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Initiating Report

February 26, 2008

ANAVEX LIFE SCIENCES CORPORATION

(US$4.99, AVXL: OTCBB)

Data Source: www.BigCharts.com

Recommendation
Speculative Buy

Risk
High

Price (Feb. 22)
US$4.99

52-Week Range
US$5.49 - US$3.46

Target Price
1-Year: US$6.50
3-Year: US$21.60

Potential Return
1 Year: 1.3x
3 Year: 4.3x

Shares O/S
19.5 million

Market Cap
$97.3 million

Average Daily Volume
50-day: 26,600
200-day: 13,600

Year-End
September 30

Sept.30	BVPS	EPS
2006	$0.00	$(0.00)
2007	$(0.02)	$(0.08)
2008E	$0.04	$(0.31)
2009E	$0.08	$(0.46)

BVPS: Book Value Per Share
EPS: Earnings Per Share

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UPFRONT

Seven therapeutic drug candidates in its product development pipeline. Three are in pre-clinical phase and four are just at the drug-discovery stage. These potential drugs are aimed at diseases of the central nervous system and various cancers. Significant capital will be required to fund the R&D and cover the "burn". If ANAVEX can mitigate these financing risks over the next few years, then there could be enormous upside potential.

RECOMMENDATION

We are initiating coverage of ANAVEX Life Sciences Corporation with a rating of Speculative Buy for risk-tolerant investors and setting our 12-month Target Price at US$6.50 per share and our three-year Target Price at US$21.60 per share.

THE COMPANY

ANAVEX Life Sciences Corporation ("ANAVEX" or the "Company") is an emerging biotechnology company engaged in the discovery, development, and commercialization of novel therapeutics for the treatment of cancer and neurological diseases, utilizing its proprietary drug discovery platform.

HIGHLIGHTS

- Innovative drug delivery platform technology for central nervous system and cancer therapeutics.
- Proprietary drug discovery platform assures continued discovery and development of new therapeutics and drug candidates.
- Patented platform technologies have large market potential.
- Broad application in treatment of a wide range of diseases.
- Sigma ligands not yet exploited by the pharmaceutical industry as being therapeutic (for therapeutic use).
- Excellent safety profile: Low dosage.
- Low toxicity.
- Financing risk: substantial capital requirements.

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PRODUCTS

ANAVEX'S approach to drug discovery exploits the use of Sigma-receptor ligands that affect biochemical pathways at the cellular level which, in turn, affect the manifestation and progression of a wide range of diseases.

The Company has seven novel therapeutic drug candidates in its product development pipeline. Its sigma-receptor-based technology affects a wide range of functions and biological processes at the cellular level, with valuable therapeutic and pharmacological implications for the treatment of a broad spectrum of diseases - including those of the central nervous system (CNS) and cancer. ANAVEX's addressable market opportunity is as follows:

Table 1: Anavex Market Opportunity

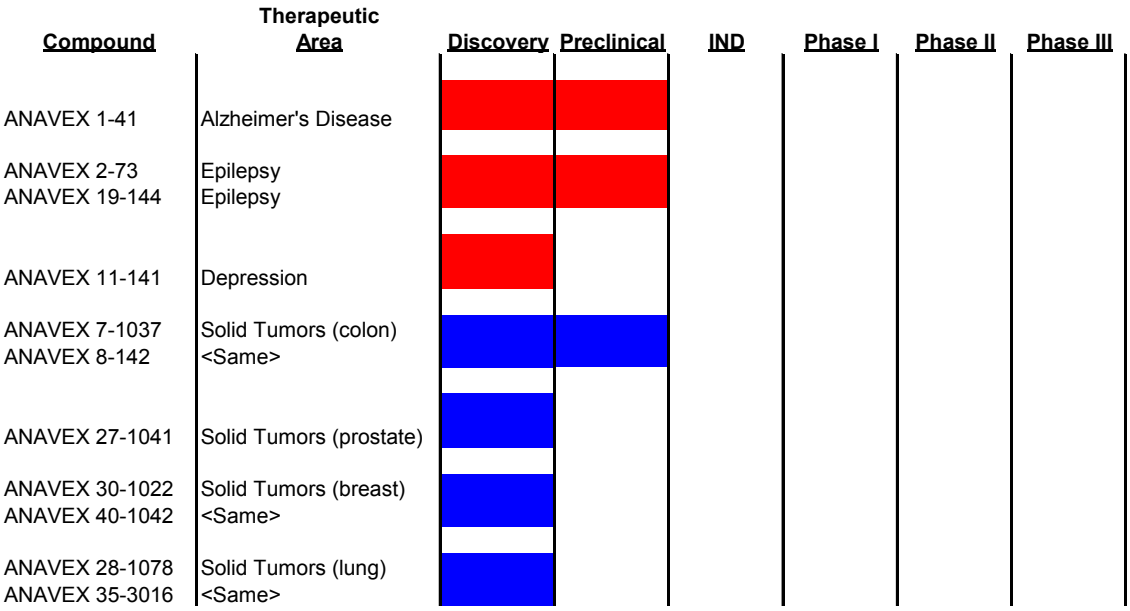
	Year 2015 Forecast*	
	Patient Population (2)	Market Size (1)
I. Oncology		
Colorectal	1.7	15.2
Prostate	1.8	7.0
Breast	2.2	5.7
Lung	0.6	24.0
		51.9
II. Central Nervous System		
Alzheimer's Disease	16.8	8.0
Epilepsy	6.4	11.5
Depression	92.6	14.0
		33.5
TOTAL ADDRESSABLE MARKET OPPORTUNITY		$85.4 Billion

**For seven major pharmaceutical markets*
(1) Revenues - US$ Billions
(2) Millions
Source: Anavex Life Sciences and eResearch

PRODUCT PIPELINE

ANAVEX has seven lead drug candidates, with three in the preclinical phase and four trailing in the drug discovery stage – each addressing one of the above markets. The Company has an additional 50 compounds in its portfolio at various early stages of discovery. ANAVEX'S drug development pipeline consists of the following:

Figure 1: Product Pipeline (as of February 2008)



Note: RED Fill: ANAVEX Sigmaceptor-N Project (CNS);
BLUE Fill: ANAVEX Sigmaceptor-C Project (Cancer)
IND = Investigational New Drug
Source: Company

COMMENT: *ANAVEX already has eight years of clinical data confirming the very low toxicity of its sigma ligand drug candidates, which are used in very low doses. This greatly increases the probability that the Company's novel therapeutics will successfully reach Phase II clinical trials, since the primary concern of Phase I is the toxicity profile: safety and side effects.*

GROWTH STRATEGY

The ANAVEX strategy is to establish co-development, licensing and marketing agreements with pharmaceutical partners to help further develop and commercialize its portfolio of novel therapeutics.

