39.20	99,350,000	45,471,265	2.18x
JNJ	JOHNSON AND JOHNS DC	61.31	168,930,000	60,959,941	2.77x
SNY	SANOVI-AVENTIS SA	34.01	88,800,000	42,951,000	2.07x
WYE	WYETH	48.17	64,320,000	22,246,000	2.89x
SGP	SCHERING PLOUGH CP	28.26	46,180,000	18,288,500	2.53x
MRK	MERCK CO INC	32.80	69,180,000	23,440,308	2.95x
Simple P/S Average					2.40x
Weighted P/S Average					2.45x

Source: www.nasdaq.com, www.yahoo.com/finance

*Market prices as of 26/08/2009.

The multiples displayed above are based on current market data and revenues estimates for 2009 (JCF estimates).

The factor incorporating the uncertainty for each product to reach the market is included into the valuation through the application of a certain probability of success. Each product candidate bears a certain probability of success based on its current stage of development.

Development Stage	Time for Completion (average)	Expected Cost %	Expected Cost (\$US million)	Probability of Success
Discovery	1.5 years	6%	\$1 - \$3	1%
Pre-clinical	4.5 years	14%	\$4 - \$7	5%-7%
IND	0.5 years	2%	\$0.5-\$1	7%-10%
Phase I	1-1.5 years	6%	\$1 - \$3	15%-25%
Phase II	2-2.5 years	12%	\$3 - \$6	35%-45%
Phase III	3.5 years	52%	\$12 - \$24	50%-70%
NDA Preparation & FDA Review	2 years	8%	\$2 - \$4	75%-100%
15-16 years		100%	23.5 - 48	

Source: <http://wistechology.com/articles/377/>

In the table presented above, we have displayed the 6 stages that a compound has to complete before obtaining the final FDA approval and reach the market. We have also displayed the average time needed for the completion of each stage and the average expected cost per stage. In addition, based on the historical data each compound carries a certain probability of success based on its current stage.

We have estimated each product's revenues based on the current number of patients, the expansion growth rate of each disease on population and the expected yearly therapy cost per patient. Given the fact that the Company's product candidates are expected to be launched in the market and generate sales in a certain time in the future, we have discounted the projected sales per product into 2009 terms.

We have applied a 5% probability of success on each product based on their current stage of development.

The table below presents the estimated launch year per product, the expected revenues at that time and the discounted revenues in 2009 terms. The discount rate applied was set at 25% given the high risk profile of the products' current stage. Based on the international bibliography a risk premium of 8%-10% would be a safe discount rate (see references). Provided though that the Company is in developing stage, we have chosen to apply a high discount rate. The specific rate is the average Profit before Taxes (PBT) margin for the big 12 pharmaceutical companies chosen as comparables (25%-26%) on the basis that this would be the minimum return (IRR) that a big pharmaceutical company would require in order to make a similar investment.

Furthermore, the specific discount rate corresponds to an average rate of return that a pharmaceutical company would generate by investing its capital in the marketing of a ready product instead of pursuing R&D procedure for a new candidate product.

In addition, provided the early developing stage of the Company's compounds, a high discount rate applied would correspond to the current high risk profile of the Company.

Compound	Disease	Current Stage (2009)	Probabilities	Average Probability applied	Year of Product's Launch	Projected Yearly Sales After Launch (\$,000)	Discount rate	Discounted Revenues in US\$'000	Weighted Average P/S	Discounted Market Value in US\$'000	Valuation based on Probability of success according to 2009 stage in US\$'000
ANAVEX 3-97	Cancer (MELANOMA)	Pre-clinical	5%-7%	5%	01/01/2016	443,237	25%	92,953	2.45	227,441	11,372.07
ANAVEX 7-1037	Cancer (PROSTATE)	Pre-clinical	5%-7%	5%	01/01/2018	615,867	25%	82,660	2.45	202,256	10,112.78
ANAVEX 22-1068	Cancer (PANCREAS)	Pre-clinical	5%-7%	5%	01/01/2015	241,796	25%	63,385	2.45	155,093	7,754.65
ANAVEX 2-73 (backup ANAVEX 1-41)	Alzheimer	IND	7%-10%	5%	01/01/2017	1,753,282	25%	294,152	2.45	719,740	35,986.98
ANAVEX 2-73	Diabetic Degenerations	Pre-clinical	5%-7%	5%	01/01/2019	218,460	25%	23,457	2.45	57,395	2,869.76
ANAVEX 19-144	Epilepsy	Pre-clinical	5%-7%	5%	01/01/2018	837,931	25%	112,465	2.45	275,183	13,759.17
ANAVEX 1-41	Depression	Pre-clinical	5%-7%	5%	01/01/2019	1,147,224	25%	123,182	2.45	301,406	15,070.30
ANAVEX 10-90	Neuropathic Pain	Pre-clinical	5%-7%	5%	01/01/2020	745,757	25%	64,060	2.45	156,744	7,837.20
TOTAL						6,003,553		856,315		2,095,258	104,762.91

Source: Company's Estimates & VRS Projections.

