Anavex Life Sciences Corp.

[AVXL.OB]

- ANAVEX 2-73, targeting Alzheimer's disease, has entered Phase I
- 6 more compounds will be proceeding to IND stage

Valuation & Research Specialists (VRS)

Value Invest - www.valueinvest.gr

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by VALUATION & RESEARCH SPECIALISTS (VRS)

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VRS has produced this research report independently as an update of the initial coverage report published on September 15, 2009

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

VALUATION & RESEARCH SPECIALISTS (VRS)

Value Invest - www.valueinvest.gr Investment Research & Analysis Journal – www.iraj.gr

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US Equities - March 8, 2011

Anavex Life Sciences Corp.

Sector : Biopharmaceuticals

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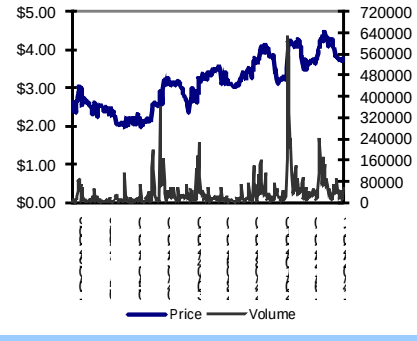
Company Description:

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 (Mar 4, 2011)	**$ 3.69**
Shares Outstanding	**25.19 mn**
Market Cap	**$ 92.9 mn**



Source:finance.yahoo.com

Key Investment Points

"Climbing up the ladder"

- **ANAVEX** 2-73, targeting Alzheimer's disease, have entered Phase I of the testing procedure while the remaining compounds have also completed successfully the Preclinical phase, proceeding to IND stage.
- **Signing of the National Alzheimer's Project Act (NAPA) into law by US President Barack Obama.** On the 18th of January, US president Barack Obama signed the National Alzheimer's Project Act. This event is the first coordinated national action taken to overcome Alzheimer's disease. NAPA is the first legislative victory for the Alzheimer's community.
- We have updated our valuation on **Anavex** in order to incorporate the evolution of its compounds' clinical trials. **Our updated target is set at $ 7.59 per share.**
- The potential sales of the Company's products, after their launch, are estimated to reach **US$4.6 billion.**
- **Efficacy, very low toxicity, possible use in combination therapies and potential disease modifying mechanism of action** are some of the Company's leading compounds' characteristics. **Anavex** compounds' steady and consistent development provides confidence that the compounds will reach the market intact.
- The Company's profile can be characterized as high-risk, taking into account the development stage of its products and the lack of any revenues realized yet.
- However, the stable evolution of Anavex's compounds, their innovative technological properties and the seriousness of the targeted diseases, provide confidence that its compounds will develop intact and the respective priority will be given by the Government to proceed quickly to the following stages.

General Overview

Anavex (or the Company) announced in 2010 that its leading compound ANAVEX 2-73, targeting the Alzheimer's disease, has completed successfully the IND stage. In 2011, the compound entered Phase I of human trials.

The Company's leading compounds ANAVEX 1079, 1007, 1519, 1066, 19-144 and 1-41 targeting respectively cancer, inflammatory and neuropathic pain, epilepsy and depression have completed successfully the preclinical stage and they are proceeding to the IND phase.

On 18th of January, the US President Barack Obama signed the first legislative action plan for Alzheimer's disease, the National Alzheimer's Project Plan. This event constitutes a very significant action with respect to the priority that it should be given to this disease, one of the most important and hazardous diseases of the 21st century.

The Alzheimer's disease currently affects approximately 5.3 million American citizens while on global scale, based on the report of Johns Hopkins University, 26.6 million people worldwide suffered from it in 2006.

On 6th of January 2011, ANAVEX 2-73 leading compound was chosen by the editorial staff **Alzheimer's Weekly** (www.alzheimersweekly.com) as the number one most promising trial drug in Alzheimer's disease. The article highlights that the Preclinical animal studies regarding the compound have shown early signs of efficacy, improvement in the memory of animals and a disease-modifying effect in some cases.

Based on the Company's expectations, its unique approach against this hazardous disease aims at preventing, halting and/or reversing the course of Alzheimer's disease.

The Company expects that its 7 leading compounds will reach the market (if successfully developed and approved by the FDA) amid 2017 to 2021, while the total expected revenues stemming from its drugs sales are estimated to reach $4.6 billion.

