

Due Diligence and Valuation Report

Arrowhead Code: 67-02-01
 Coverage initiated: 19 November 2014
 This document: 23 December 2014
 Fair share value bracket: \$3.83 and \$9.27
 Share price (22 Dec. 14): \$3.20ⁱ

Analysts

Snehal Mahajan
snehal.mahajan@arrowheadbid.com
 +1 (212) 619-6889

Market Data

52-Week Range:	\$3.20 - \$6.00 ⁱⁱ
Average Daily Volume:	291 ⁱⁱⁱ
Market Cap. (22 Dec. 14):	\$18.5MM

Financial Forecast (in \$) (FY ending - Dec)

\$	'14E	'15E	'16E	'17E	'18E	'19E	'20E
High NI MM	(0.3)	(1.7)	0.6	(0.8)	1.6	1.8	2.3
High EPS	(0.04)	(0.3)	0.10	(0.13)	0.27	0.31	0.39
Low NI MM	(0.3)	(1.7)	(1.3)	(1.6)	(0.2)	0.5	0.5
Low EPS	(0.04)	(0.30)	(0.22)	(0.28)	(0.04)	0.08	0.09

Company Overview: Incorporated in 2012, Accurexa Inc. (hereinafter referred to as "Accurexa" or "the Company") is a development stage medical device company with an objective to develop and commercialize novel therapies for neurological disorders by using its medical device technologies. The Company has entered into exclusive licensing agreement with University of California San Francisco (UCSF), with effect from September 16, 2014, for a medical stereotactic device for the delivery of therapeutics to the human brain, known as BranchPoint device. The Company is planning to file 510(K) FDA application in Q1 2015. The Company expects to generate some near term revenue from sale of device for clinical stem cell trials upon FDA approval. The Company is also working towards developing proprietary therapeutic products that they can seek a partner to collaborate for further development and commercialization.

9MFY2014: Since the Company is still developing its in-licensed device for approval, it has not earned any revenue during 9MFY2014 period. The Company registered an operating loss of \$0.59MM in 9MFY2014 due to a Research and Development (R&D) expense of \$0.49MM and other expenses of \$0.1MM. Net Loss during 9MFY2014 was \$0.59MM. As on September 30, 2014, the Cash and Cash equivalent stood at \$0.74MM.



Company: Accurexa Inc.
 Ticker: OTCQB: ACXA
 Headquarters: San Francisco, US
 President, CEO, Director: Mr. George Yu
 Chairman, Director: Mr. Anchie Kuo
 Director: Mr. Luc Meyer
 Website: www.accurexa.com

Innovative Product, 'BranchPoint' - Overcomes The Blood Brain Barrier

Arrowhead is initiating coverage on Accurexa Inc. with a fair value bracket of \$3.83 (Low-Bracket estimate) and \$9.27 (High-Bracket estimate).

Key Highlights: (1) Growing Global Stem Cell market is expected to augur well for the BranchPoint device; (2) Increasing number of Parkinson's and Brain Cancer patients to drive demand for the device; (3) Innovative product that enables delivery of chemotherapeutics to large, complex targets in the brain through single penetration as well as stem cell-derived neurons for the treatment of Parkinson's disease; (4) The device is also designed in a way to supplement existing, reimbursed procedures, e.g. Deep Brain Stimulation; (5) Accurexa has successfully obtained exclusive rights for the BranchPoint technology from UCSF with a working commercial prototype to develop, manufacture market and sell the BranchPoint device; (6) The Company has also signed a Letter of Intent (LOI) with a stem cell manufacturer to develop stem cell treatment for Parkinson's and is in the process of initiating a Brain Cancer Program (7) The Company expects to file the 510(k) FDA application by Q1FY2015 (8) The Company has a strong product development team and an experienced management team along with a strong support from the scientific advisory group of UCSF.

Key Risks: Key risks include the uncertainty related to successful clinical trials, risk of the product being readily accepted by the market and absence of revenue.

Valuation and Assumptions: On the basis of due diligence and valuation estimates, Arrowhead believes that Accurexa's fair share value lies in the \$3.83 to \$9.27 bracket using Discounted Cash Flow (DCF).^{iv} Based on the Risk Adjusted Net Present Value (rNPV) peak sales method, the fair value lies in the \$3.64 to \$9.12 bracket. We have assumed that the Company will be able to generate revenue for the Brain Cancer indication from 2020 onwards and from 2025 onwards for the Parkinson's indication. The rNPV for the Brain Cancer and Parkinson's indication is \$11.9MM and \$18.6MM, respectively.

Table of Contents

1. SUMMARY AND OUTLOOK	3
2. BUSINESS OVERVIEW.....	4
2.1 Product Offering.....	4
2.2 Brain Cancer Program and Parkinson’s Stem Cell - Programs	5
2.3 Exclusive License Agreement – Microinjection Brain Catheter	5
2.3 Company Premiums.....	6
2.4 Company Risks	6
2.5 Corporate Strategy.....	6
2.6 Accurexa’s Shareholding Pattern.....	7
2.7 Listing and Contact Details	7
3. KEY VARIABLE ANALYSIS	8
3.1 Variable 1 – Revenue from Brain Cancer Treatment.....	8
3.2 Variable 2 – Revenue from Parkinson’s Treatment	8
3.3 Variable 3 – Revenue from Upfront, Milestone and Sales Milestone Payments – Brain Cancer.....	8
3.4 Variable 4 – Revenue from Upfront, Milestone and Sales Milestone Payments –Parkinson’s.....	8
4. NEWS	9
5. MANAGEMENT AND GOVERNANCE	9
6. TECHNOLOGIES AND MARKETS.....	10
6.1 Interventional Magnetic Resonance Image (iMRI).....	10
6.2 Industry Overview.....	10
6.2.1 Parkinson’s Disease	10
6.2.2 Deep Brain Stimulation Devices Market (DBS)	11
6.2.3 Brain Cancer.....	11
6.2.4 Stem Cell Market.....	11
7. VALUATION	12
7.1 Discounted Cash flow Method.....	12
7.2 NPV method based on peak sales	15
7.3 Project NPV	16
7.3.1 Brain Cancer.....	16
7.3.1 Parkinson’s.....	17
8. APPENDIX	18
8.1 Accurexa’s Balance Sheet Forecast.....	18
9. ANALYST CERTIFICATIONS	22
10. NOTES AND REFERENCES	23

1. Summary and Outlook

We are initiating coverage on Accurexa, headquartered in San Francisco, California, a development stage medical device company involved in development and commercialization of novel therapies for neurological disorders by using its medical device technologies.