Sensitivity Analysis

We have also prepared a sensitivity analysis based on the probability of success and discount rate factors. [Values are expressed in USD ,000]

		Discount Rate						
		10.00%	15.00%	20.00%	25.00%	30.00%	35.00%	40.00%
Probabilities of Success	4.00%	253,132	171,811	118,928	83,810	60,039	43,662	32,196
	4.50%	284,773	193,288	133,794	94,287	67,544	49,120	36,221
	5.00%	316,415	214,764	148,660	104,763	75,048	54,578	40,245
	5.50%	348,056	236,240	163,526	115,239	82,553	60,036	44,270
	6.00%	379,698	257,717	178,392	125,715	90,058	65,493	48,294
	6.50%	411,339	279,193	193,258	136,192	97,563	70,951	52,319

Source: VRS Estimates.

Our valuation incorporates a sensitivity analysis based on the discount rate range of 10% - 40% and a probability of success between 4% - 6.5%.

Past Deals

Apart from the valuation method based on the comparable analysis we have also approached the Company's value based on the previous deals made in the industry and especially with companies in similar developing stage with products targeting the same diseases.

The previous deals sealed are basically categorized into acquisitions and alliances. In the first category the companies / targets were fully acquired by the acquirer. In the second category, we have included the alliances contracted between small developing companies and big pharmaceutical ones.

Public / Private Company	Company / Target	Acquirer	Deal Date	Acquisitions			
				Product Phase at Time of Deal	Deal Value (in \$ mn)	Product	Indication
Listed	Arius Research	Roche	23/7/2008	Preclinical & Research	189	FunctionFIRST™ platform and early pipeline of antibody candidates	Cancer and Immunology
Private	U3 Pharma AG	Daiichi Sankyo Co., Ltd.	21/5/2008	Preclinical & Research	235	U3-1287 (fully-human anti-HER3 monoclonal antibody (mAb))	Cancer
Listed	Renovis, Inc.	Evotec AG	19/9/2007	Preclinical	151.8	EVT 201, EVT 101, EVT302, VR1 antagonists, P2X7 antagonists, P2X3 antagonists	Neurological and Inflammatory Diseases
Private	Morphotek	Eisai Inc.	22/3/2007	Early Clinical and preclinical candidates	325	Therapeutic monoclonal antibodies	Oncology, rheumatoid arthritis, and infectious disease
Listed	NeuroMedix Inc.	Transition Therapeutics Inc.	21/3/2007	Preclinical	11.1	Minozac	Alzheimer's disease
Private	Domantis Ltd	GlaxoSmithKline plc	8/12/2006	Preclinical	454	Monoclonal antibodies	Rheumatoid arthritis, asthma, chronic obstructive pulmonary disease, and multiple myeloma
Average market value					227.65		
Discounted average market value by applying a 30% discount rate					159.355		

Source: Company, VRS Database.

Public / Private Company	Company / Target	Acquirer	Deal Date	Alliances- Licenses			
				Product Phase at Time of Deal	Deal Value (in \$ mn)	Product	Indication
Listed	Array BioPharma Inc.	Celgene Corp	24/9/2007	IND	540	New Discovery Targets	Oncology and Inflammation
Listed	Exelixis Inc.	Genentech, Inc.	1/1/2007	IND	40	XL518	Oncology
Listed	BTG plc	Onyx Pharmaceuticals Inc.	7/11/2008	Late Preclinical	320	BGC 945	Cancer
Private	DeveloGen AG	Boehringer Ingelheim	13/5/2009	Preclinical	322	Novel therapeutics	Diabetes, obesity, metabolic syndrome, and other insulin resistance-related disorders
Listed	CombinatoRx, Incorporated	Novartis Corporation	8/5/2009	Preclinical	62	Novel anti-cancer combinations	Cancer
Listed	Micromet Inc.	Bayer Pharma	12/1/2009	Preclinical	396	BiTE antibodies	Oncology
Listed	Biocompatibles International Plc	AstraZeneca PLC	24/12/2008	Preclinical	422.6	Glucagon-like peptide (GLP-1) analogue	Diabetes and obesity
Private	Deciphera Pharmaceuticals LLC	Eli Lilly	3/10/2008	Preclinical	130	B-Raf kinase inhibitor programme	Oncology
Private	Nycomed GmbH	Bayer Schering Pharma	7/8/2008	Preclinical	80	Kinase inhibitor program	Cancer
Listed	Dyax Corp.	Sanofi Aventis	12/2/2008	Preclinical	500	DX-2240	Oncology
Private	Aegera Therapeutics	Human Genome Science	20/12/2007	Preclinical	315	AEG 40826	Oncology
Listed	3M	Coley Pharmaceuticals Inc.	12/6/2007	Preclinical	20	Small molecules targeting TLR7 and TLR8, 200 issued, other pending patents and a library of c.10,000 compounds	Oncology
Private	Aveo Pharmaceuticals	Schering-Plough	4/4/2007	Preclinical	460	AV-299	Oncology
Private	Adnexus Therapeutics	Bristol-Myers Squibb	26/2/2007	Preclinical	240	Angiocept	Oncology
Private	AC Immune Ltd.	Genentech, Inc,	6/12/2006	Preclinical	300	Anti-Beta-Amyloid Antibodies	Alzheimer's Disease and Other Human Diseases
Private	Biotica Technology Limited	Wyeth Pharmaceuticals	5/10/2006	Preclinical	195	Rapamycin analogs	Autoimmune, inflammation, Oncology
Private	CGI Pharmaceuticals	Genentech,	4/10/2006	Preclinical	500	Small molecule therapeutics	Oncology
Private	Xenon Pharmaceuticals Inc	Takeda Pharmaceuticals Inc	2/10/2006	Preclinical	75.5	XEN401	Pain
Listed	Santaris Pharma A/S	Enzon Pharmaceuticals Inc.	1/7/2006	Preclinical	211	HIF-1 alpha antagonist and the Survivin antagonist, and 6 proprietary RNA Antagonist candidates	Oncology
Private	Astex Therapeutics	Novartis Corporation	7/12/2005	Preclinical	520	AT9311, AT7519	Oncology
Listed	Renovis, Inc.	Pfizer Inc.	1/5/2005	Preclinical	187	VR1 antagonists	Pain
Listed	Memory Pharmaceuticals Inc.	Hoffmann-La Roche Inc.	1/7/2002	Preclinical	12	PDE4 Inhibitors	Alzheimer's disease
Average market value					<u>258.36</u>		
Discounted average market value by applying a 30% discount rate					<u>180.85</u>		