Based on the updated schedule of Anavex's compounds, the value of the company is currently evaluated at $7.59/$6.13 per share (current number of shares/diluted).

It should be noted that the share price of the Company has increased by

54% or by 86.5% in terms of total market value as of September 2009, when we initiated coverage on the stock with a target price of $6.3/share.

Investment Case - Company Profile

Anavex Life Sciences Corporation (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 development of its potential drugs is based on a new, unique mechanism of action, coming from the "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 CNS diseases.

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

The first compounds of the Company are expected to enter the market in 2017 with the last one to be launched by 2021.

Based on clinical data, the people currently suffering by Alzheimer, 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 widely** at 274.31 million. By the time the Company's products will have been launched, last one in 2021, the respective number of the aforementioned population is estimated to have increased to 316.9 million.

We update our view on the Company with a new valuation, setting our target price at $7.59 per share and $6.13 per share on full dilution basis. We have valued the Company at $191.30 million, estimating a 105.9% upside potential based on the current market value of $ 92.9 million.

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

pharmaceutical sector.

Anavex's Drug Portfolio Current Stage

The current stage of the Company's compounds is displayed on the table below.

Pipeline		Pre-Clnical	IND	Phase I	Phase II	Phase III
ANAVEX 1079	Melanoma					
ANAVEX 1007	Prostate					
ANAVEX 1519	Prostate					
ANAVEX 2-73 (Back up 1-41)	Alzeimer's					
ANAVEX 19-144	Epilepsy					
ANAVEX 1-41	Depression/Stroke					
ANAVEX 10-66	Neuropathic Pain					

Source: The Company.

As the products are still under research procedure their code names are subject to changes. A correspondence amongst the old names (included in the initiation of coverage) and their current code names is presented in the table below.

Old Compound Name	New Compound Name	Disease
ANAVEX 3-97	ANAVEX 1079	Cancer (MELANOMA)
ANAVEX 7-1037	ANAVEX 1007	Cancer (PROSTATE)
ANAVEX 22-1068	ANAVEX 1066	Cancer (PANCREAS)
ANAVEX 2-73	ANAVEX 2-73	Alzheimer
ANAVEX 19-144	ANAVEX 19-144	Epilepsy
ANAVEX 1-41	ANAVEX 1-41	Depression
ANAVEX 10-90	ANAVEX 1519	Neuropathic Pain

Source: The Company.

Based on the forecasted revenues, the Company's drugs, once they reach the market, they will be able to generate c. $4.6 billion sales.

Projected Turnover Breakdown

Compound	Disease	Current Stage (2011)	Sales Launch	Total Patients 2011 ('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 ($)	Yearly Sales after Launch in US$'000
ANAVEX 1079	(Lead Indic.MELAN	Preclinical	01/01/2019	630	5.00%	930.8	15.00%	50%	7.50%	69.81	3,000	209,429
ANAVEX 1007	(Lead Indic.PROST	Preclinical	01/07/2018	2,200	1.55%	2,450.1	12.50%	65%	8.13%	199.07	2,500	497,675
ANAVEX 1066	(Lead Indic.PANCR	Preclinical	01/07/2019	180	3.00%	228.0	10.00%	50%	5.00%	11.40	15,000	171,014
ANAVEX 2-73	Alzheimer	Phase I	01/07/2017	17,000	3.23%	20,572.4	10.00%	50%	5.00%	1028.62	1,600	1,645,790
ANAVEX 19-144	Epilepsy	Preclinical	01/07/2018	6,300	0.71%	6,619.9	10.00%	50%	5.00%	330.99	1,200	397,192
ANAVEX 1-41	Depression	Preclinical	01/01/2019	88,000	1.90%	102,300.1	3.00%	50%	1.50%	1534.50	600	920,701
ANAVEX 1519	Neuropathic Pain	Preclinical	01/01/2021	160,000	1.40%	183,865.2	2.00%	50%	1.00%	1838.65	400	735,461
TOTAL				274,310		316,966				5,013		4,577,262

Source: VRS Projections.

By 2013, the Company estimates that 5 out of its 7 compounds will be at Phase I or II while its leading compound ANAVEX 2-73, targeting Alzheimer's disease, is highly probable to have entered Phase III. Given the sign of the **National Alzheimer's Project Act,** the stable and successful progress of ANAVEX 2-73 compound and the seriousness and rapid expansion of the Alzheimer's disease, it can be considered highly probable that the compound will gain a "fast track" review from the FDA committee and proceed timely to the next phases.