Key Highlights:

(1) The demand for Accurexa's BranchPoint device is expected to increase amidst growth in Global Stem Cell Market. Major factors that are driving the stem cell therapies market include increasing funding from governments and private organizations towards stem cell research as well as growing global awareness about stem cell therapies.^v

(2) BranchPoint's primary applications are in the Brain Cancer and Parkinson's disease market. Roughly 60,000 people are diagnosed with Parkinson's disease and around 16,000 with malignant Brain Cancer in the US each year.^{vi}

(3) The BranchPoint device is an innovative product that enables delivery of chemotherapeutics to large, complex targets in the brain (i.e. tumor sites) as well as stem cell-derived neurons for the treatment of Parkinson's disease. Post FDA approval, it is expected to be priced at \$4,000 per disposable device per procedure.

(4) The device is also designed in a way to supplement existing, reimbursed procedures, e.g. deep brain stimulation (A neurosurgical procedure which includes the implantation of a medical device named a brain pacemaker, that transmits electrical impulses via implanted electrodes, to specific parts of the brain (brain nucleus) for the treatment of movement and affective disorders), this would in turn lower procedure costs.

(5) Accurexa has successfully obtained licensed global exclusive rights to the BranchPoint technology from UCSF with a working commercial prototype. Under the UCSF License, the Company has to develop, manufacture market and sell the BranchPoint device, and have been granted the right to sublicense to third parties.

(6) The Company has also signed a LOI with a stem cell manufacturer to develop stem cell treatment for Parkinson's and is in the process of initiating a Brain Cancer Program.

(7) The Company expects to file the 510(k) FDA application by Q1FY2015. The Company is expecting to earn some near term revenue from product sales to clinical stem cell trials once they receive the FDA approval.

(8) The Company has a strong product development team, experienced management team and has support from the scientific advisory group of UCSF as well. The Company's management has significant years of experience in a wide range of areas that include healthcare, diagnostics, venture capital, experience in Convection Enhanced Delivery (CED) of therapeutics to brain tumor and Parkinson's disease patients, MR imaging, pioneered MRI implantation system for the delivery of deep brain stimulator electrodes and administration of therapeutics, neural stem cell therapies, brain tumors and stereotactic neurosurgery.

(9) Currently, around 20 companies are developing 42 neural stem cell trial programs representing an addressable potential market size of US\$5MM. Applying an 66% probability of success and assuming a 33% market share, this can convert into a market potential of around US\$1MM for Accurexa. (Refer Appendix: Exhibit 24)

Key risks: Key risks include the uncertainty related to successful clinical trials, risk of the product being readily accepted by the market and the most significant one being the absence of revenue for the Company. However, it is important to note that upon FDA approval, the Company's BranchPoint device is expected to generate significant revenue on the back of a large and addressable potential market.

Industry Overview: The Company primarily has applications in both Brain Cancer and Parkinson's disease. According to Research and consulting firm, GlobalData, as the occurrence of Parkinson's disease continues to grow due to an ageing population, its treatment market value is expected to increase from \$3.6B in 2012 to \$5.3B by 2022, at a Compound Annual Growth Rate (CAGR) of 4%.^{vii} According to the Parkinson Disease Foundation (PDF), it has been estimated that approximately 10MM individuals globally and more than one million Americans are suffering from Parkinson's disease. It has also been estimated that approximately 60,000 people are diagnosed with Parkinson's disease in the U.S. each year.

According to 'The Central Brain Tumor Registry' of the US, over the last 30 years, the incidence of primary malignant Brain Cancer has been increasing by about 1.2% each year. As per American Cancer Society's publication, Cancer Facts Figures 2014, an estimated 23,380 adults (12,820 men, 10,560 women) in the US would be diagnosed with primary cancerous tumors of the brain and spinal cord. The report estimates that 68,470 new cases of primary malignant and non-malignant brain and CNS tumors are expected to be diagnosed in the US in 2015.^{viii} According to a report by RnRMarketResearch.com, the global stem cell research market is estimated to be \$3.22B, and the stem cell therapies market to be \$3.31B, for a total of \$6.53B.^{ix} According to Transparency Market Research "Deep Brain Stimulation Devices Market for Parkinson's Disease - Global Industry Analysis, Size, Share, Growth, Trends and Forecast, 2014 - 2020" the global deep brain stimulation devices market for Parkinson's disease was valued at \$1.79B in 2013 and is expected to grow at a CAGR of 8.9% over 2014-2020, to reach an estimated value of \$3.21B in 2020.^x

2. Business Overview^{xi}

Founded in August 2012 and based in San Francisco, California, Accurexa Inc. is listed on the OTC Markets group in US. The Company is a development stage medical device company with a purpose to develop and commercialize novel therapies in the treatment of brain disorders by applying innovative technology for the direct anatomic delivery of therapeutics to the benefit of patients. The Company till date has one in-licensed product design, i.e. BranchPoint.

On September 16, 2014, the Company entered into an exclusive licensing agreement 'USFC License' of a medical stereotactic device for the delivery of therapeutics to the human brain, characterized as 'Microinjection Brain Catheter' or also known as BranchPoint Radially Branched Deployment 'BranchPoint' device with the Regents of the University of California acting through its Office of Innovation, Technology, and Alliances, University of California San Francisco 'UCSF'. Beyond the delivery of stem cells, the platform technology of the BranchPoint device can also enable the delivery of cellular therapeutics, gene therapies, drug and drug infusions, as well as the placement of electrodes for deep brain stimulation into the human brain. Under the UCSF License, the Company has to develop, manufacture market and sell the BranchPoint device, and have been granted the right to sublicense to third parties. The Company expects to file the 510(k) application by Q1FY2015. The device mainly possesses two distinct applications namely in the Brain Cancer and stem cell categories. Patients suffering from Parkinson's disease also constitute the potential market size for the product.

For the Brain Cancer indication, the Company could receive orphan drug status given the small size of the patient population of approximately 15,000 patients per year. The orphan drug status restricts other companies to market the product for seven years providing an added advantage to Accurexa Inc.