ANAVEX'S primary strategic objectives include:

- Fortifying its drug development pipeline by concentrating efforts and resources on existing lead product candidates;
- Expanding existing pipeline/portfolio to ensure continued future growth;
- Building and enhancing collaboration agreements with leading academic institutions and industry partners; and
- Evaluating in-licensing agreements and potential acquisitions.

Table 2: ANAVEX Strategic Targets

Targets for 2008	Targets for 2009 and Beyond
Enter IND and Clinical Phase I	Enter more drugs into Phase I and advance
Advance existing discovery compounds closer to preclinical stage	Develop new lead compounds. 2010 => Scale up manufacturing
Establish partnerships and licensing agreements	Keep working with partners for outlicensed compounds
Secure needed financing	Examine mergers and acquisitions
Examine move to senior exchange listing	Increase transaction volumes and move to more senior exchange
Increase publicity	Increase publicity

Source: Company

FINANCIAL REVIEW AND OUTLOOK

Revenue/Income: As a development-stage biotechnology company, primarily engaged in research and development, ANAVEX has not realized revenues from its operations to date.

Cash and Working Capital: As at September 30, 2007, ANAVEX had virtually zero cash, and a working capital deficit of $462,504 compared to a working capital deficit of $15,511 at September 30, 2006.

Burn Rate: The Company's total cash burn for 2007 totaled $1,581,230, as compared with $25,591 for 2006. For 2008, we are forecasting $6.6 million - an average of $1.65 million per quarter.

Table 3: Projected Funding Requirements

	2008
Research and Development Activities	$5,200,000
Officer and Employee Compensation	$400,000
Sales and Marketing	$175,000
Legal, Accounting and Professional Fees	$120,000
General and Administrative	$700,000
Total	**$6,595,000**

Source: Company

Research and Development: R&D expenditure for F2007 was $1.0 million, and projected R&D expenditure for F2008 is $5.2 million.

Capital Structure: As at September 30, 2007 ANAVEX had 19,204,565 common shares issued and outstanding. After subsequent events (see below), the number of shares issued and outstanding is 19,514,722. The single largest equity position represents 39% of the total ANAVEX common shares outstanding.

Financing: In September 2007, the Company issued 222,222 shares at a price of $3.60 in lieu of payment for research and development services fees owing in the amount of $800,000, and issued 92,500 shares for settlement of a loan payable in the amount of $333,000.

Subsequent events include the following financing related items:

- Equity private placement: the Company issued 150,000 units at $3.50 per unit for gross proceeds of $525,000, whereby each unit represents one common share plus one common share purchase warrant (see stock options and warrants).

- The Company issued 10,000 shares at $4.50 per share to an employee to settle accounts payable related to consulting fees.

- The Company issued an unsecured note for $200,000, which matures March 13, 2008 at a 2.5% discount to its maturity value.

COMMENT: *The Company has entered into unsecured debt financing arrangements with significant existing shareholders, and non-arms-length financing arrangements with Directors for amounts that have either been forgiven or repaid in shares. eResearch views such debt arrangements as equity equivalents.*

ANAVEX is currently in the process of raising needed capital, most likely in the form of an equity private placement.
*e*Research expects that ANAVEX will need to complete a financing of approximately $7 million in 2008 in order to achieve its milestones.

Stock Options and Warrants: ANAVEX has 150,000 warrants and 1,070,000 options issued, as seen on the following page:

Table 4: Warrents and Options

1. Warrants

Exercise Price Warrants	Number	Vesting Schedule*	Expiry Date	Comments	Potential Equity
$5.00	150,000	n/a	December, 2009	Out-of-the-Money	$750,000
	150,000				**$750,000**

2. Options

Exercise Price Options	Number	Vesting Schedule*	Expiry Date	Comments	Potential Equity
$3.00	255,000	Phase 2 Trials	February 2017	In-the-Money	$765,000
$3.00	255,000	Phase 2 Trials	February 2017	In-the-Money	765,000
$3.00	260,000	FDA Approval	February 2017	In-the-Money	780,000
$3.75	50,000	n/a	September 2012	In-the-Money	187,500
$3.85	150,000	n/a	December 2012	In-the-Money	577,500
$3.86	100,000	US Exchange Listing**	December 2010	In-the-Money	386,000
	1,070,000				**$2,497,500**

Note: None of these options are within our 12-month forecast period and therefore have not been included in our determination of the Company's intrinsic value.
** Options vest when one or more compounds reach regulatory milestone*
***Options vest upon successful listing of Company shares for trading on a major US exchange by December 2008*
Source: ANAVEX and eResearch

Financial Statements: The following abridged financial statements include a Statement of Income/(Loss), Statement of Cash Flow, and Balance Sheet along with our forecast for 2008 and 2009, and accompanied by a financial outlook commentary.

Table 5: Selected Financial Information (US$)