Compound Name	Disease	Current Stage (2011)	2012 Stage	2013 Stage
ANAVEX 1079	Cancer (MELANOMA)	Preclinical	IND	Phase II
ANAVEX 1007	Cancer (PROSTATE)	IND	Phase I	Phase II
ANAVEX 1066	Cancer (PANCREAS)	Preclinical	IND	Phase I/II
ANAVEX 2-73 (backup ANAVEX 1-41)	Alzheimer's	Phase I / II	Phase II	Phase II/III
ANAVEX 19-144	Epilepsy	IND	Phase I	Phase II
ANAVEX 1-41	Depression	IND	Phase I	Phase II
ANAVEX 1519	Neuropathic Pain	Preclinical	Pre-clinical	IND

Source: Company's Estimates & VRS Projections

Valuation

The valuation of the Company has been estimated based on multiples valuation and past deals' values.

Regarding the comparables' approach, the Price/Sales ratio has been utilized for the valuation. 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.

Ten major pharmaceutical companies (presented in the table below), operating globally have been chosen as a benchmark sample in order to obtain the weighted 2011 price / sales (P/S) ratio.

Symbol	Company Name	Price* (in US$)	Market Capitalization (in US$,000)	2011 Revenue estimates (in US$,000)	P/S 2011
PFE	PFIZER INC	18.74	150,100,000	66,919,278	2.24x
AZN	ASTRAZENECA PLC ADS	47.67	66,960,000	33,157,850	2.02x
NVS	NOVARTIS AG ADS	54.98	125,870,000	57,101,800	2.20x
ABT	ABBOTT LABORATORIES	46.83	72,480,000	38,039,720	1.91x
BMY	BRISTOL-MYERS SQUIBB	25.32	43,110,000	20,275,000	2.13x
LLY	ELI LILLY CO	34.15	37,880,000	22,947,110	1.65x
GSK	GLAXOSMITHKLINE PLC	37.95	96,580,000	45,219,610	2.14x
JNJ	JOHNSON AND JOHNSON DC	60.19	165,370,000	63,861,210	2.59x
SNY	SANOFI-AVENTIS SA	33.96	88,620,000	29,895,470	2.96x
MRK	MERCK CO INC	31.95	98,430,000	46,202,320	2.13x
	Simple P/S Average				**2.20x**
	Weighted P/S Average				**2.27x**

*Price as of 22/2/2011

The data regarding the comparables has been drawn from Bloomberg database while for 2011 sales analyst consensus estimates (obtained from the same database) have been taken into account.

Given that the Company's compounds are still under development, a probability has been applied on each compound in order to estimate their future revenues, accounting for their potential to reach the market. The table below presents the average statistical probabilities calculated for a compound to reach the market based on its current development stage.

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://wistechnology.com/articles/377/

The revenues for each compound have been estimated 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 that the Company's drug 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 2011 terms.

A 5% probability of success has been applied on the compounds being currently in Preclinical stage, while especially for the ANAVEX 2-73, currently in Phase I, a 15% probability has been applied (the lower end on the statistical probability of success given the specific stage).

Compound	Disease	Phase	Probabilities	Average Probability applied	Year of Product's Launch	Projected Yearly Sales After Launch ($,000)	Discount rate	Discounted Revenues 2011	Weighted Average P/S 2011	Discounted Market Value (US$ '000)	Valuation based on Probabilty of success
ANAVEX 1079	Cancer (MELANOMA)	Preclinical	5%-7%	5%	01/01/2019	209,429	25%	35,136	2.27	79,852	3,992.61
ANAVEX 1007	Cancer (PROSTATE)	Preclinical	5%-7%	5%	01/07/2018	497,675	25%	104,370	2.27	237,195	11,859.73
ANAVEX 1066	Cancer (PANCREAS)	Preclinical	5%-7%	5%	01/07/2019	171,014	25%	28,691	2.27	65,205	3,260.25
ANAVEX 2-73	Alzheimer	Phase I	15%-25%	15%	01/07/2017	1,645,790	25%	431,434	2.27	980,491	147,073.69
ANAVEX 19-144	Epilepsy	Preclinical	5%-7%	5%	01/07/2018	397,192	25%	83,297	2.27	189,304	9,465.19
ANAVEX 1-41	Depression	Preclinical	5%-7%	5%	01/01/2019	920,701	25%	154,468	2.27	351,049	17,552.46
ANAVEX 1519	Neuropathic Pain	Preclinical	5%-7%	5%	01/01/2021	735,461	25%	78,970	2.27	179,469	8,973.44
TOTAL						4,577,262		916,366		2,082,565	**202,177.36**