Source: Company, VRS Database.

As transaction values of alliances and acquisitions deals in the pharmaceutical - biotech sector used in our model span a 4 year period (2005-2009), during which volatility in equity values increased substantially, we apply a discount rate of **30%** in order to better reflect the current stock market levels in our valuation approach. The following table presents the relevant changes of two key US stock indices in the period under consideration.

US Stock Indices Past Performance

	4-y High Oct. 2007	Aug. 2008	Change % Oct. '07 - Aug. '08	4-y High March 2009	Change % Oct. '07 - Mar. '09	Change % Aug. '08 - Mar. '09	28 Aug. 2009	Change % Oct. '07 - Aug. '09
S&P 500	1,562.47	1,300.68	-16.75%	683.38	-56.26%	-47.46%	1,028.12	-34.20%
Dow Jones IA 30	14,164.53	11,715.18	-17.29%	6,626.94	-53.21%	-43.43%	9,633.33	-31.99%

Source: Bloomberg.

In more detail the S&P500 and Dow Jones IA 30 have depicted a decrease in their values by 34.20% and 31.99% respectively for the period October 2007 until August 2009.

Furthermore, the deals contracted, incorporate a premium which represents the potentials of these deals. ANAVEX has not discussed or signed any agreement or alliance yet and therefore by applying a discount rate we exclude partially any premium incorporated in the average value of the deals.

Based on the valuation stemming from the three different approaches we have applied a weight on each value in order to take into account the result of all the approaches. We have applied a 20% weight on the value stemming from the average value of the acquisitions and alliances and a 60% weight on the value resulting from the comparables approach. We have applied a higher weight on the comparables approach as it includes the company-specific factors and the potentials of its unique technology.

Anavex Valuation			
Valuation Method	Value (in \$ mn)	Weight	Final Value (in \$ mn)
Valuation based on Comparables	104.76	60%	62.86
Valuation based on Acquisitions	159.36	20%	31.87
Valuation based on Alliances-Licenses	180.85	20%	36.17
Total Value			130.90

Source: VRS Estimates.

Based on the weighted valuation arising from the three valuation approaches we have valued Anavex at \$ 130.9 million. This amount is expressed in per share data at \$6.30 per share based on the outstanding number of shares and at \$ 4.86 / per share at a fully dilutive basis. Given that the current market price per share of the Company stands at \$2.4 per share and \$1.85 per share on fully dilutive basis, the valuation provides an upside of 163%.

Despite the fact that our valuation has been based only on comparables and past deals we have chosen to display a list of companies which can be considered as future comparables to ANAVEX. The products of these companies are in higher developing stages vs. that of ANAVEX while as it can be concluded from their market value the potential for the Company once their compounds proceed to next phases will be substantial.