	Year Ending September 30:			
	2006	**2007**	**2008e**	**2009e**
Statement of Income/(Loss):				
Research & Development	-	(959,698)	(5,200,000)	(9,400,000)
S,G,&A	(25,591)	(621,532)	(1,395,000)	(2,000,000)
Loss before other income	(25,591)	(1,581,230)	(6,595,000)	(11,400,000)
Other Income/(Expenses)	59	1,237	-	-
Net loss	(25,532)	(1,579,993)	(6,595,000)	(11,400,000)
Total Shares Outstanding	19,200,000	19,204,565	22,000,000	26,000,000
Weighted Average Shares Outstanding	19,200,000	19,200,500	21,000,000	25,000,000
Earnings (Loss) Per Share	($0.00)	($0.08)	($0.31)	($0.46)
Statement of Cash Flow:				
Net Income (Loss)	(25,532)	(1,579,993)	(6,595,000)	(11,400,000)
All Non-Cash Items	2,375	800,000	1,500,000	2,500,000
Cash Flow from Operations	(23,157)	(779,993)	(5,095,000)	(8,900,000)
Capital Expenditures	-	-	-	-
Other Investing Items	-	-	-	-
Free Cash Flow	(23,157)	(779,993)	(5,095,000)	(8,900,000)
Working Capital Changes	(9,271)	454,743	-	-
Equity Financing	43,726	313,000	7,000,000	11,000,000
Debt Financing/Capital Leases	-	-	-	-
Change in Cash	11,298	(12,250)	1,905,000	2,100,000
Cash, Beginning of the Period	977	12,275	25	1,905,025
Cash, End of the Period	12,275	25	1,905,025	4,005,025
	As at September 30:			
Balance Sheet:	**2006**	**2007**	**2008e**	**2009e**
Assets				
Cash	12,275	25	1,905,025	4,005,025
Prepaid expenses	220	-	-	-
Total Assets	12,495	25	1,905,025	4,005,025
Current Liabilities				
Accounts payable & accrued liabilities.	8,006	462,529	1,062,529	1,862,529
Loan payable to shareholder	20,000	-	-	-
Total Liabilities	28,006	462,529	1,062,529	1,862,529
Shareholders' Equity	(15,511)	(462,504)	842,496	2,142,496
Total Liabilities & Equity	12,495	25	1,905,025	4,005,025
Book Value (S.E.) Per Share	($0.00)	($0.02)	$0.04	$0.08

Source: Company and eResearch

COMMENT: *R&D expenses are set to escalate and, commensurately, so are S,G&A. New substantial equity will be required to finance the significant net losses that will accrue s the Company moves its products through the pipeline of clinical trials. Should the Company have any difficulty, for any reason, in raising the required capital, it may have to curtail certain activities or, at least, suffer delays*

VALUATION

We are setting our 12-month price target for the shares of ANAVEX at $6.50 per share, and our corresponding three-year price target at $21.60 per share, as detailed below.

eResearch has derived an intrinsic value for the shares of ANAVEX using three valuation methodologies:

A. Technology Value Peer Comparison Analysis;
B. Comparable Company Transaction Analysis; and
C. Risk Adjusted Net Present Value (rNPV) Analysis.

A. Technology Value

An examination of ANAVEX'S immediate peer group by stage of clinical development, as set out in Table 6 overleaf, shows that:

1. The one comparable company in the Preclinical/Phase I stages has a technology value of US$244 million;
2. The eight comparable companies that have reached Phase II, have an average technology value of US$412 million; and
3. The companies that have reached Phase III have an average technology value of US$745 million.

As at February 22, 2008, ANAVEX is trading at a technology value of US$96 million.

Analysis: We anticipate that within three years, ANAVEX will have advanced the first three of its seven lead drug candidates to Phase II. The average technology value for the Comparables that are in Phase II clinical trails is $412 million, implying an equivalent fair technology value for ANAVEX in three years. Discounting at a rate of 55%, we arrive at a present-day implied technology value for ANAVEX of $113 Million, or $5.67 per share.

Table 6: Comparables Analysis

Company	Stock Symbol	Mils Shares O/S	Share Price* Feb 22,'08	$US MM Market Cap	Cash	$US MM Technology Value	Primary Target(s)
Phase I							
Sirtris Pharmaceuticals Inc.	SIRT	28.7	$13.23	$380	$136	$244	Endocrine
Average Technology Value						**$244**	
Phase II							
Alnylam Pharmaceuticals Inc.	ALNY	37.7	$31.63	$1,192	$268	$924	Respiratory/Influenza/CNS
Array Biopharma Inc.	ARRY	47.2	$6.20	$292	$141	$151	Cancer
Acadia Pharmaceutica	ACAD	37.0	$11.40	$421	$141	$280	CNS
Affymax Inc.	AFFY	14.9	$20.00	$298	$218	$80	Anemia
Ariad Pharmaceuticals Inc.	ARIA	69.2	$3.60	$249	$26	$223	Cancer
Exelxis Inc.	EXEL	104.5	$7.24	$757	$276	$481	Cancer/Renal/CVD
Incyte Corp.	INCY	84.2	$11.80	$994	$265	$729	Cancer/HIV/Arthritis/Diabetes
Medivation Inc.	MDVN	28.8	$16.02	$462	$37	$425	CNS/Prostate Cancer
Average Technology Value						**$412**	
Phase III							
Xenopart Inc.	XNPT	24.9	$60.00	$1,497	$177	$1,320	CNS & GI
Geron Corp.	GERN	75.4	$5.00	$377	$208	$169	Cancer
Average Technology Value						**$745**	
Anavex Life Sciences	AVXL	19.2	$5.00	$96	$0	**$96**	Cancer/CNS

Technology Value is calculated by subtracting the most recent balance of cash, cash equivalents and short-term investments from the market capitalization.

Primary Target(s) description refers to the main products being developed by each comparable company.
Source: eResearch

B. Comparable Company Transaction Analysis

We examined a number of recent comparable company transactions in the biotechnology industry including mergers and acquisitions and licensing agreements between large pharmaceutical companies and smaller biopharmaceutical firms. We considered biotech companies with:

1. A product pipeline of predominantly early-stage drug candidates in development;
2. A focus on discovery and development of novel therapeutics; and
3. A proprietary technology platform for drug discovery.

Value Overview:

Development Stage	Average Transaction Value
Comparables in Preclinical/IND:	$0.58 billion
Comparables in Phase I:	$0.67 billion
Comparables in Phase II:	$0.50 billion
Comparables in Phase III:	$0.52 billion
All 15 comparable companies	$0.57 billion

Our ANAVEX estimate in Phase II (in about three years): $0.50 billion. As shown, our estimate for ANAVEX approximates the Phase II comparables.