Source: VRS estimates

The table above presents the estimated launch year per product, the expected revenues at that time and the discounted revenues in 2011 terms. The discount rate applied was set at 25% given the high risk profile of the products' current stage. The specific rate is the average Profit before Taxes (PBT) margin for the

big 10 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 drug instead of pursuing R&D procedure for a new drug candidate.

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.

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%	439,393	328,328	248,901	191,157	148,548	116,682	92,555
	4.50%	454,731	339,050	256,527	196,667	152,588	119,682	94,811
	5.00%	470,068	349,771	264,153	202,177	156,627	122,682	97,066
	5.50%	485,406	360,493	271,779	207,688	160,666	125,682	99,321
	6.00%	500,743	371,215	279,405	213,198	164,705	128,682	101,577
	6.50%	516,080	381,937	287,031	218,708	168,744	131,682	103,832

Source: VRS Estimates.

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

In addition to the comparables' valuation we have also estimated the Company's value based on the previous deals sealed in the industry and especially with companies in similar developing stage with drugs targeting the same diseases.

Public / Private Company	Licensor	Licensee	Deal Date	Products' Phase at Time of Deal	Deal Value (in $ mn)	Products	Indication
Private	Synocia Therapeutics	Biotie Therapies Corp.	11/1/2001 1	Phase I and II	121.5	SYN-115, 118, 114, 120,117, 111	Alzheimer's and Cognitive disorders
Private	Neurimmune Therapeutics AG	Biogen	21/12/201 0	Preclinical	427.5	3 antibody discovery programs	CNS Indications
Private	Arresto BiosciencesTM	Gilead	20/12/201 0	Late Phase I	225.0	AB0024	Fibrotic diseases
Private	TargeGen, Inc.	Sanofi-Aventis	30/06/201 0	Phase I/II	635.0	TG 101348, a JAK-2	Leukemia, lymphoma and other blood diseases
Private	CGI Pharmaceuticals	Gilead Sciences	25/06/201 0	Preclinical	120.0	molecule chemistry and kinase biology	Serious inflammatory diseases, including rheumatoid arthritis
Listed	Noven Pharmaceuticals, Inc	Hisamitsu Pharmaceuticals Co., Inc.	15/07/200 9	Marketed Products and Pipeline	430.0	Pexeva, Lithobid	Depression and other psychiatric conditions and bipolar disorder
Private	BiPar Sciences Incorporated	Sanofi-aventis	15/04/200 9	Phase II	500.0	BSI-201	Triple-negative breast cancer, ovarian cancer and other malignancies
Private	Proteon Therapeutics, Inc	Novartis AG	05/03/200 9	Phase I/II	550.0	PRT-201	Chronic haemodialysis
Listed	Arana Therapeutics Limited	Cephalon, Inc.	27/02/200 9	Phase II & other preclinical	207.0	ART621	Inflammatory diseases and oncology
Private	Thiakis Limited	Wyeth Pharmaceuticals	18/12/200 8	Preclinical	120.0	TKS1225	Severe obesity and comorbidities
Listed	Memory Pharmaceuticals	Roche	25/11/200 8	3 Phase II, 2 Phase I, 5 Preclinical	189.0	Agonists and Inhibitors	Alzheimer's, Schizophrenia, Neurological and Psychiatric Disorders
Listed	Genelabs Technologies, Inc.	GlaxoSmithKline	29/10/200 8	1 Phase III, 1 Phase II, 2 Preclinical, 3 in Lead Opt.	57.0	Novel classes of inhibitors	Hepatitis C
Listed	Pharmacopeia, Inc.	Ligand Pharmaceuticals Incorporated	24/09/200 8	3 Phase II, 6 Phase I, 2 Preclinical, 2 Discovery	70.0	clinical and preclinical candidates	Multiple indications including diabetic nephropathy, muscle wasting and inflammation
Listed	Memory Pharmaceuticals	Roche	23/07/200 8	3 Phase II, 2 Phase I, 5 Preclinical	191.0	FunctionFIRST™ platform	Alzheimer's, Schizophrenia, Neurological and Psychiatric Disorders
Listed	SGX Pharmaceuticals, Inc.	Eli Lilly and Co	08/07/200 8	1 in Phase I & 4 Preclinical	64.0	FunctionFIRST™ platform	Cancer
Private	Nycomed	4SC	04/06/200 8	8 in Preclinical & 1 in Phase I	23.0	Oncology Projects	Cancer
Private	U3 Pharma AG	Daiichi Sankyo Co., Ltd.	21/05/200 8	3 in Preclinical & 1 in Research	234.0	U3-1287	Cancer
Private	Virium Pharmaceuticals Inc.	MacroChem Corporation	23/04/200 8	2 in Phase I	6.6	VP101, VP701	Cancer
Listed	Sirtris Pharmaceuticals	GlaxoSmithKline plc	22/04/200 8	Phase II & Preclinical	720.0	A class of enzymes	Metabolic, neurology, immunology and inflammation
Private	Piramed Pharma	Roche	15/04/200 8	1 in Phase I, 1 in Preclinical, 2 in Lead Optimisation, 3 in Lead Discovery	175.0	PI3-K-alpha programmes	Cancer, Rheumatoid Arthritis, Asthma, Immune Inflamation
Private	Ester Neurosciences Limited	Amarin Corporation plc	05/12/200 7	Phase II & Preclinical	32.0	platform messenger RNA, EN101	Neurodegenerative and inflammatory diseases