Company	Symbol	Pipeline	Market Cap (US\$ mn) *	Company Description	Market Listed
Geron Corporation	GERN	2 Phase I/II (Cancer) 1 Phase I 2 Preclinical (Stem Cells)	642	Geron develops first-in-class biopharmaceuticals for the treatment of cancer and chronic degenerative diseases, including spinal cord injury, heart failure and diabetes. It is advancing an anti-cancer drug and a cancer vaccine that target the enzyme telomerase through multiple clinical trials. It is also the world leader in the development of human embryonic stem cell-based therapeutics. It has received FDA clearance to begin the world's first human clinical trial of a HESC-based therapy: GRNOPC1 for acute spinal cord injury.	Nasdaq
Alnylam Pharmaceuticals, Inc.	ALNY	1 Phase II 1 Phase I Several Discovery & Preclinical	932	Alnylam has developed an entirely new class of innovative medicines based on a breakthrough discovery in biology known as RNA interference, or RNAi. With RNAi technology, they intend to treat disease and impact the lives of patients in a fundamentally new way by silencing disease-causing genes upstream of today's medicines.	Nasdaq
Ardea Biosciences, Inc.	RDEA	2 Phase II 3 Phase I 2 Preclinical	328	Ardea Biosciences develops drugs for Cancer, Inflammatory Diseases & HIV. Its most advanced clinical-stage product candidates include RDEA594, a URAT1 transporter inhibitor for the treatment of hyperuricemia and gout; RDEA119, a specific inhibitor of mitogen-activated ERK kinase (MEK) for the treatment of cancer and inflammatory diseases; and RDEA806, a non-nucleoside reverse transcriptase inhibitor (NNRTI) for the treatment of HIV.	Nasdaq
Medivation Inc.	MDVN	1 Phase III 1 Phase II	821	Medivation, Inc. is a biopharmaceutical company with small molecule drugs in clinical development to treat three large, unmet medical needs—Alzheimer's disease, Huntington's disease and castration-resistant prostate cancer.	Nasdaq

*Market prices as of 28/08/2009

Source : www.nasdaq.com

Compounds' Evolution during 2010 and 2011

In the table displayed below we have presented the expected evolution of the Company's compounds in 2010 and 2011, where it can be shown more clearly their rapid development within the following two years. The expected stages of the compounds have been estimated based on the results they have demonstrated so far.

Compound	Disease	Current Stage (2009)	2010 Stage	2011 Stage
ANAVEX 3-97	Cancer (MELANOMA)	Pre-clinical	Phase II	Phase II
ANAVEX 7-1037	Cancer (PROSTATE)	Pre-clinical	Phase I	Phase II
ANAVEX 22-1068	Cancer (PANCREAS)	Pre-clinical	Phase I	Phase I/II
ANAVEX 2-73 (backup ANAVEX 1-41)	Alzheimer's	IND	Phase I/II	Phase II
ANAVEX 2-73	Diabetic Degenerations	Pre-clinical	Pre-clinical	Pre-clinical
ANAVEX 19-144	Epilepsy	Pre-clinical	Phase I	Phase II
ANAVEX 1-41	Depression	Pre-clinical	IND	Phase I
ANAVEX 10-90	Neuropathic Pain	Pre-clinical	Pre-clinical	Pre-clinical

Source: The Company, VRS Estimates.

In the following tables we have displayed the acquisitions and alliances which have been conducted with firms owning compounds in Phase I and II stages. As the Company's compounds are expected to be in similar stages within the following years we have chosen to display these lists of deals for only indicating reasons in order to present the size and the value that a company could potentially worth at these stages.

Acquisitions					
Public / Private Company	Company/Target	Acquirer	Product Phase at Time of Deal	Deal Value (\$mn)	Indication
Listed	SGX Pharmaceuticals, Inc.	Eli Lilly and Co	1 in Phase I & 4 Preclinical	64	Cancer
Private	Piramed Pharma	Roche	1 in Phase I, 1 in Preclinical, 2 in Lead Optimisation, 3 in Lead Discovery	175	Cancer, Rheumatoid Arthritis, Asthma, Immune Inflammation
Private	Agensys, Inc.	Astellas	Phase Ib plus several preclinical candidates	537	Oncology
Private	Adnexus Therapeutics	Bristol-Myers Squibb	Phase I	505	Cancer
Private	Sirna Therapeutics	Merck & Co, Inc.	Phase I	1100	Infectious diseases, metabolism, CNS and dermatology
Average value of the deals				476.2	

Source: The Company, VRS Database.