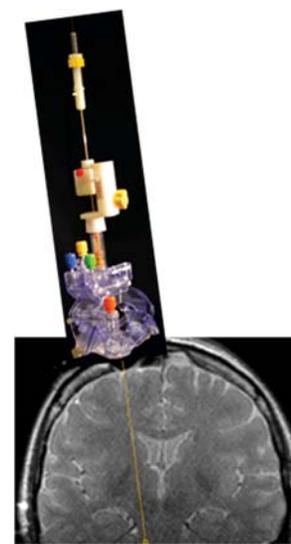
As of September 30, 2014, the Company had \$0.74MM in cash and cash equivalents on their balance sheet. To fund the further development of its products, the Company is actively seeking additional capital investment and a strategic partners. As the Company is in development stage, the Company intends to raise a minimum of \$500,000 and a maximum of \$2,500,000 in the next twelve months to fund its development activities.

Around 20 companies are currently developing 42 neural stem cell trial program (Pre-clinical – Phase 2) representing an addressable market potential of \$5MM. Around 1,240 patients could be registered in those stem cell trials for treatment of diseases such as Alzheimer, Amyotrophic Lateral Sclerosis, Cerebral Palsy, Hereditary Ataxias, Huntington's, Ischemic, Multiple Sclerosis, Parkinson's, Spinal Cord Injury, and Traumatic Brain Injury. Assuming a 66% success rate and that Accurexa successfully captures a market share of around 33%, Accurexa could treat around 270 of these patients. The expected price for the device in the market is estimated to be around \$4,000 converting this into a revenue potential of around \$1.08 MM for Accurexa. (Refer Appendix: Exhibit 24)

2.1 Product Offering^{xii}

Due to its blood-brain barrier, and the delicate nature and complex anatomy of the Brain, it is difficult to deliver therapeutics to complex targets within the brain. The Company's BranchPoint device with its innovative technology overcomes the blood brain barrier for the direct anatomic delivery of therapeutics to the benefit of patients. Earlier, devices used for cell delivery needed multiple penetrations with limited anatomic targeting resulting in higher risk, increased trauma and reduced efficacy. However, BranchPoint offers the ability to deliver therapeutics to large, complex targets in the brain through a single penetration; thus minimizing the risk of a hemorrhagic stroke. The product has simple and intuitive controls and can be used for human brain. It is also designed to supplement existing reimbursed procedures, e.g. Deep Brain Stimulation, which in turn reduces the procedure costs for the product.

Interventional Magnetic Resonance Image (iMRI) is a new technology that enables real-time imaging of stereotactic neurosurgical procedures. This technology facilitates Radically Branched Deployment of BranchPoint - based delivery to anatomically large and/or complex brain target regions, as the delivery can be monitored with real-time imaging, and at the same time transgression of critical brain structures can be more precisely avoided. Thus, the iMRI-guided BranchPoint device leverages advances in material sciences, modern imaging and neurosurgery.





The 5 steps involved in the IMRI-guided BranchPoint process are,

- 1) Make a hole in the skull
- 2) Mount targeting platform
- 3) Obtain MRI
- 4) Plan and Target Initial Trajectory
- 5) Adjust initial trajectory and perform BranchPoint cell delivery

2.2 Brain Cancer Program and Parkinson's Stem Cell - Programs^{xiii}

Under the Brain Cancer program, Accurexa offers BranchPoint device that is used for the direct anatomic delivery of approved, generic chemo therapeutics such as 5-FU or Ara-C to the brain. The Company possesses licensed global exclusive rights to the BranchPoint technology with a working commercial prototype. It also expects to file the 510(k) FDA application for BranchPoint in the first quarter of 2015.

With respect to the Parkinson's stem cell program, the Company offers the BranchPoint device that can deliver stem cells for treatment of Parkinson's. It is a capital intensive and a high reward program. The Company has signed a LOI with a stem cell manufacturer to develop stem cell treatment. The stem cell manufacturer previously provided human stem cell-derived dopaminergic neurons for the successful preclinical testing of BranchPoint in pigs. They own the process to expand iPS cells into neural stem cells that then can be differentiated into adult cells for Parkinson's or other disorders. Human dopaminergic stem cells originate from an iPSC (induced Pluripotent Stem Cells) cell line that is manufactured under cGMP. The Company expects to commence the Phase 1 trial with iPS cells post a 12-15 month scale-up. The Company plans to raise \$1.5MM to scale up and another \$5MM for the Phase 1 trial.

2.3 Exclusive License Agreement – Microinjection Brain Catheter

Accurexa has entered into an exclusive license agreement, effective September 16, 2014 with The Regents of the University of California, for exclusive licensing of a medical stereotactic device (BranchPoint) for the delivery of therapeutics to the human brain. The BranchPoint device was developed under funding from the California Institute for Regenerative Medicine (CIRM) and sponsored in part by the National Institutes of Health (NIH).

As per the UCSF License, the Company has to do the following,

- 1) Market the BranchPoint device for research use within three months from the Effective Date;
- 2) Sell the BranchPoint device for research use within 12 months of the Effective Date;
- 3) File and finalize any necessary regulatory documentation for FDA 510(k) approval within 6 months after the 510(k) application has been filed;
- 4) Market the BranchPoint device for clinical use within 6 months of receiving market approval from FDA or equivalent foreign regulatory agency;
- 5) Sell the BranchPoint device for clinical use within 12 months of receiving market approval from FDA or equivalent foreign regulatory agency;
- 6) Raise at least \$750,000 in funding or revenue within 1 year of the Effective Date,;
- 7) Market the BranchPoint device in the US within 6 months of receiving approval from the FDA;
- 8) Use commercially reasonable efforts to fill the market demand for the BranchPoint device following commencement of marketing;
- 9) The Company is also required to pay UCSF, 35% of the Net Sales or any Sublicense Royalty as defined therein, and a non-refundable license issue fee of \$50,000