The following table outlines the results of the analysis, showing the average transaction value at each stage of clinical development for the peer companies' lead drug candidates in the pipeline:

Table 7: Comparable Company Transactions

	Company	Technology or Therapeutic	Date	Status	$Bill Transaction Fee
PRECLINICAL & IND PHASE					
1	Domantis Ltd. acquired by GlaxoSmithKline (GSK:NYSE)	Human Domain Antibodies	Jan-07	Preclinical	$0.454
2	Plexxikon license agreement with Roche	BRAF Kinase Gene Inhibitor	Oct-06	IND	$0.700
	Average				$0.577
PHASE I					
3	Avidia, Inc. acquired by Amgen (AMGN: NASDAQ).	Avimer Protein Technology	Oct-06	Phase I	$0.290
4	Cytokinetics optioned its experimental heart failure drug to Amgen	CK-1827452 Novel Small-Molecule Therapeutics	Sep-07	Phase I	$0.675
5	Sirna Therapeutics, Inc. acquired by Merck (MRK:NYSE)	RNAi - Age Related Macular Degeneration	Dec-06	Phase I	$1.040
					$0.668
PHASE II					
6	Amicus Therapeutics license agreement with Shire	Genetic Therapeutics	Nov-07	Phase I/II	$0.440
7	Morphotek, Inc. acquired by Eisai Corp.	Monoclonal Antibodies (mAbs)	Apr-07	Phase I/II	$0.325
8	Regeneron (REGN:NASDAQ) license agreement with Bayer HealthCare (BAY:NYSE)	Vascular Endothelial Growth Factor (VEGF) Inhibitor	Oct-06	Phase I/II	$0.325
9	Alantos Pharmaceuticals acquired by Amgen (AMGN: NASDAQ)	ALS 2-0426 Therapeutic	Jun-07	Phase II a	$0.300
10	Alnylam Pharmaceuticals (ALNY:NASDAQ) license agreement with Roche	RNA Interference (RNAi)	Jul-07	Phase II	$1.000
11	GTx partnering with Merck (MRK: NYSE)	Androgen Receptor Modulators	Nov-07	Phase II	$0.497
12	Hypnion, Inc. acquired by Eli Lilly (LLY: NYSE)	HY10275	Apr-07	Phase II	$0.315
13	Ilypsa acquired by Amgen (AMGN: NASDAQ)	ILY-101	Jun-07	Phase II	$0.420
14	Novartis inked a massive deal for the worldwide rights to Antisoma's AS1404	AS 1404	Sep-07	Phase II	$0.890
					$0.501
PHASE III					
15	AnorMed Inc. acquired by Millennium Pharmaceuticals (MLNM:NASDAQ)	Chemokine Receptor Mediated Technology	Sep-06	Phase II/III	$0.515
					$0.515
Average Transaction Size					$0.57

** Consisting of a combination of upfront cash payment, plus R&D cost component, plus milestone payments, plus royalties.*
Primary Target(s) description refers to the main or lead products being developed by each comparable company.
Source: eResearch

Analysis: Our analysis showed that for the 15 Comparable Company Transactions examined, the average transaction value was $0.57 billion. For those with lead drug candidates in the Preclinical/ IND phase of development, the average transaction value was $0.58 billion. Comparable Company transactions for Phase I peer group had an average transaction value of $0.67 billion. Similarly, the average transaction values for ANAVEX'S Phase II and III peer companies averaged $0.50 billion and $0.52 billion respectively.

Implications: Within approximately 32 months, three of ANAVEX'S lead drug candidates should be entering Phase II clinical trials, at which point the Company's pipeline will be as mature as that of the average comparable company in our analysis. We therefore expect that, within three years, ANAVEX should bear an intrinsic value of approximately $0.5 billion, which is in line with the average of its immediate peer group. This is consistent with our comparative Technology Value Analysis above, which showed technology values averaging $0.41 billion for companies with such a profile.

When we discount this implied intrinsic value for three years at a rate of 55%, we arrive at a current estimate of the intrinsic value of ANAVEX of $135 million, which equates to $6.92 per share.

COMMENT: *Until recently there has been speculation that "Big Pharma" would not enter into large deals for preclinical drug development programs. The recent $1.4 billion antibody development partnership between OncoMed and GlaxoSmithKline has dispelled any such notion. Large pharmaceutical companies facing stiff competition and the need to fill product pipelines have a great appetite for strategic technologies such as that of ANAVEX, with robust applications and the potential for multiple products.*

C. Risk Adjusted Net Present Value (rNPV) Analysis*

Using the Risk Adjusted Net Present Value (rNPV) methodology, eResearch has examined the expected future cash flows from success throughout the FDA approval process, beyond New Drug Approval application and into successful marketing and distribution for each prospective drug in the pipeline. We then weighted these expected future cash flows by the probability of success at each stage of the process, and discounted them at a rate of 15% to arrive at an estimate of the rNPV of each of the drug candidates in the pipeline.

We first applied the technique to derive a valuation for each of the drug candidates in the ANAVEX product pipeline, and then aggregated those values to arrive at a risk-adjusted estimate of the valuation of the entire pipeline.

As the drug candidates move through the development process, risk is increasingly mitigated. The sum of the rNPVs for the product pipeline represents an estimate of the aggregate intrinsic value of ANAVEX at each successive year in the regulatory, marketing and distribution process.

COMMENT: * *The rNPV valuation method was developed by Jeffrey J. Stewart (J. Stewart. Biotechnology Valuations for the 21st Century. Milken Institute Policy Brief 2002. In press; J. Stewart et al. Putting a Price on Biotechnology. Nature Biotechnology 2001. 19:813).*

Analysis: The table below shows the calculated rNPV for each of ANAVEX's drug candidates for each of the next five years of clinical trials.

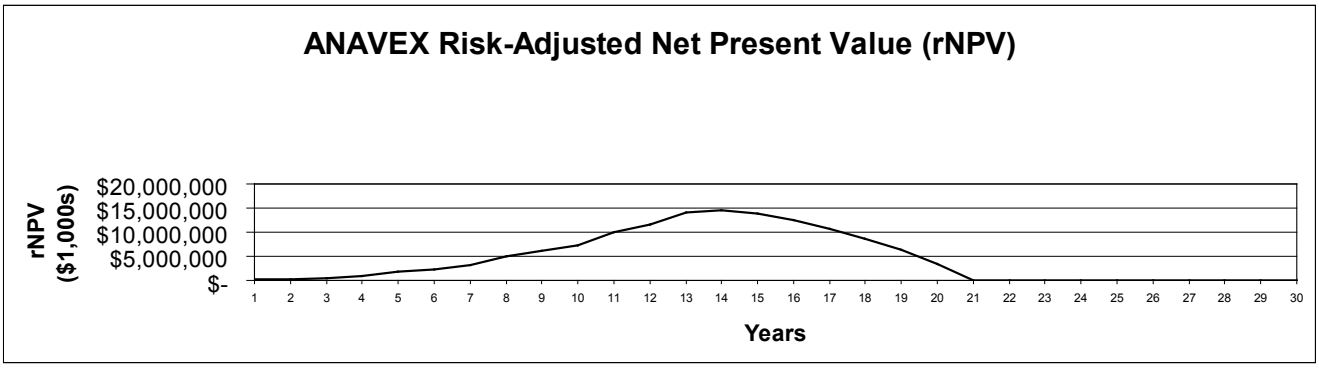
Table 8: ANAVEX Pipeline rNPV Valuation Summary (US $1,000's)