Public / Private Company	Company/Target	Acquirer	Product Phase at Time of Deal	Deal Value (\$mn)	Indication
Private	Kotinos Pharmaceuticals Inc.	Ambrilia Biopharma	Phase I/II	15.2	Prostate cancer
Private	Bayhill Therapeutics	Genentch, Inc.	Phase I/II	350	Type 1 diabetes
Listed	Exelixis Inc.	Sanofi-aventis	Phase Ib/2	1000	Cancer
Listed	Ardea Biosciences, Inc.	Bayer	Phase I and Phase I/II	407	Solid tumours
Listed	Lpath, Inc.	Merck Serono	Phase I	473	Cancer
Private	AFFiRIS	GlaxoSmithKline	Phase I & Preclinical	29	Alzheimer's disease
Private	ThromboGenics NV BioInvent International AB	Roche	Phase I	700	Cancer
Private	CoMentis, Inc.	Astellas Pharma Inc.	Phase I & Research	760	Alzheimer's disease
Listed	Kyowa Hakko Kogyo Co., Ltd	Amgen Inc.	Phase I	520	Inflammation and oncology
Listed	Adolor Corporation	Pfizer Inc.	Phase I/II	265	Pain
Listed	MorphoSys AG	Novartis Corporation	Phase I	1000	Oncology, inflammation, cardiovascular
Private	Tolerx, Inc.	GlaxoSmithKline plc	Phase I & II	750	Diabetes
Listed	Seattle Genetics Inc.	Genentech, Inc.	Phase I & II	860	Oncology (Monoclonal Antibody)
Listed	OSI Pharmaceuticals, Inc.	Eli Lilly & Co	Phase I	385	Diabetes & Obesity
Listed	Idera Pharmaceuticals, Inc.	Merck & Co	Phase I	355	Oncology, Alzheimer's disease, infectious diseases
Private	Plexxikon, Inc.	F.Hoffmann- La Roche, Ltd.	Phase I	706	Oncology
Listed	Transition Therapeutics	Elan Corp.	Phase I	200	Alzheimer's disease
Listed	Infinity Pharmaceuticals Inc.	MedImmune, Inc.	Phase I	500	Oncology
Private	InotekPharmaceuticals	Genentech, Inc.	Phase I, Discovery	425	Cell death, DNA repair, and inflammation
Listed	MethylGene	Pharmion Corp.	Phase I	272	Oncology
Listed	DOV Pharmaceutical, Inc.	Merck & Co	Phase I	455	Depression and related psychiatric disorders
Average value of the deals				496.53	

Source: The Company, VRS Database.

Financial Analysis

Profit & Loss Analysis for the Years 2008 and 2007

Turnover Analysis

The Company has not reported any revenues yet from its products. The first revenues, stemming from its first product's launch are estimated in 2015.

Cost of Sales Analysis

Given the fact the Company has not realized yet any revenues, there are no respective cost of goods sold.

R&D

The Company has spent a substantial amount in its R&D process in order to develop its compounds. The research and developments costs are expensed as incurred. These expenses are comprised of the costs of the Company's proprietary research and development efforts, including salaries, facilities costs, overhead costs and other related expenses as well as costs incurred in connection with third-party collaboration efforts. The historical R&D expenses are presented in the table below.

Historic Expenses Breakdown

	Years Ended September 30,	
	2008	2007
Expenses		
Accounting and audit fees	\$ 73,785	\$ 20,167
Amortization and depreciation	220	-
Bank charges and interest	11,474	3,308
Consulting fees	3,196,213	423,200
Investor relations	263,560	-
Legal fees	30,545	44,999
Management fees	-	-
Office and miscellaneous	141,993	41,957
Registration and filing fees	7,517	12,635
Rent and administration	75,000	70,000
Research and development	1,479,482	959,698
Website design and maintenance	1,424	5,266
Total Expenses	(5,281,213)	(1,581,230)

Source: The Company.

The operating expenses of the Company for the 12 months ended on 30th of September 2008 have increased by \$3,699,983 compared to the same period in 2007 due to the increases in the administrative and research and development expenses. As the Company has not generated yet any revenues and consequently earnings, a part of the compensation for its high ranked management is made through stock options issuance. The expenses and the stock based compensation realized in the P&L regarding the compensation of its management are included in to the consulting fees category.

Statement of Operations and Comprehensive Loss

	Years Ended	
	September 30,	
	<u>2008</u>	<u>2007</u>
Expenses		
Accounting and audit fees	\$ 73,785	\$ 20,167
Amortization and depreciation	220	-
Bank charges and interest	11,474	3,308
Consulting fees	3,196,213	423,200
Investor relations	263,560	-
Legal fees	30,545	44,999
Management fees	-	-
Office and miscellaneous	141,993	41,957
Registration and filing fees	7,517	12,635
Rent and administration	75,000	70,000
Research and development	1,479,482	959,698
Website design and maintenance	1,424	5,266
Loss before other income (expenses)	(5,281,213)	(1,581,230)
Other income (expenses)		
Interest	(60,284)	-
Foreign exchange gain (loss)	(9,772)	1,237
Net loss and comprehensive loss for the period	\$ (5,351,269)	\$ (1,579,993)
Basic and diluted loss per share	\$ (0.27)	\$ (0.08)
Weighted average number of shares outstanding	S 19,707,708	19,204,565

Source: The Company.

The Company reported net losses from operations in 30th of September 2008 of US\$5,351,269 vs. losses of US\$1,579,993 in 30 September 2007.

9 Month 2009 Financial Results

	Nine Months Ended June 30,	
	2009	2008
Expenses		
Accounting and audit fees	\$ 71,217	\$ 59,267
Amortization	260	130
Bank charges and interest	2,427	14,440
Consulting –	1,624,837	2,267,160
Legal fees (recovery)	74,304	32,460
Management fees –	-	-
Office and miscellaneous	81,345	90,520
Registration and filing fees	10,718	6,602
Rent	-	75,000
Research and development	1,068,646	799,543
Website design and maintenance	1,455	1,424
Loss before other items	(2,935,209)	(3,346,546)
Loss on extinguishment of debt	(487,469)	-
Accretion of debt discount-	(19,331)	-
Interest	(40,696)	(22,109)
Loss on foreign exchange	(26,347)	(10,881)
Net loss for the period	\$ (3,509,052)	\$ (3,379,536)
Basic and diluted loss per share	\$ (0.18)	\$ (0.17)
Weighted average shares outstanding	20,042,999	19,679,466

Source: The Company.