Private	Cetek Corp.	Advanced Viral Research Corp.	04/12/2007	Research	1.5	new anti-cancer compounds, a drug screening technology	Cancer diseases
Private	Agensys, Inc.	Astellas	27/11/2007	Phase Ib plus several preclinical candidates	537.0	Antibody	Oncology
Listed	Renovis, Inc.	Evotec AG	19/09/2007	Preclinical	151.8	EVT 201, 101,302, VR1, P2X7, P2X3 antagonists	Neurological and Inflammatory Diseases
Private	Adnexus Therapeutics	Bristol-Myers Squibb	24/08/2007	Phase I	505.0	platform along with Angiocept	Cancer
Private	Systems Medicine, Inc.	Cell Therapeutics, Inc.	25/07/2007	Phase II, upcoming launch of 2 producsts, utilization of genomic platform	35.0	Brostallicin, pixantrone, XYOTAX™ and genomic platform	Cancer
Private	Morphotek	Eisai Inc.	22/03/2007	Early Clinical stage and preclinical candidates	325.0	Therapeutic monoclonal antibodies	Oncology, rheumatoid arthritis, and infectious disease
Listed	NeuroMedix Inc.	Transition Therapeutics Inc.	21/03/2007	Preclinical	11.1	Minozac	Alzheimer's disease
Private	Domantis Ltd.	GlaxoSmithKline plc	08/12/2006	Preclinical	454.0	Monoclonal antibodies	Rheumatoid arthritis, asthma, chronic obstructive pulmonary disease,
Private	Cabrellis Pharmaceuticals	Pharmion Corp.	16/11/2006	Phase II	81.0	Third-generation synthetic anthracycline	lung cancer
Private	Avidia Inc.	Amgen Inc.	02/10/2006	Phase I	290.0	Lead: interleukin 6 (IL-6)	Inflammation and autoimmune diseases
Average market value					**241.58**		
Discounted average market value by applying a 33.9% discount rate					**180.42**		

Source: Various databases, companies' sites, www.fiercebiotech.com

We consider that the stock market is still in a downward cycle with high volatility. Based on the above assumption we have utilized the DJIA Index to calculate the market retreat from its peak in October 2007 to March 2009 (when the index marked its lowest level), as well as from 2007 to 2011. Then we have calculated the average of the above changes as a measure of an average potential volatility in the current equity market conditions. Based on the aforementioned calculations, we have applied a 33.9% discount rate on past deals' value. The following table displays the exact calculations.

Year	Oct-07	Mar-09	Feb-11
Dow Jones IA30	14,164.53	6,595.16	12,130.45
2-year & 4-Year Averages		-53.4%	-14.4%
Overall Average			**-33.9%**

Source: VRS Estimates

We have applied an equal weight on the outcomes stemming from the two valuation approaches.