		Year	1	2	3	4	5
ANAVEX 1-41	Alzheimer's		26,895	40,801	105,512	152,373	210,946
ANAVEX 2-73 & ANAVEX 19-144	Epilepsy		41,221	122,823	179,864	293,284	650,707
ANAVEX 11-141	Depression		23,760	27,669	40,205	102,478	216,977
ANAVEX 7-1037 & ANAVEX 8-142	Solid Tumors (colon)		19,033	72,654	129,812	177,251	395,268
ANAVEX 27-1041	Solid Tumors (prostate)		3,348	5,593	8,471	40,348	59,859
ANAVEX 30-1022 & ANAVEX 40-1042	Solid Tumors (breast)		11,338	17,846	31,301	121,137	140,795
ANAVEX 28-1078 & ANAVEX 35-3016	Solid Tumors (lung)		8,755	13,885	24,469	94,947	138,346
Total Pipeline			**$ 134,350**	**$ 301,271**	**$ 519,638**	**$ 981,822**	**$ 1,812,904**
Total Shares Outstanding (000s)			**19,200**	20,600	22,100	24,100	26,600
Implied Intrinsic Value per Share (US$)			**$ 7.00**	**$ 14.62**	**$ 23.51**	**$ 40.74**	**$ 68.15**

Source: eResearch

The following graph shows the aggregate rNPV for ANAVEX at each year of pipeline development. As the drug candidates move through the drug development process, risk is increasingly mitigated, and the corresponding intrinsic value of ANAVEX's pipeline increases. Our analysis shows that, should all of the drug candidates successfully move through development - given the size of their respective markets and successful market penetration - within 14 years the portfolio would have an intrinsic value approaching $15 billion. (Assumes achieving projected market share levels with requisite strategic marketing and distribution - best achieved through strategic partnership with a large pharmaceutical company)

Figure 2: ANAVEX Risk-Adjusted Net Present Value (rNPV)



Source: eResearch

Parameters: Our model depends upon the following assumptions:

- The probability of each drug candidate's ultimate success at each phase of clinical trials and FDA approvals;
- Time intervals between milestones of the approval process;
- The projected revenue stream for each candidate drug, which in turn depends upon:
- The size and rate of growth of the respective markets;
- Patient population and growth;
- Projected achievable market share after NDA approval and full product launch;
- Compliance rates for each treatment regime;
- Revenue per treatment;
- Projected clinical trials/R&D, marketing, manufacturing and regulatory costs.

Most of these parameter value ranges are empirically well-known, and *e*Research has used estimates at the more conservative end of those ranges.

VALUATION CONCLUSION

*e*Research has derived an intrinsic value for the shares of ANAVEX using three valuation methodologies, the results of which are shown in the table below.

Table 9: Valuation Summary

	Intrinsic Value	
	2008	**2011**
A. Technology Value Peer Comparison Analysis*	**$111**	**$412**
B. Comparable Company Transaction Analysis*	**$135**	**$501**
C. Risk Adjusted NPV Analysis (rNPV)*	**$134**	**$520**
Average	**$126**	**$478**
Shares Outstanding (mm)	**19.5**	**22.1**
Implied Intrinsic Value	**$6.48**	**$21.61**

** $US Millions*

2008 estimates for both A and B are calculated by discounting 2011 value for three-years at a rate of 55%

Source: eResearch

We are therefore setting our 12-month price target for the shares of ANAVEX at US$6.50 per share, and our corresponding three-year price target at US$21.60 per share.

MILESTONES

ANAVEX's drug development plan and upcoming milestones are as follows:

Table 10: Anavex Development Plan And Upcoming Milestones

		YEAR			
Compound		**2008**	**2009**	**2010**	**2011**
ANAVEX 1-41	Alzheimer's	**IND/Phase I**	**Phase I**	**Phase I / II**	**Phase II**
ANAVEX 2-73 & ANAVEX 19-144	Epilepsy	**IND**	**Phase I**	**Phase I / II**	**Phase II**
ANAVEX 11-141	Depression	**Discovery**	**Preclinical**	**Preclinical**	**IND/Phase I**
ANAVEX 7-1037 & ANAVEX 8-142	Solid Tumors (colon)	**IND**	**Phase I**	**Phase I / II**	**Phase II**
ANAVEX 27-1041	Solid Tumors (prostate)	**Discovery**	**Preclinical**	**Preclinical**	**IND/Phase I**
ANAVEX 30-1022 & ANAVEX 40-1042	Solid Tumors (breast)	**Discovery**	**Preclinical**	**Preclinical**	**IND/Phase I**
ANAVEX 28-1078 & ANAVEX 35-3016	Solid Tumors (lung)	**Discovery/Preclinical**	**Preclinical**	**Preclinical/IND**	**Phase I**

Source: Company

CAPITAL REQUIREMENTS

ANAVEX expects to spend a total of $51 million to execute this development plan through 2011. ANAVEX's capital requirements needed to develop its seven lead product candidates are as follows:

Table 11: Total Capital Requirements (US$MM)

	2008	2009	2010	2011
Total R&D Costs	5.20	9.40	12.75	16.50
General & Administrative Costs	0.70	1.00	1.40	1.80
Total Annual Costs	5.90	10.40	14.15	18.30
Cumulative Costs	8.40	18.80	32.95	51.25

Source: Company

SIGMA-RECEPTORS ("σ-RECEPTORS")

Sigma: the 18th Greek alphabet letter; in mathematics, the symbol (σ) indicates the addition of the numbers or quantities indicated.