The Company's expenses for the nine months ended June 30, 2009 decreased by \$392,006 over the same period in 2008. Consulting fees have decreased by \$642,323 from \$2,267,160 for the nine months ended June 30, 2008 to \$1,624,837 for the nine months ended June 30, 2009 as a result of lower stock-based compensation charges. The Company reported losses of US\$3,509,052 for the nine month period ending on 30th of June 2009 vs. losses of US\$3,379,536 for the respective period in 2008. R&D expenses and consulting expenses are the most significant expense accounts.

Expected Expenses

The main expenses that the Company intends to make within the following years are the expenses regarding the R&D department. The Company estimates that the R&D expenses will reach US\$ 142.5 million for the period 2009-2013.

In addition, the Company expenses will be burdened with general and administrative expenses. These expenses are estimated to reach US \$ 6.2 million for the period 2009-2013.

Key Elements of Balance Sheet as of June 2009

The majority of the capital required by the Company is mainly absorbed by its R&D department. The Company has high capital requirement in order to finance the development of its products. The B&S key elements displayed below are based on the 9-month report issued on 30th of June 2009 as they provide a better view on the Company's financials.

Working Capital

	June 30, 2009	September 30, 2008
Cash	\$ 742,577	\$ 6,357
Current Assets	742,577	6,357
Current Liabilities	3,503,956	2,299,389
Working Capital (Deficit)	\$ (2,761,379)	\$ (2,293,032)

Source: The Company.

As of June 30, 2009, the Company had \$742,577 in cash where the main component of this increase was cash injected in Company's coffers from a number of recently closed private placements. As of June 30, 2009, the Company reported a working capital deficit of \$2,761,379, presenting an increase of \$468,347 from September 30, 2008. The main driver of this enhancement was the increase in the payable promissory notes of the Company.

Bank Debt: The Company has issued debt in order to finance its compounds' development. The majority of the debt issued is convertible bonds.

Debt Liabilities	June 30, 2009	September 30, 2008
Promissory notes	\$ 100,000	\$ 1,650,000
Convertible promissory notes payable	2,737,418	
Less: beneficial conversion features	(333,056)	
Add: accretion	19,331	
Less: Repayment	-	(100,000)
Total Liabilities	\$ 2,523,693	\$ 1,550,000

Source: The Company.

Convertible Loan Agreements

The Company entered into three convertible loan agreements wherein two investors agreed to loan the Company \$1,919,418. The loans are unsecured and convertible into units comprising of common shares and common share purchase warrants of the Company. The loans bear interest at a rate of 0% and are to be paid in full one year from the advancement date. At any time until the loans are repaid, the lenders may exercise their right to convert all or a portion of the total outstanding amount of the loan as of that date into units of the Company at \$2.25 per unit. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$4.00 for a period of 12 months after the date of issue of the units.

During the three months ended June 30, 2009, the Company has issued additional promissory notes totaling \$668,000 bearing interest at 8% and maturing June 3, 2014, as to \$500,000 and June 19, 2011, as to \$168,000. The holders of these notes may demand repayment of the balance outstanding at any time commencing 180 days from the issuance of the note to its maturity date. The promissory notes are convertible into units at \$2.25 per unit. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$3.00 per share for a period of two years from the conversion date, as to \$500,000 and one common share and one-half of one common share purchase warrant exercisable at \$3.50 per share for a period of one year from the conversion date, as to \$168,000.

The Company has also issued a promissory note in the amount of \$150,000 bearing interest at 8% and maturing on December 31, 2009.

Share Capital

The Company's paid in share capital as of June 2009 stood at US \$7,846,248. Provided though that the Company has generated accumulated losses so far which sum up to US\$10,571,866 so far, the share capital balance reported as of June 2009 stood at US\$ 2,705,000.

The Company mainly finances its capital needs through the issuance of shares combined with warrants, options and convertible bonds. These financial tools may lead to a potential dilution of the Company's number of shares. The maximum number of dilution based on warrants, options and convertible bonds issues stands at 26,953,348.

Description	No of shares
Current number of shares	20,754,000
Potential shares through warrants' exercise	986,147
Potential shares through options' exercise	3,075,000
Potential shares through the convertible bond conversion	2,138,201
Total number of fully diluted shares	26,953,348

Source: The Company.

The Company as of June 2009 has issued 986,147 warrants, 3,075,000 options, while though the issuance of its convertible bonds additional warrants and options arise of 2,138,201 which may be transformed to a respective number of shares.

Dividend Policy: The Company has not distributed any dividends yet to its shareholders given the lack of revenues and the cumulative losses generated so far.