ANAVEX Valuation			
Valuation Method	**Value (in $ mn)**	**Weight**	**Final Value (in $ mn)**
Valuation based on **Comparables**	202.18	50%	101.09
Valuation based on **Alliances-Licenses**	180.42	50%	90.21
Total Value			**191.30**

Source: VRS Estimates.

Based on the weighted valuation applied we have valued Anavex at $ 191.30 million or at $7.59 per share based on the outstanding number of shares. On full dilution basis, the estimated price per share stands at $ 6.13. Given that the current market price per share of the Company stands at $3.69 per share, the valuation provides an upside of 105.9%.

Patents – BOD - Shareholders

A list of the patents granted by the Company within 2009-2010 is displayed on the following table.

PATENTS		
Title of Application / Patent No. Jurisdiction	**Filing, Issue / Expiration**	**Claims**
Patent No. 1006794/Greece	February 26, 2009/ February 27, 2029	Sigma (σ) receptor ligands with anti-apoptic and/or pro-apoptic properties over cellular mechanisms exhibiting prototypical cytoprotective and also anticancer activity
Patent Application 201100100140 Greece	March 9, 2010/ March 10, 2030	Synthesis and method of synthesis of molecules l -methylo-4-[4,4-difainylo-4 (Adantylo1-boutvlo)] piperzine and its structural analogues with anticancer properties
PCT/ National Phase -GR 2008000002 Filed: Europe 08702158.0 USA-12/522.761 India 2392 KOLNP/2009 China - 200880002334.5 Hong Kong-004800011111 Russia-2009125211	May 28, 2009 July 10,2009 June2 9,2009 July 16,2009 July 2, 2010 June 26,2009	On basis of Greek Patent 1005865 (Application 20070100020/17-01-2007)
PCT Request International Filing GR2010000009	February 17, 2010	On basis of Greek Patent 1006794 (Application 2009010011/26-02-2009)

Source: The Company.

Board of Directors

Name	Position
Cameron Durrant (Executive Chairman)	Chairman
Harvey Lalach (President, COO, Secretary)	Member
David Tusley (CFO)	Member
Alison Aye	Member

Source: The Company.

Shareholders' Structure

Major Direct Shareholders			
Name	**No of Shares**	**As % of the total Share Capital***	**Reported**
Skarpelos Athanasios	6,725,832	26.7%	Oct 29, 2009
Lalach Harvey	595,372	2.4%	Feb 18, 2011

*Total Number of shares as of December 2010 25,188,240.

Source: http://finance.yahoo.com

The Company's financial performance for the 1st Quarter of the fiscal year 2010-2011 is displayed on the Appendix.

APPENDIX

Financial Analysis

1st Quarter Financial Results for the fiscal year 1/10/2010-30/09/2011

The Company reports its full year financial accounts on the 30th of September of each year. As of 31st of December, the Company issued its quarterly financial results for the fiscal year 1/10/2010-30/09/2011.

Turnover Analysis

The Company has not reported any revenues yet. The first revenues, stemming from its marketed drug are estimated in 2017.

Cost of Sales Analysis

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

R&D and Operational Costs

The Company has spent a substantial amount on its R&D process in order to develop its compounds. The research and development 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.

INTERIM CONSOLIDATED PROFIT AND LOSS STATEMENT

	3 months ended December 31,	
	2010	2009
Expenses		
Accounting and audit fees	$ 48,948	$ 21,859
Amortization and depreciation	491	190
Bank charges and interest	2,043	1,715
Consulting fees	652,201	473,184
Investor relations	54,535	54,511
Legal fees	19,747	27,908
Management fees	-	-
Office and miscellaneous	6,469	3,691
Insurance	4,815	-
Registration and filing fees	9,062	6,133
Rent and administration	41,819	-
Research and development	497,290	211,479
Travel	31,725	81,037
Website design and maintenance	-	-
Loss before other income (expenses)	(1,369,145)	(881,707)
Other income (expenses)		
Interest	(7,956)	(22,802)
Accretion of debt discount	-	(220,410)
Change in fair value of derivative liability	-	649,038
Debt conversion expense	(504,160)	-
Loss on settlement of accounts payable	-	-
Loss on extinguishment of debt	-	-
Foreign exchange gain (loss)	(5,490)	8,270
Net loss and comprehensive loss for the period	$ (1,886,751)	$ (467,611)
Basic and diluted loss per share	$ ($0.08)	$ ($0.02)
Weighted average number of shares outstanding	24,267,082	21,007,630

Source: Company's Interim Consolidated Financial Statements.