σ-receptors: Research and development of σ-receptors is relatively new. Receptors can be defined in two areas: (1) physiology - a nerve ending that is sensitive to stimuli and can convert them into nerve impulses; and (2) chemistry - a molecule, group, or site that is in a cell or on a cell surface and binds with a specific molecule, antigen, hormone, or antibody.

Ligand: an atom, molecule, group, or ion that is bound to a central atom of a molecule, forming a complex.

Two Kinds of Sigma-Receptors:

1. Sigma-receptors are of two kinds: Sigma1 (σ1) and Sigma2 (σ2).

2. σ1-receptors can play an important role in anti-depressive effects. Research has shown that σ1-receptors are involved in stress-induced patho-physiological changes, and that σ1-receptor ligands are useful for the treatment of affective disorders, particularly those considered to be treatment-resistant, such as amnesia, anxiety and depression.

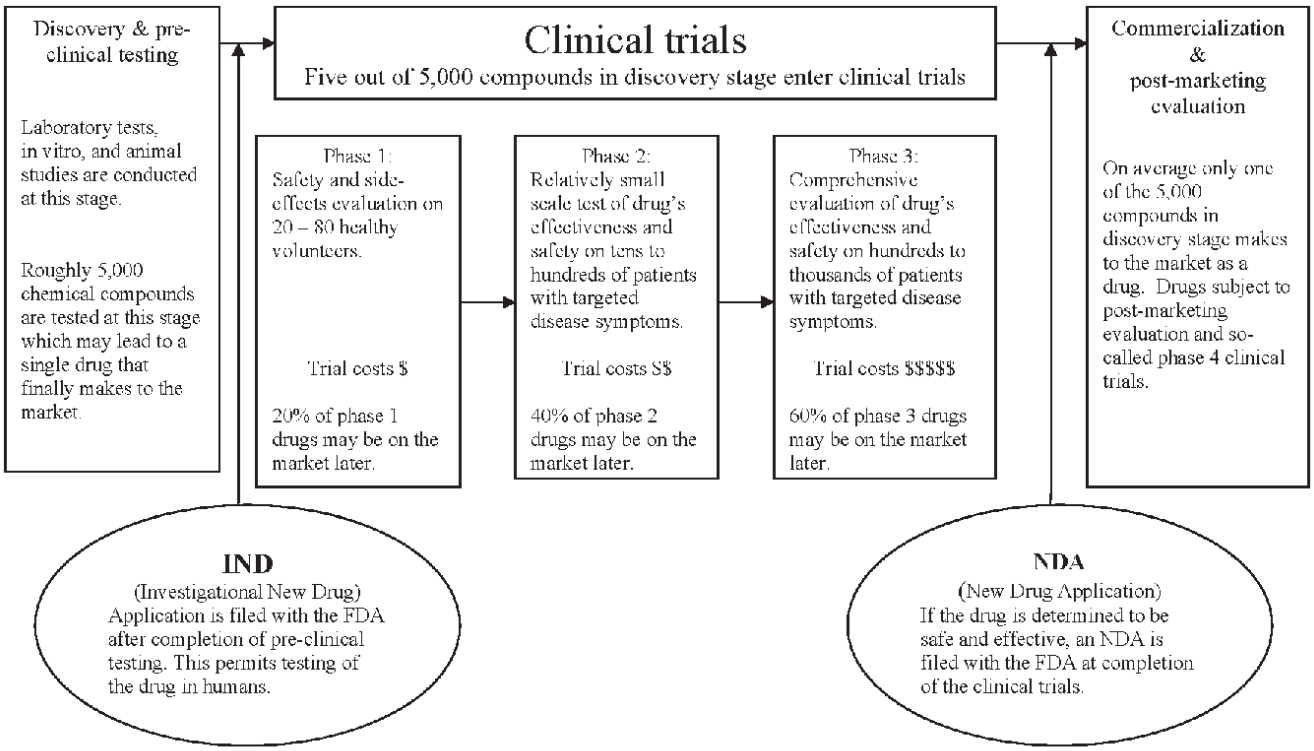
3. σ2-receptors have shown good pharmacological potential to deal with rapidly-reproducing tumors and cells. They often show up in high density in various tumor cell types. This makes them an encouraging imaging marker or cancer-selective therapeutic target.

ANAVEX and σ-receptors: ANAVEX is exploiting the opportunities presented by the unfolding knowledge base that is being acquired in research laboratories and the drug development industry regarding σ-receptors, and is applying them to its two areas of focus: central nervous system ("CNS") and cancer.

COMMENT: *ANAVEX is developing a proprietary drug discovery platform with specific screening protocols, which are designed according to certain disease targets. The goal is to identify compounds that have the potential to become an accepted, successful drug. The drug candidates generally have an affinity for σ-receptors, with anti-amnesia, neuroprotective, anti-cancer, anti-metastatic, anti-epileptic, and anti-depressive properties.*

APPENDIX I – FDA APPROVAL PROCESS

Figure 3: The Drug Discovery and FDA Approval Process



Source: FDA (2002); Lipsky and Sharp (2001)

APPENDIX II – EXECUTIVE MANAGEMENT

Panos Kontzalis, Ph.D, Chief Executive Officer, Director
Panos Kontzalis has over 38 years of extensive experience in the pharmaceutical sector. For 18 years, Dr. Kontzalis held various senior positions at Novartis Pharma, AG in Basel, Switzerland. He began his career there as Market and Business Analyst for the CNS (central nervous system) portfolio, moving to the position of Group Market and Business Analyst for transplantation, dermatology, rheumatology and cardiovascular portfolio, then Market Research and Competitive Intelligence Manager for transplantation, immunology and oncology. Dr. Kontzalis was appointed Head of the Global Market Research Department in 1998, Global Sales Forecasting Manager in 1999, Deputy Head of Global Sales Forecasting in 2003, and was Head of Global Sales Forecasting Operations until 2006.

Prior to joining Novartis Pharma, Dr. Kontzalis was Head of Marketing Services & Assistant Managing Director at Sandoz Ltd., Thailand from 1985 until 1988. Prior to this, he held several positions at Sandoz, Greece, starting as Product Manager for various OTC and Rx products, then moving to Regional Sales Manager in 1973, Head of Market Research in 1974, and serving as Assistant Managing Director until 1985. Dr. Kontzalis holds a Bachelor of Science degree in chemistry and a Ph.D. in chemistry, both from the Aristotelian University of Thessaloniki, Greece.