2.3 Company Premiums^{xiv}

- **Innovative Product Offering:** The human brain presents significant hurdles to delivery of cell therapeutics primarily because of its blood–brain barrier, delicate nature, and complex anatomy. Although, recent research has been focused on improving the quality and quantity of human cell types for transplantation, innovation with respect to the surgical tools and techniques used for cell delivery to the human brain has been lacking. The Company's BranchPoint device with its innovative technology overcomes the blood brain barrier for the direct anatomic delivery of therapeutics to the benefit of patients. Another important advantage that the product offers includes its ability to deliver to large, complex targets in the brain through single penetration; this minimizes the risk of a hemorrhagic stroke. It is also designed to supplement existing reimbursed procedures, e.g. deep brain stimulation, which in turn reduces the procedure costs for the product.
- **Strong and Experienced Management:** The management team of Accurexa has significant years of experience in a wide range of areas that include healthcare, diagnostics, venture capital and administration of therapeutics. The Company's Board of Directors also has over 25 years of experience in healthcare, diagnostics, medical devices and drug delivery, establishing, support of regulatory FDA submissions, and new product launches. Its scientific and clinical advisors possess about 20 years of experience in CED of therapeutics to brain tumor and Parkinson's disease patients, MR imaging, pioneered MRI implantation system for the delivery of deep brain stimulator electrodes and administration of therapeutics, neural stem cell therapies, brain tumors and stereotactic neurosurgery.

2.4 Company Risks^{xv}

- **Risk Associated with Conducting Successful Clinical Trials:** Accurexa Inc., being an early development stage company possesses limited resources and is mainly dependent on conducting successful clinical trials and raising additional capital. With insufficient cash and cash equivalents of \$748,070 (as on September 30, 2014), the Company estimates that it would need approximately \$9 to \$10 MM over the next four to five years in order to complete its clinical trials. Raising these funds is highly dependent on the outcome of the Company's clinical trials. This exposes the Company to risk of not being able to generate sufficient capital resources to fund the various stages involved in the development of its product.
- **Absence of a Significant Source of Revenue:** The Company is primarily a development stage company and currently does not have any significant source of revenue. Delay in revenue generation could be a result of failure to obtain regulatory approvals for the product, failure of the product to pass safety and efficiency concerns listed by the authorities, delays in development programs, unacceptability of the product in the marketplace by physicians or patients, inability to manufacture products in commercial quantities at an acceptable cost, technological change that would lead to product obsolescence etc. Any of the above scenarios would delay cash flow generation and payments to its creditors and investors, thereby placing the Company in a risky position.
- **Risk Associated with Market Acceptance:** Even if Accurexa obtains the required regulatory approval, the Company faces risks in the form of market acceptance of its product. The degree of market acceptance of the product would be a result of a number of factors including the perceived effectiveness of the product, cost and convenience of its usage, availability and adequacy of third-party coverage or reimbursement, acceptance of competing products, potential benefits of competing products and procedures, and coverage and success of the Company's sales and marketing programs. Apart from the above mentioned factors, the Company also faces issues with respect to acceptance of the product from the physician community as they are often skeptical of new products and technologies.

2.5 Corporate Strategy

- **Product Development:** The Company plans to develop the BranchPoint device for the delivery of chemotherapeutics. They plan to start with preclinical trials for treatment of Brain tumors in animals. Eventually they plan to initiate few human brain tumor trials as well.
- **Commercial:** The Company plans to file the 510(k) FDA application for BranchPoint in the first quarter of 2015. Upon receiving approval, they plan to initiate sales for clinical stem cells trials. Their initiative is likely to generate opportunity for near-term revenue. The Company plans to find strategic partners to commercialize the BranchPoint product for both the indications i.e. Brain Cancer and Parkinson's.

- **Business Development:** The Company has signed a LOI with a stem cell manufacturer to develop stem cell treatment for Parkinson’s disease while for the Brain Cancer Program the Company is in the process of initiating a development program. In the long term, the Company also plans to get listed on NASDAQ.

2.6 Accurexa’s Shareholding Pattern

Accurexa’s total basic shares outstanding as of November 10, 2014 were 5.8MM, with the following shareholding pattern.

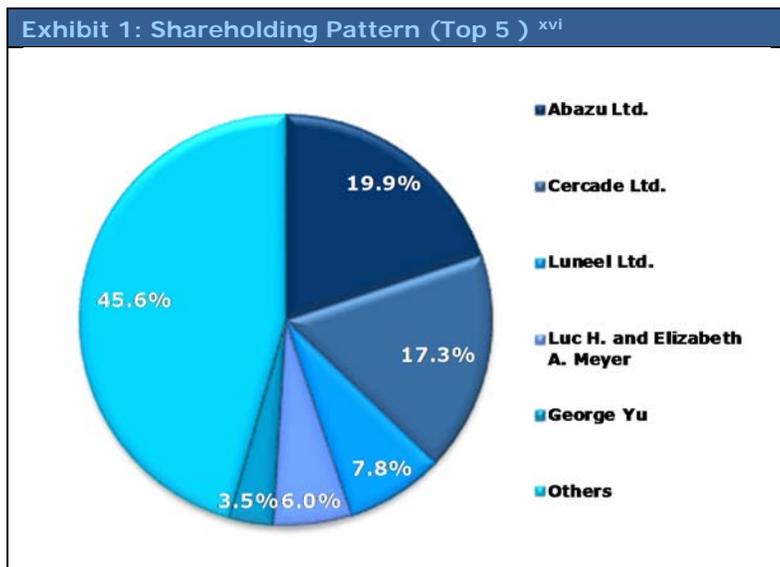


Exhibit 2: Shareholding Pattern^{xvii}

Shareholders	No. of Shares	% of total
Abazu Ltd.	1,150,000	19.9%
Cercade Ltd.	1,000,000	17.3%
Luneel Ltd.	450,000	7.8%
Luc H. and Elizabeth A. Meyer	350,000	6.0%
George Yu	200,000	3.5%
Others	2,636,816	45.6
Total Shares Outstanding	5,786,816	100%

2.7 Listing and Contact Details

Accurexa is listed on OTC (Ticker: OTCQB: ACXA, Date of Listing – 17th September 2014)