Expenses for the three months ended December 31, 2010 stood at $1,369,145 increased by $487,438 over the respective period in 2009. Accounting and audit fees increased by $27,089 from $21,859 for the three months ended December 31, 2009 to $48,948 for the same period in 2009, mainly due to the acceleration of audit procedure for the year ended September 30, 2010 over the prior year. Consulting fees for the three-month period amounted at $652,201, rising by $179,017 from $473,184 for the respective period in 2010, primarily as a result of increased management infrastructure and an increase in stock based compensation from additional

option issuances. Rent and administration of $41,819 were recorded in the first semester of the current fiscal year vs. zero expenses for the respective period in 2009 as a result of establishing office and infrastructure in North America. Research and development expenses increased by $285,811 from $211,479 for the three months ended December 31, 2009 to $497,290 for the same period in 2010 mainly as a result of the clinical trial activities' commencement associated with ANAVEX 2-73. Travel expense decreased by $49,312 from $81,037 for the three months ended December 31, 2009 to $31,725 for the same period in 2010, due to the establishment of office infrastructure in North America.

The net loss for the first quarter amounted at $1,886,751, increasing by $1,419,140 mainly due to the increases depicted in consulting fees, research and development and the debt conversion expenses of $504,160. In addition 2009 results were positively affected by $ 649,038 stemming from the change in the fair value of derivative liability.

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$86.9mn for the period 2011-2014.

In addition, the Company's expenses will be burdened with general and administrative expenses. These expenses are estimated to reach US$7.8mn for the period 2011-2014.

	2011	2012	2013	2014	Total
R&D Costs from the actual Pipeline	6.8	15.3	25.3	39.5	86.9
R&D Costs for Additional Drug Discovery & Preclinical Development	-	-	-	-	
Total R&D Costs	6.8	15.3	25.3	39.5	86.9
Operating, Administrative & Other Costs	1.0	1.5	2.3	3.0	7.8
Total Yearly Cost	**7.8**	**16.8**	**27.6**	**42.5**	**94.7**
Cumulative Cost	**7.8**	**24.6**	**52.2**	**94.7**	**-**

Source: The Company.

Key Elements of Balance Sheet as of 31st December 2010

R&D department mainly absorbs the majority of the capital required by the Company. 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 3-month report issued on 31st of December 2010.

Working Capital

	December 31, 2010	September 30, 2010
Current Assets	485,688	325,758
Current Liabilities	582,937	3,290,071
Working Capital (Deficit)	$ (97,249)	$ (2,964,313)

Source: The Company.

According to the Company's financial statement, as of December 31, 2010, the Company had $423,783 in cash, reporting an increase of $159,114 from September 30, 2010. The main driver of this increase in cash resulted from private placements of equity during the three-month period ended December 31, 2010. As at December 31, 2010, the Company had a working capital deficit of $97,249, a decrease in deficit of $2,867,064 from September 30, 2010. The main reason behind this decrease in working capital deficit was the reduction in the current liabilities due to the reduction of accounts payable and accrued liabilities of $414,826 and the conversion of promissory notes of $2,292,308.

Bank Debt

Debt Liabilities	December 31, 2010	September 30, 2010
Convertible promissory notes payable		$ 1,919,418
Interest bearing promissory notes payable	200,000	572,890
Less: fair value of derivative liabilities on date of issuance		(2,489,422)
Less: equity component of convertible note		(44,220)
Add: accumulated accretion	-	2,533,642
Subtotal	**$ 200,000**	**$ 2,492,308**
Less: current portion	**(200,000)**	**(2,492,308)**
Total	**$ -**	**$ -**

Source: Company's Interim Consolidated Financial Statements.

Convertible Loan Agreements

According to the Company's financial statement, the convertible non-interest bearing promissory notes of $ 1,919,418 were converted into shares at prices of $2.25 and $2.50. Each unit was 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.

During the three months ended December 31, 2010, interest-bearing promissory notes totaling $229,924 were converted to common stock.

Share Capital

The Company's paid in share capital as of December 2010 stood at US $23,604,049. Provided though that the Company has generated accumulated losses so far which sum up to US$23,782,825 so far, the share capital balance reports a deficit of $93,648 as of December 2010.

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.