Balance Sheet as of September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current		
Cash	\$ 6,357	\$ 25
Equipment	862	-
Total Assets	\$ 7,219	\$ 25
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities – Note 4	\$ 749,389	\$ 462,529
Promissory notes payable	1,550,000	-
Total Current liabilities	2,299,389	462,529
<u>CAPITAL DEFICIT</u>		
Capital stock		
Authorized:		
150,000,000 common shares, par value		
Issued and outstanding:		
19,957,420 common shares	19,957	19,515
Shares to be issued	125,849	-
Additional paid-in capital	4,624,838	1,229,526
Deficit accumulated during the development stage	(7,062,814)	(1,711,545)
Total Capital deficit	(2,292,170)	(462,504)

Source: The Company.

The Company does not own any significant assets while it has contracted an operating lease for its building utilized. The capital deficit for the year ended on September 2008 amounted at \$2,292,170 vs. \$462,504 in September 2007.

Cash Flow Statement as of September 30, 2008 and 2007

	Years ended September 30,	
	2008	2007
Cash Flows used in Operating Activities		
Net loss for the period	\$ (5,351,269)	\$ (1,579,993)
Adjustments to reconcile net loss to net cash used in operations:		
Amortization and depreciation	220	-
Stock-based compensation	1,684,786	-
Common shares issued for consulting expenses	319,750	-
Promissory note issued for severance	71,500	-
Common shares issued for severance	340,600	-
Common shares issued for research and development expenses	-	800,000
Management fees contributed	-	-
Rent contributed	-	-
Changes in non-cash working capital balances related to operations:		
Prepaid expenses	-	220
Accounts payable and accrued liabilities	460,360	454,523
Net cash used in operating activities	(2,474,053)	(325,250)
Cash Flows provided by Financing Activities		
Issuance of common shares	1,131,467	-
Proceeds from promissory notes	1,450,000	-
Repayment of promissory note	(100,000)	-
Due to related parties	-	-
Shareholder advances	-	313,000
Net cash provided by financing activities	2,481,467	313,000
Cash Flows used in Investing Activities		
Acquisition of equipment	(1,082)	-
Net cash used in investing activities	(1,082)	-
Increase (decrease) in cash during the period	6,332	(12,250)
Cash, beginning of period	25	12,275
Cash, end of period	\$ 6,357	\$ 25

Source: The Company.

During the year ended September 2008, the Company has utilized net cash in operating activities of \$2,474,053 compared to \$325,000 in 2007 mainly due to its increased research and development activities.

With respect to its financing activities the Company has received net cash of \$2,481,467 for the year ended on September 2008 compared to \$313,000 during the respective period in 2007. The net cash provided by the financing activities stems from the cash receipt of the private placements and proceeds from the promissory notes issued by the Company.

Regarding the investing activities, the Company has spent \$1,082 for the acquisition of equipment for the year ended on September 2008 while it did not make any expense for the respective period ended on September 2007.

Investment Risks

Investment Risks / Concerns	Mitigating Factors / Important Notes
<p>1 FDA approval and successful products' launch</p>	<p>The Company's products are in early stages of the FDA procedure. The new, unique mechanism of action, the "SIGMACEPTOR™ Discovery Platform" of the Company which is the base of its compounds and the results presented so far provide confidence to the Company that the compounds will complete the stages on the estimated time.</p>
<p>2</p> <p>Revenues: The Company has not generated yet any revenues from its products while it has presented cumulative losses.</p> <p>R&D: Given the development stage of its products the Company needs high injections of capital.</p> <p>Advertising and commercializing of products.</p>	<p>The Company currently finances its capital needs through private placements and bonds issuance. Its innovative technology provides confidence to its investors that its products will reach safely the market and they will generate the estimated sales. In addition, the Company intends to enter into future alliances with big pharmaceutical companies in order to finance and promote along its products' developments.</p>
<p>3 Alliances</p>	<p>The Company intends to enter into future alliances with big pharmaceutical companies in the future in order to finance and promote along its products' developments. Its innovative technology provides confidence to the Company that such alliances will be realized.</p>

Source: Valuation & Research Specialists, Company's Guidance.

Continues next page

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	Investment Risks / Concerns	Mitigating Factors / Important Notes
4	Competitive products' launch before the Company gets approval	The Company's compounds are based on its unique technology. Given the fact that there are no similar compounds, the Company estimates that this risk is overwhelmed.
5	Patents protection	The Company protects its patents by continuously upgrading them and renewing its expiration date.
6	Social responsibility from clinical trials	The Company has signed insurance contracts in order to protect itself from any potential liabilities arising.
7	Dilution in the number of shares	The potential dilution of the Company's shares has increased within the past years as it utilizes financial instruments in order to finance its capital needs. Provided though that the Company doesn't make improvident use of these, the maximization of its value is geometrical greater than the dilution caused in its shares' number.
8	Low liquidity, certain constraint in the OTC BB market	The Company intends to register itself in a higher liquidity market once the conditions are more prosperous in order to alleviate the constraints related to liquidity and other relevant issues.