Contacts: 201 Spear Street, Suite 1100, San Francisco, CA 94105

Email ID: Info@accurexa.com

Phone: +1 (415)-494-7850

3. Key Variable Analysis^{xviii}

3.1 Variable 1 – Revenue from Brain Cancer Treatment

Revenue from the Company's Brain Cancer indication could start by 2020 which is likely to peak by 2025. The revenue estimates are based on number of Brain Cancer patients in US. It is assumed that Brain Cancer patients in US are growing at an annual rate of 1.2%. It is also assumed that only 15% of these Brain Cancer patients take treatment. Considering that Accurexa will be able to successfully tie up with a strategic partner for commercialization of the product, Arrowhead estimates that Accurexa through its partner will be able to capture a market share of around 32% to 35% by 2025. Further, applying a royalty percentage of 10%-15%, the estimated revenue generated would be as follows,

Exhibit 3: Revenue from Brain Cancer indication											
USD '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Low estimate	290	590	800	1,119	1,293	1,683	1,498	1,415	1,328	1,238	1,145
High estimate	870	1,659	2,250	2,861	3,491	4,143	3,852	3,428	3,238	3,040	2,834

3.2 Variable 2 – Revenue from Parkinson's Treatment

Revenue from the Company's Parkinson's indication could start by 2025 which is likely to peak by 2030. The revenue estimates are based on number of Parkinson's patients in US. It is assumed that Parkinson's patients are growing at an annual rate of 2.5%. It is assumed that only 15% of these patients take treatment. Considering that Accurexa will be able to successfully tie up with a strategic partner for commercialization of the product, Arrowhead estimates that Accurexa through its partner will be able to capture a market share of around 27% to 29% by 2030. Further, applying a royalty percentage of 10%-12%, the estimated revenue generated would be as follows,

Exhibit 4: Revenue from Parkinson's indication						
USD '000	2025E	2026E	2027E	2028E	2029E	2030E
Low estimate	3,543	4,607	5,752	6,649	7,609	9,715
High estimate	7,936	9,435	12,270	14,042	9,297	20,035

3.3 Variable 3 – Revenue from Upfront, Milestone and Sales Milestone Payments – Brain Cancer

According to Arrowhead estimates, the expected deal value for medical device used for Brain Cancer treatment lies between US\$20MM – US\$28MM.

Exhibit 5: Revenue from Upfront, Milestone and Sales Milestone Payments –Brain Cancer					
USD '000	2016E	2017E	2018E	2019E	Estimated Deal value (000)
Low estimate	4,000	6,500	7,500	2,000	US\$20,000
High estimate	7,000	8,000	10,000	3,000	US\$28,000

3.4 Variable 4 – Revenue from Upfront, Milestone and Sales Milestone Payments –Parkinson's

According to Arrowhead estimates, the expected deal value for medical device used for Parkinson's treatment lies between US\$30MM – US\$40MM.

Exhibit 6: Revenue from Upfront, Milestone and Sales Milestone Payments – Parkinson's										
USD '000	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	Estimated Deal value (000)
Low estimate	2,500	3,000	3,000	4,500	4,500	5,000	5,000	1,000	1,500	US\$30,000
High estimate	3,000	3,500	3,500	5,500	6,500	6,500	7,000	2,000	2,500	US\$40,000

4. News^{xix}

- **Accurexa Verified for trading on OTCQB®:** On December 10, OTC Markets Group Inc., announced that Accurexa, is verified for trading on OTCQB®, the venture marketplace for entrepreneurial and development stage companies, effective December 10, 2014.^{xx}
- **Accurexa Signed Exclusive License Agreement with U.S. San Francisco:** On November 24, 2014, Accurexa announced that it signed an exclusive license agreement with the University of California, San Francisco (UCSF). The agreement was signed in regards to the exclusive global licensing of a medical stereotactic device, a technology that could improve the delivery of stem cells into the human brain. Additionally, UCSF device also enables the delivery of cell-based therapeutics, gene therapies, and traditional drugs and drug infusion into the brain. The device was developed by a research team under Dr. Daniel Lim at UCSF and study was supported by a grant of \$1.8 MM from the California Institute for Regenerative Medicine (CIRM). The device is expected to be beneficial to surgeons by giving them more precise control of the volume of cells delivered and ensures that the cells stay in the brain.

5. Management and Governance

The management team includes an exceptionally experienced professional having significant management and consulting experience in the fields management & corporate development, and financial advisory. The management team is expected to be expanded with the initiation of therapeutic development programs.

Exhibit 7: Management Team			
Name	Age	Designation	Background
Mr. George Yu	41	CEO, President, Principal Financial Officer, Principal Accounting	<ul style="list-style-type: none"> • He holds a Medical Doctor degree from the University of Tuebingen, Germany, and an MBA in Finance & Economics from Columbia Business School • He has significant experience of 15 years in the field of management and corporate development • Founded in 2012, he has been serving the Company as the Principal Financial Officer and Principal Accounting Officer • In the past, he had served companies such as Sitoa Global, Inc; Bay2peak S.A.; Bay2peak strategies, Ltd.; and various management consulting firm such as Bain & Company; Lehman Brother

6. Technologies and Markets

6.1 Interventional Magnetic Resonance Image (iMRI)

iMRI is recent technology that helps in real time imaging of stereotactic neurosurgical procedures. It makes use of Magnetic Resonance Imaging (MRI) to do interventional radiology procedures. This process does not have any harmful effects on the patients and hence is preferred by doctors for interventional radiology. Images are generated on real time basis and hence they can be used to guide a minimally-invasive procedure intraoperative and/or interactively. MRI technology uses a magnetic field to non-invasively produce cross sectional images, based on the distribution of water and lipids within tissues, of structures inside the body.

Neurosurgeons use this technology for image guided surgery to optimize lesion localization and surgical planning. Such kind of navigation technology have become an important part of many medical procedures. The precision of stereotactic navigation systems depends on 1) Preoperative image quality; 2) Inherent technical accuracy of the system; 3) The accuracy of the registration process, which projects the three dimensional preoperative images onto the corresponding anatomy of the patient; and 4) The maintenance of consistent alignment between the coordinate systems, in both real and virtual space, and the patient's.