Alexandre Vamvakides, Ph.D., Scientific Founder, Chief Scientific Officer, Director
Alexandre Vamvakides has spent 30 years in research, focusing on the therapeutic/pharmacological areas of nootropes, anti-neurodegenerative (anti-Alzheimer), anti-epileptic, anti-depressive, and prototype molecules. Dr. Vamvakides has published over 80 scientific papers in highly respected medical/scientific journals. He has pioneered his expertise at the Institut National de la Santé et de la Recherche Medicale (INSERM) in Paris, France, the University of Athens (Greece), Ciba-Geigy (Basel, Switzerland), Sanofi (Montpellier, France), and many other research laboratories throughout Europe for the discovery and development of new concepts in the therapeutic areas of central nervous system, oncology and anti-inflammatory diseases. He holds an M.Sc. in chemistry from Bordeaux University, France, and an M.Sc. in pharmacology, an M.Sc. in biochemistry and a Ph.D. in molecular pharmacology - all from the University of Paris Medical School.

Harvey Lalach, President, Chief Financial Officer, Secretary and Director
For the past 21 years, Harvey Lalach has been involved in various aspects of the securities industry. From 1986 through to 1997, he held various roles in financial institutions such as TD Bank and BMO Nesbitt Burns. For the past 10 years, Mr. Lalach has focused exclusively on the operation and administration of numerous start-up U.S. and Canadian public companies, serving in both Director and Officer capacities. Mr. Lalach has extensive experience in the management and governance of listed public companies.

George Kalkanis, Ph.D., Vice-President, Strategic Planning
George Kalkanis has over 15 years' experience in the area of business modelling and analysis. From 1996 to the present, Dr. Kalkanis was founder and Managing Director of PROACTION LLC, providing consulting services to managerial decision makers in various sectors, primarily in banking and finance, equity markets, oil, and pharmaceuticals throughout Europe. In the pharmaceutical sector, Dr. Kalkanis has provided business forecasting and marketing analysis solutions to pharmaceutical companies, such as Novartis and Boehringer Ingelheim. Dr. Kalkanis holds a Master's degree and a Doctorate from the University of Manchester (U.K.) in the areas of information engineering, computation and applied statistics.

BOARD OF DIRECTORS

Panos Kontzalis, Ph.D. (See biography above.)
Harvey Lalach (See biography above.)
Alexandre Vamvakides, Ph.D. (See biography above.)

Dr. Cameron Durrant, MD, MBA, Director
Dr. Durrant is currently Worldwide Vice President of Virology Global Strategic Marketing at Johnson & Johnson. Before joining Johnson & Johnson, Dr. Durrant was President and CEO of Pediamed Pharmaceuticals. Dr. Durrant's background also includes executive-level positions with Merck & Co., GlaxoSmithKline and Pharmacia (now Pfizer). He was a regional winner and national finalist for Ernst & Young's Entrepreneur of the Year award in 2005. Dr. Durrant holds a MBA from Henley Management College at Oxford and a MB and BCh (equivalent to American MD degree) from the Welsh National School of Medicine in Cardiff, U.K.

APPENDIX III – SCIENTIFIC ADVISORY BOARD

Jean Jacques Bourguignon, Ph.D., Université Louis Pasteur, Faculté de Pharmacie
Jean Jacques Bourguignon has 30 years' experience in the field of medicinal chemistry, with expertise in drug design and optimization combined with expertise in both organic and physical chemistry. From 1997 until the present, he has held the position of Research Director (CNRS) at the Faculty of Pharmacy, Strasbourg-Illkrich, France. From 1982 until 1997, he pioneered his expertise as senior scientist at the Center of Neurochemistry, Strasbourg, France in the fields of ligands of GHB receptors, cyclic nucleotide phosphodiesterase inhibitors, muscarinic ligands/acetylcholinesterase inhibitors and ligands of benzodiazepine receptors. From 1981 until 1982, he was Post-Doctoral Fellow at the Department of Chemistry, State University of Buffalo, New York, U.S.A. Between 1977 and 1981, he served as research associate at the Faculty of Pharmacy, Strasbourg, France.

Dr. Bourguignon has initiated several disciplinary research programs with regards to CNS drugs at the Centre of Neurochemistry, Strasbourg, France. He has also provided original pharmacological tools, such as agonists and antagonists acting at specific receptors, and has developed new chemical methodologies in the fields of heterocyclic chemistry, peptides, peptidomimetics, and combinatorial chemistry. In 2001, he became co-founder of a start-up company, Neuro 3d, and in July 2003 was the organizer of the second French-Swiss meeting on medicinal chemistry that took place in Beaune, France. Dr. Bourguignon holds a Ph.D. in polymer physical chemistry from the University of Louis Pasteur, Strasbourg, France. His extensive medicinal chemistry experience will help optimize the Company's drug development process.

Tangui Maurice, Ph.D., Université de Montpellier II, Faculté de Pharmacie
Tangui Maurice has 15 years of solid experience in the field of neurosciences, with expertise in behavioral and molecular neuropharmacology, sigma receptors, neuropeptides, neurosteroids, neurotrophic factors, normal/pathological aging models for Alzheimer's disease and related disorders, and behavioral phenotyping of rodent models - as well as expertise in learning and memory, response to stress, depression and addiction. From 2005 until the present, Dr. Maurice has been head of team #2 at INSERM U710 at Montpellier, France. From 2004 until the present, he has held the position of second-grade CNRS research director. Between 2002 until 2005, he was a first-grade CNRS researcher at CNRS UMR 5102/FRE 2693. From 1996 until 2004, he served as a first-grade CNRS researcher. From 1992 until 1996, he was a second-grade CNRS researcher at INSERM U.336, Montpellier. In 1998, Dr. Maurice was awarded the CNRS bronze medal. From 1992 until 1993, he was a post-doctoral researcher at the Department of Neuropsychopharmacology and Hospital Pharmacy at the Meijo University, Nagoya, Japan. Between 1991 and 1992, he was a post-doctoral researcher at Jouveinal Research Institute, Fresnes, France.