Description	No of shares
Current number of shares	25,188,240
Potential shares through warrants' exercise	3,145,894
Potential shares through options' exercise	2,775,000
Potential shares through the convertible bond conversion	88,889
Total number of fully diluted shares	**31,198,023**

Note: As of 31/12/2010.
Source: The Company.

The Company as of December 2010 had issued 3,145,894 warrants 2,775,000 options while 88,889 new shares can be issued if the bond holders of the convertible bond decide to exercise their option and convert the debt to equity. Taking into account the current number of outstanding shares 25,188,240, as of December 2011, along with the potential shares stemming from warrants, options and convertible bond options exercised, the total diluted number of shares stands at 31,198,023.

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 December 31, 2010 and September 2010

		December 31, 2010		September 30, 2010
ASSETS				
Current				
Cash	$	423,783	$	264,669
VAT receivable		-		37,820
Prepaid expenses		61,905		23,269
		485,688		325,758
Equipment		3,601		4,091
	$	**489,289**	**$**	**329,849**
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	382,937	$	797,763
Current portion of promissory notes payable		200,000		2,492,308
		582,937		**3,290,071**
CAPITAL DEFICIT				
Capital stock				
Authorized:				
150,000,000 common shares, par value $0.001 per share				
Issued and outstanding:				
25,127,226 common shares (September 30, 2010: 23,516,952)		25,128		23,517
Shares to be issued		60,000		-
Additional paid-in capital		23,604,049		18,912,335
Deficit accumulated during the development stage		(23,782,825)		(21,896,074)
		(93,648)		(2,960,222)
Total Capital Deficit	**$**	**489,289**	**$**	**329,849**

Source: Company's Interim Consolidated Financial Statements.

The Company does not own any significant assets. The capital deficit for the quarter ended on December 2010 amounted at $489,289 vs. $329,849 in September 2010. It should be noted that the Company's liabilities have decreased substantially in the first quarter of 2010 mainly due to the conversion of the convertible bond to shares

Cash Flow Statement as of December 31, 2010 and 2009

	Three months ended December 31, 2010	2009
Cash Flows used in Operating Activities		
Net loss for the period	$ (1,886,751)	$ (467,611) $
Adjustments to reconcile net loss to net cash used in operations:		
Amortization	491	190
Accretion of debt discount	-	220,410
Stock based compensation	187,750	131,719
Amortization of deferred financing costs	-	5,826
Change in fair value of derivative liability	-	(649,038)
Consulting expense recorded in exchange for shares to be issued	-	-
Common shares issued for consulting expenses	-	-
Promissory note issued for severance	-	-
Common shares issued for severance	-	-
Common shares issued for research and development expenses	-	-
Management fees contributed	-	-
Debt conversion expense	504,160	
Loss on settlement of accounts payable	-	-
Loss on extinguishment of debt	-	-
Rent contributed	-	-
Changes in non-cash working capital balances related to operations:		
VAT receivable	37,820	-
Prepaid expenses	(38,636)	3
Accounts payable and accrued liabilities	111,205	(21,459)
Net cash used in operating activities	(1,083,961)	(779,960)
Cash Flows provided by Financing Activities		
Issuance of common shares	1,183,075	300,000
Share subscriptions received	60,000	-
Proceeds from promissory notes	-	150,000
Repayment of promissory notes	-	-
Due to related parties	-	-
Shareholder advances	-	-
Net cash provided by financing activities	1,243,075	450,000
Cash Flows used in Investing Activities		
Acquisition of equipment	-	-
Net cash used in investing activities	-	-
Increase (decrease) in cash during the period	159,114	(329,960)
Cash, beginning of period	264,669	350,994
Cash, end of period	$ 423,783	$ 21,034 $

Source: Company's Interim Consolidated Financial Statements.

During the first quarter ended December 2010, the Company has utilized net cash in operating activities of 1,083,961 compared to $779,960 in 2009 mainly due to the charges stemming from the bond conversion ($504,160).

With respect to its financing activities, the Company has increased its financial inflows at 1,243,075 for the quarter ended on December 2010 compared to $450,000 during the respective period in 2009 mainly due to the conversion of debt to shares.

Regarding the investing activities, the Company did not proceed to any investments for the first quarter of 2010 and 2009.

DISCLOSURE STATEMENT (1)

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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	Applied Disclosure
Anavex Life Sciences Corp.	AVXL.OB	USD ___	__ February 2011	8

[ ] 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.
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