6.2 Industry Overview^{xxi}

6.2.1 Parkinson's Disease

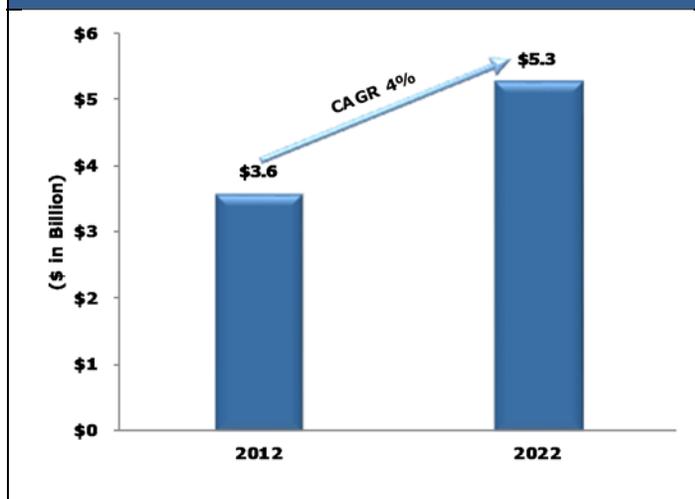
Parkinson's disease is a degenerative disorder of the central nervous system. Parkinson's disease belongs to a group of conditions called movement disorders. The four main symptoms are tremor, or trembling in hands, arms, legs, jaw, or head; rigidity, or stiffness of the limbs and trunk; bradykinesia, or slowness of movement; and postural instability, or impaired balance. Parkinson's disease occurs when nerve cells, or neurons, in the brain die or become impaired. Wide range of options is available for treating Parkinson's disease that includes drug therapy, surgical therapy, physical therapy and stem cell therapy. Parkinson's drugs generate global sales of approximately \$2.5B per year, despite a high degree of motor complications ^{xxii}

According to Research and consulting firm, GlobalData, as the occurrence of Parkinson's disease continues to grow due to an ageing population, its treatment market value is expected to increase from \$3.6B in 2012 to \$5.3B by 2022, at a CAGR of 4%.^{xxiv} Current unmet needs in the Parkinson's treatment market, such as complications in advanced-stage patients known as wearing-off and dyskinesia (Dyskinesia refers to a category of movement disorders that are characterized by involuntary muscle movements), would also be addressed during the forecast period, according to GlobalData.

According to the company's latest report, the US will have the largest Parkinson's therapeutics market share of 44% by 2022, expanding from 32% in 2012. This would be followed by Japan, Brazil and Germany, with respective shares of 13%, 11% and 10%. According to the Parkinson Disease Foundation (PDF), it has been estimated that approximately 10MM individuals globally and more than one million Americans are suffering from Parkinson's disease.

It has also been estimated that approximately 60,000 people are diagnosed with Parkinson's disease in the U.S. each year. Direct and indirect costs estimated at \$25B per year in the US.^{xxv} Medication costs average \$2,500 a year and therapeutic surgery can cost up to \$100,000 per patient. Recent trends in the area of Parkinson's include the usage of certain pesticides that could increase the risk of the disease. Researchers have also concluded that the strength of that risk depends on an individual's genetic makeup, which in the most pesticide-exposed populations could increase the chances of developing the disease by two to six times.^{xxvi}

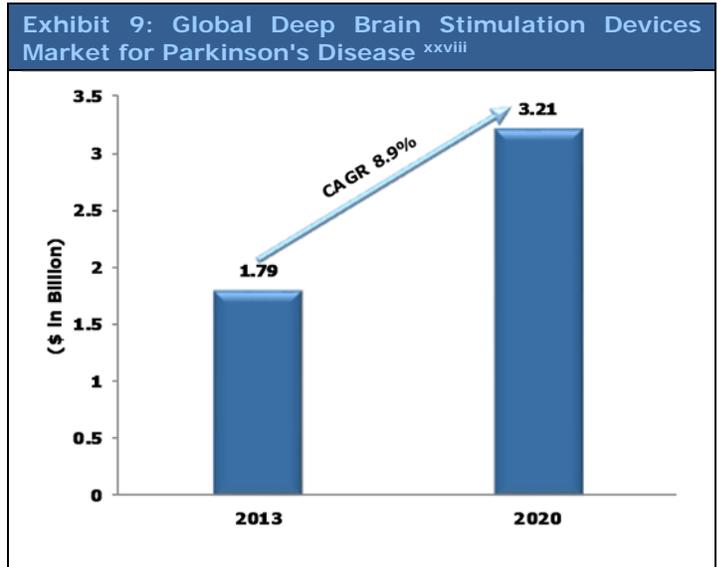
Exhibit 8: Global Parkinson's Disease Therapeutics Market Value ^{xxiii}



6.2.2 Deep Brain Stimulation Devices Market (DBS)^{xxvii}

Deep brain stimulation (DBS) is a neurosurgical procedure which includes the implantation of a medical device named a brain pacemaker, that transmits electrical impulses via implanted electrodes, to specific parts of the brain (brain nucleus) for the treatment of movement and affective disorders. Implantation of DBS devices is mostly preferred in the advanced stages of Parkinson's disease, while in early stages drug therapy is mostly preferred.

According to a new market report published by Transparency Market Research "Deep Brain Stimulation Devices Market for Parkinson's Disease - Global Industry Analysis, Size, Share, Growth, Trends and Forecast, 2014 - 2020" the global deep brain stimulation devices market for Parkinson's disease was valued at \$1.79B in 2013 and is expected to grow at a CAGR of 8.9% to reach an estimated value of around \$3.21 B in 2020.^{xxix}



6.2.3 Brain Cancer^{xxx}

Glioblastoma Multiforme (GBM) is the most aggressive malignant primary brain tumor in humans. Primary symptoms of the disease include seizure, nausea and vomiting, headache, memory loss, and hemiparesis, the single most prevalent symptom is a progressive memory, personality, or neurological deficit due to temporal and frontal lobe involvement. Median survival without treatment includes four and a half months while median survival under the current standard of care (primary surgery and radiation) extends to 14.6 months. GBM contributes to about 15% of all brain tumors and occurs in adults between the ages of 45 to 70 years^{xxxi}. Treatment involves the usage of chemotherapy, radiation and surgery. In the US, approximately, 16,000 new patients get diagnosed with GBM each year.