APPENDIX IV – SCIENTIFIC COLLABORATIONS

Much of ANAVEX'S research activity is conducted in an 11,000-square-foot, fully-equipped laboratory that the Company leases in Athens, Greece. A group of 15 skilled researchers in the areas of medicinal chemistry, molecular biology and pharmacology works in the fields of CNS disorders and cancer. The Company has built a strong network of scientific collaborations, working with leading academic institutions in the above areas. ANAVEX, however, holds absolute control over all aspects of research and intellectual property. Moreover, ANAVEX's R&D costs are considerably less than they otherwise might be, as the Company does not need to invest in all aspects of laboratory infrastructure.

Université Montpellier II, Faculté de Pharmacie / INSERM, France: Pharmacological and molecular analysis of the neuroprotective activities of ANAVEX compounds in animal models.

Université Louis Pasteur, Faculté de Pharmacie, Strasbourg, France: For screening and synthesis of ANAVEX's potent anti-cancer and anti-inflammatory compounds.

Université René Descartes - Paris, France. Laboratoire de Pharmacologie: Exploitation of mechanisms for neuroprotective properties (Acute Ischemic Stroke).

Foundation for Biomedical Research of the Academy of Athens (IIBEAA), Division of Pharmacology & Pharmacotechnology: Investigates the mechanism of pharmacological action and examines the effects and interactions of ANAVEX's new cancer drugs in living organisms at the cellular, molecular and biochemical level (in vivo, in vitro).

Inte:ligand, Innsbruck, Austria. Technology platform for in silico High Throughput Screening, for ANAVEX's drug discovery programs and identification of new drugs through selective chemical libraries.

APPENDIX V - INTELLECTUAL PROPERTY

On February 1, 2007, ANAVEX entered into an agreement with a Director to acquire intellectual property including three patents and one additional patent application, as outlined below:

Table 12: Patents

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 and the method of 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 April4, 2003 April 4, 2023	Aminotetrahydrofuran derivatives, muscarinic/sigma/sodium channel ligands, with synergic sigma/muscarinic (neuroactivating) and sigma/sodium channel (neuroprotective) components, as prototypical activating – neuroprotectors and neuroregenerative drugs.
Patent No. 1004868/Greece	April 22, 2003 April 26, 2003 April 26, 2025	Aminotetrahydrofuran derivatives, muscarinic/sigma/sodium channel ligands, ortho-and allo-sterically operating, as prototypical neuromodulating and neuroregenerative drugs.
Patent Application No. 20070100020/Greece	January 17, 2007	New sigma (σ) receptor ligands with anti-apoptotic and/or pro-apoptotic properties over cellular biochemical mechanisms, with neuroprotective, anti-cancer, anti-metastatic and anti-(chronic) inflammatory action.

Source: Company

As consideration, the company agreed to:

1. Pay the Director a one-time payment of $72,000;
2. Pay the Director a royalty of 6% of the net income earned from the exploitation of the patent and patent application;
3. Hire the Director as a consultant to carry out the research and development program; and,
4. Invest a minimum of $200,000 per year into furthering scientific research.

APPENDIX VI: MARKET RETURNS TO CLINICAL SUCCESS

Table 13: Market Returns To Clinical Success

				Clinical Success Phase				Stock Price			Announcement Effect		
Company	Date	Disease/Technology		IND	I	II	III	Announce-ment Date	+30day	1-Year Peak	Short Term Return	Price Feb.'08	Return to Date
EXELIS Inc (EXEL: NASDAQ)													
1	Nov 8, 2006	**XL999**	**Cancer**		x			**$8.65**	**$8.99**	**$10.70**	**24%**	**$7.25**	**-16%**
2	Oct. 16, 2007*	**XL784**	**Endocrine**		F			**$11.97**	**$9.24**		**-39%**	**$7.25**	**-39%**
*Company disclosed failure 2-days after closing financing.													
MEDIVATION Inc. (MDV:AMEX)													
3	Sept. 15-21, 2006	**Dimebon**	**CNS - Alzheimer's**			x		**$5.22**	**$13.43**	**$16.40**	**214%**	**$16.18**	**210%**
XENOPORT Inc. (Nasdaq:XNPT)													
4	Sept 10, 2007	**XP19986**	**Gastroesophageal reflux**		x			**$40.37**	**$49.00**		**21%**	**$60.00**	**49%**
5	April 25, 2007	**XP13512**	**Restless legs syndrome**				x	**$28.86**	**$41.81**	**$ 54.57**	**89%**	**$60.00**	**108%**
ALNYLAM Pharmaceuticals (ALNY: NASDAQ)													
6	July 9, 2007	**Technology Platform**	**RNA interference therapeutics.**	x		x		**$15.20**	**$24.63**	**$35.43**	**133%**	**$39.51**	**160%**
GERON Corporation (GERN: NASDAQ)													
7	Mar. 14, 2003	**Telomerase Inhibitors**	**Technology Platform - Cancer**					**$1.69**	**$4.40**	**$13.40**	**693%**	**$5.00**	**196%**
ACADIA Pharmaceuticals (ACAD: NASDAQ)													
8		**ACP-103**	**Schizophrenia**				x	**$6.69**	**$15.48**	**$15.12**	**126%**	**$11.40**	**70%**
Average											**158%**		**92%**

F *Denotes Failure Announcement*

** 30-day Average*

Source: eResearch

ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that: (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

eResearch analysts on this report: Ross Deep, B.A.(Economics), MBA: Ross Deep has spent 17 years in the investment community gaining a range of experience, including options specialist at TD Securities, an investment advisor at BMO Nesbitt Burns, investment banking at both Credifinance Securities and, more recently, at James Edward Capital Corporation, a private merchant bank. His responsibilities have extended to the financial services, life sciences, technology, and communications industries.

Bob Weir, B.Sc., B. Comm, CFA. Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined *e*Research in 2004.

*e*Research Analyst Group

Director of Research: Bob Weir, B. Comm, B.Sc., CFA

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Buy:	Expected total return within the next 12 months is between 10% and 40%.
Speculative Buy:	Expected total return within the next 12 months is substantial, but Risk is High (see below).
Hold:	Expected total return within the next 12 months is between 0% and 10%.
Sell:	Expected total return within the next 12 months is negative.

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A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk:	*Financial* - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.
	Operational - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.
Medium Risk:	*Financial* - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.
	Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry
Low Risk:	*Financial* - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.
	Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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