Source: Valuation & Research Specialists, Company's Guidance.

Company's Guidance vs. VRS View

	Company's Guidance	VRS View
1	Projected sales: Current and future number of patients, therapy cost and market share gained	VRS has followed the estimates provided by the Company regarding the current number of patients as they coincide with other reported estimates. With respect to the future number of patients, therapy costs and market share gained, VRS has applied the Company's estimates
2	Probability of success: The Company provided us with a range for the probability of success for each product based on its stage of its development	VRS has applied the lower end of the probability scale applied for each product's developing stage
3	Compound's current stage of development	VRS has based its valuation on each compound's current stage provided by the Company
4	Launch year per product: 2015-2020	VRS has based its valuation on each compound's launch year provided by the Company
5	Discount rate of 20%	VRS has applied a 25% discount rate for the comparable valuation and a 30% discount rate on the value stemming from past deals

Source: Valuation & Research Specialists, Company's Guidance.

Dictionary

1. **Oxidative stress** is caused by an imbalance between the production of reactive oxygen and a biological system's ability to readily detoxify the reactive intermediates or easily repair the resulting damage. All forms of life maintain a reducing environment within their cells. This reducing environment is preserved by enzymes that maintain the reduced state through a constant input of metabolic energy. Disturbances in this normal redox state can cause toxic effects through the production of peroxides and free radicals that damage all components of the cell, including proteins, lipids, and DNA. In humans, oxidative stress is involved in many diseases, such as atherosclerosis, Parkinson's disease, Heart Failure, Myocardial Infarction, Alzheimer's disease and chronic fatigue syndrome.
2. An **epileptic seizure** is a transient symptom of excessive or synchronous neuronal activity in the brain.
3. **Amyloid-beta**: a peptide that appears to be the main constituent of the plaques found in the brains of Alzheimer's disease patients, constituting the basis of the amyloid hypothesis.
4. **Agonist**: an agonist is a type of ligand that binds to a receptor and alters the activity of the receptor and its host cell
5. **Anxiolytic**: a drug prescribed for the treatment of symptoms of anxiety.
6. **Apoptosis**: one of the main types of programmed cell death, in which the cell is broken down in a regulated process and the resulting debris disposed of.
7. **Cytostatic**: inhibiting or suppressing cellular growth and multiplication.
8. **Cytotoxicity**: the quality of being toxic to cells (used in the context of cancer therapies)
9. **Immune-deficient mouse model**: the use of special strains of immune-deficient mice to study a human disease or condition and how to prevent and treat it
10. **In vitro**: the technique of performing a given experiment in a controlled environment outside of a living organism, such as in a test tube or in non-living tissues
11. **In vivo**: experimentation done in or on the living tissue of a whole, living organism
12. **Ligand**: a substance that is able to dock with a molecule receptor and to change that molecule's behavior. ANAVEX's drug candidates contain sigma ligands which dock with cells via their sigma receptors, causing the cells to alter their behavior in ways that can impact diseases.
13. **Muscarinic receptor**: receptors that bind with the neurotransmitter acetylcholine
14. **Neuroprotection**: the protection of neurons from apoptosis, for example following a brain injury or as a result of chronic neurological diseases
15. Pathogenesis: the origin and development of a disease
16. **Sigma receptor**: a protein molecule in a cell's plasma membrane or cytoplasm which allows ligands to dock with the cell and change its behavior. The sigma receptors, of types sigma-1 and sigma-2, are receptors that bind to various sigma ligands
17. **Sigma-1 receptor**: these receptors are chaperone proteins that are found on the Endoplasmic Reticulum membrane of the cells and have been implicated in many biological phenomena, including cardiovascular function, depression and cancer
18. **Sigma-2 receptor**: activation of this kind of receptor can cause apoptosis.
19. **Morbidity**: diseased state, disability, or poor health
20. **Fatigue**: a variably debilitating disorder or disorders characterized by persistent fatigue unrelated to exertion and not substantially relieved by rest.

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Notes

Notes

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Value Invest - www.valueinvest.gr

Investment Research & Analysis Journal – www.iraj.gr

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VRS Cautions on Forward-Looking Statements

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VRS Makes a Statement about Real Estate Market Risk

The real estate market is to a large extent cyclical and faces risks at a number of levels. Among others, the following factors tend to affect the demand and the ability of tenants to pay rent:

- Macroeconomic environment
- Level of supply
- Interest rates

Furthermore, the following factors are mainly, but not exclusively, accountable for the course of property values:

- Macroeconomic environment
- Corporate Earnings
- Interest rates
- Financing mechanisms offered
- Returns on other types of assets
- Legal and tax legislation

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Covered Company	Ticker Symbol	Price Close	Date of Price Close	Disclosure
ANAVEX Life Sciences Corp.	AVXL.OB	USD 2.4	15 September 2009	2, 3, 4, 6

1. VRS has acted as financial consultant for the covered company within the past 24 months.
2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

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