According to The Central Brain Tumor Registry of the US, over the last 30 years, the incidence of primary malignant Brain Cancer has been increasing by about 1.2% each year. As per American Cancer Society's publication, Cancer Facts Figures 2014, an estimated 23,380 adults (12,820 men and 10,560 women) in the US would be diagnosed with primary cancerous tumors of the brain and spinal cord. The report further states that about 4,300 children and teens would be diagnosed with a brain or central nervous system tumor in 2014. The incidence rate of primary malignant brain and central nervous system tumors in 2012 age-adjusted using the world standard population, was 3.4 per 100,000. The report estimates that 68,470 new cases of primary malignant and non-malignant brain and CNS tumors are expected to be diagnosed in the US in 2015.^{xxxii}

6.2.4 Stem Cell Market

The stem cell market is primarily segmented into two distinct parts namely stem cell therapies (the clinical applications of stem cells for medical purposes) and stem cell research products (the research tools and reagents that are used by scientists). According to a report by RnRMarketResearch.com, the Global stem cell research market in 2013 is estimated to be \$3.22B, and the stem cell therapies market to be \$3.31B, for a total of \$6.53B.^{xxxiii} On the basis of geography, the market is divided into North America, Asia-Pacific, Europe, and the Rest of the World (RoW), with North America expected to hold the largest share in the global market, followed by Asia-Pacific, Europe, and the RoW in 2015. Major factors that are driving the stem cell therapies market include increasing funding from governments and private organizations towards stem cell research as well as growing global awareness about stem cell therapies.^{xxxiv}

7. Valuation

The Fair Market Value for all of the Company shares stands between \$22.1 MM and \$53.6 MM as of December 23, 2014. The Fair Market Value for one company publicly traded regular shares stands between \$3.83 and \$9.27 as of December 23, 2014. The valuation approach followed is the Discounted Cash Flow method.

7.1 Discounted Cash flow Method

Valuation	
WACC	
Risk-free rate	3.7% ^{xxxv}
Beta	0.75 ^{xxxvi}
Market premium	12% ^{xxxvii}
Additional Risk Premium	0%
Cost of Equity	9.93%
Cost of Debt	5.40%
Terminal Growth Rate	2.0%
WACC (Discount Rate)	9.34%

Figures are in 000's USD, unless indicated otherwise

KEY VARIABLES

Forecast for Royalty	Upfront payments, Milestone Payments
Refer to <i>Key Variables Analysis</i> section	

Year Ending - December	2014 E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
FCFE (High)*									
Net cash from operating activities	2	(940)	1,166	(170)	1,742	1,937	2,594	2,950	3,148
Capital Expenditure	0	0	(63)	(58)	(95)	(68)	(74)	(82)	(93)
Net Debt Addition	0	0	0	0	0	0	0	0	0
Free Cash Flow to Firm	2	(940)	1,103	(228)	1,647	1,869	2,521	2,868	3,055
Discount factor	0.98	0.89	0.82	0.75	0.68	0.63	0.57	0.52	0.48
Present Value of FCF	2	(841)	903	(170)	1,127	1,170	1,443	1,501	1,463
FCFE (Low)*									
Net cash from operating activities	2	(940)	(520)	(935)	135	736	803	1,321	965
Capital Expenditure	0	0	(41)	(48)	(74)	(52)	(48)	(56)	(58)
Net Debt Addition	0	0	0	0	0	0	0	0	0
Free Cash Flow to Firm	2	(940)	(561)	(983)	62	684	755	1,265	907
Discount factor	0.98	0.89	0.82	0.75	0.68	0.63	0.57	0.52	0.48
Present Value of FCF	2	(841)	(459)	(735)	42	428	432	662	434

* In the model, the valuation is continued to the year 2030, from which point the terminal value is established. For all data refer to the Appendix section 9.

Arrowhead Fair Value Bracket	High	Low
Terminal Value (TV)	140,505	66,211
Present Value of TV	32,941	15,523
Present value of FCF	20,312	6,225
Present Value of FCF + TV	53,253	21,748
Cash	(397)	(397)
Equity Value Bracket	53,650	22,145
Shares on issue (000's)	5,787	5,787
Fair Share Value Bracket (USD)	9.27	3.83
Current Market price (USD)	3.20	3.20
Current Market Cap. (USD) MM	19	19
Target Market Cap. Bracket (USD) MM	54	22

xxxviii

xxxix

Approach for DCF Valuation

Time Horizon: The Arrowhead fair valuation for Accurexa's is based on a DCF method. The time period chosen for the valuation is 195 months (4H2014E-2030E).

Terminal Value: Terminal value is estimated to depend on a terminal growth rate of 2.0%, representing an increase in the sale of Accurexa Medical Device for Brain Cancer and Parkinson's indication.

Prudential nature of valuation: It should be noted that this Arrowhead Fair Value Bracket estimate is a relatively prudential estimate, as it discounts the eventuality of any of new product launched in the market or any significant change in the strategy.

Key variables: The upper and lower bounds in the estimation correspond to the extreme positions taken by the following key variables:

Exhibit 10: Revenue from Brain Cancer indication											
USD '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Low estimate	290	590	800	1,119	1,293	1,683	1,498	1,415	1,328	1,238	1,145
High estimate	870	1,659	2,250	2,861	3,491	4,143	3,852	3,428	3,238	3,040	2,834

Exhibit 11: Revenue from Parkinson's indication						
USD '000	2025E	2026E	2027E	2028E	2029E	2030E
Low estimate	3,543	4,607	5,752	6,649	7,609	9,715
High estimate	7,936	9,435	12,270	14,042	9,297	20,035

Exhibit 12: Revenue from Upfront, Milestone and Sales Milestone Payments –Brain Cancer					
USD '000	2016E	2017E	2018E	2019E	Estimated Deal value ('000)
Low estimate	4,000	6,500	7,500	2,000	US\$20,000
High estimate	7,000	8,000	10,000	3,000	US\$28,000

Exhibit 13: Revenue from Upfront, Milestone and Sales Milestone Payments - Parkinson										
USD '000	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	Estimated Deal value ('000)
Low estimate	2,500	3,000	3,000	4,500	4,500	5,000	5,000	1,000	1,500	US\$30,000
High estimate	3,000	3,500	3,500	5,500	6,500	6,500	7,000	2,000	2,500	US\$40,000

Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent depending on the subsectors in which the research is conducted, but all Arrowhead valuation research possesses an underlying set of common principles and a generally common quantitative process.

With Arrowhead Commercial and Technical Due Diligence, Arrowhead extensively researches the fundamentals, assets and liabilities of a Company, and builds solid estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance, such as price/earnings ratios, indicated as applicable, are present mainly for reference purposes. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

Elements of comparison, such as multiple analyses may be to some limited extent integrated in the valuation on a project-by-project or asset-by-asset basis. In the case of this Accurexa Inc. report, there are no multiple analyses integrated in the valuation.

Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analysis, such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to those projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a tool for valuation. The high-bracket DCF valuation is derived from the high-bracket key variables while the low bracket DCF valuation is based on the low bracket key variables.

In principle, an investor who is comfortable with the high-brackets of our key variable analysis will align with the high-bracket in the Arrowhead Fair Value Bracket, and likewise in terms of low estimates. The investor will also take into account the Company intangibles – as presented in the first pages of this document in the analysis on strengths and weaknesses and on other essential Company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in the investor's own analysis.

The bracket should be understood as a tool provided by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand that on one hand, global capital markets contain inefficiencies, especially in terms of information, and that on the other hand, corporations and their commercial and technical positions evolve rapidly: this present edition of the Arrowhead valuation is for a short to medium-term alignment analysis (one to twelve months). The reader should refer to important disclosures on page 22 of this report.

7.2 NPV method based on peak sales

Valuation – NPV Based on Peak Sales

Assumptions

Current Year	FY2014
Discount Rate	9.3% ^{xi}
Shares outstanding	5.78 MM ^{xlii}
Pharmaceutical Industry – PE (x)	15.00x ^{xliii}

Exhibit 14: Peak Sales Method

Drug Name	Indication	Status	Estimated launch	Years to Launch	Years to peak	Success rate		Peak Sales - Domestic (\$'000)		Deal Value (\$ '000)		Risk Adjusted Total Sales (\$ '000)		Profit Margin	Adjusted NPV - after applying success rate rNPV (\$ '000)	
						Low	High	Low	High	Low	High	Low	High		Low	High
BranchPoint	Brain Cancer	IDE	2020	7	5	19%	30%	1,683	4,143	20,000	30,000	4,120	10,243	15%	395	983
BranchPoint	Parkinson's	IDE	2025	12	5	19%	30%	9,715	20,035	28,000	40,000	7,166	18,011	22%	1,009	2,536
															1,404	3,519

	Low	High
Fair value(Intrinsic) (USD)	3.64	9.12

Sensitivity Table - High		Pharmaceutical Industry Multiple: PE (x)				
		13.00	14.00	15.00	16.00	17.00
Discount Rate (%)	7%	8.67	9.34	10.00	10.67	11.34
	8%	8.28	8.91	9.55	10.19	10.82
	9%	7.91	8.51	9.12	9.73	10.34
	10%	7.55	8.13	8.72	9.30	9.88
	11%	7.22	7.78	8.33	8.89	9.44

Sensitivity Table - Low		Pharmaceutical Industry Multiple: PE (x)				
		13.00	14.00	15.00	16.00	17.00
Discount Rate (%)	7%	3.46	3.73	3.99	4.26	4.52
	8%	3.30	3.56	3.81	4.07	4.32
	9%	3.16	3.40	3.64	3.88	4.13
	10%	3.01	3.25	3.48	3.71	3.94
	11%	2.88	3.10	3.32	3.55	3.77

7.3 Project NPV

Arrowhead has calculated the NPV for BranchPoint for two indications based on the estimated operating cash flows in the high-bracket scenario, and by applying the success rates based on current stage of the program and then discounting the same.

7.3.1 Brain Cancer

Exhibit 15: NPV Calculations (USD 000)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Revenue - High	-	-	7,000	8,000	10,000	3,000	870	1,659	2,250	2,861
Cost	-	500	3,000	3,500	4,000	1,000	-	-	-	-
Gross Profit	-	(500)	4,000	4,500	6,000	2,000	870	1,659	2,250	2,861
Expenses	10	55	10	55	75	65	65	80	360	636
EBIT (Cash flow)	(10)	(555)	3,925	4,435	5,935	1,920	511	1,024	1,408	1,729
Success Rate (Likelihood of reaching revenue)	0%	0%	63%	35%	38%	80%	100%	100%	100%	100%
Risk Adjusted Cash flow	-	-	2,473	1,552	2,255	1,536	511	1,024	1,408	1,729
Year	1	2	3	4	5	6	7	8	9	10
Discount factor	0.91	0.84	0.77	0.70	0.64	0.59	0.54	0.49	0.45	0.41
Present Value	-	-	1,892	1,086	1,443	899	273	501	630	708
Net Present value of cash flow (rNPV)	11,918									

* In the model, the NPV calculation is based on data till year 2030. For all data refer to the Appendix section 8.

7.3.1 Parkinson's

Exhibit 16: NPV Calculations (USD 000)	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Revenue - High	-	-	3,000	3,500	3,500	5,500	6,500	6,500	7,000	2,000
Cost	-	500	1,000	1,500	2,000	2,500	3,000	3,000	3,500	500
Gross Profit	-	(500)	2,000	2,000	1,500	3,000	3,500	3,500	3,500	1,500
Expenses	10	55	10	55	50	65	65	80	55	55
EBIT (Cash flow)	(10)	(555)	1,950	1,935	1,435	2,920	3,445	3,445	3,445	1,445
Success Rate (Likelihood of reaching revenue)	0%	0%	63%	63%	63%	33%	33%	50%	50%	80%
Risk Adjusted Cash flow	-	-	1,229	1,219	904	964	1,137	1,723	1,723	1,156
Year	1	2	3	4	5	6	7	8	9	10
Discount factor	0.91	0.84	0.77	0.70	0.64	0.59	0.54	0.49	0.45	0.41
Present Value	-	-	940	853	579	564	609	843	771	473
Net Present value of cash flow										18,576

* In the model, the NPV calculation is based in data till year 2030. For all data refer to the Appendix section 8.

8. Appendix

8.1 Accurexa's Balance Sheet Forecast

Exhibit 17: Consolidated Balance Sheet		all figures in 000' \$, unless stated differently <i>Low Bracket estimates</i>								
<i>Year Ending December</i>	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Total current assets	948	818	824	2,177	1,455	278	285	981	1,756	3,098
Total Non-current assets	202	94	5,091	4,498	3,946	3,512	3,292	3,051	2,805	2,568
TOTAL ASSETS	1,150	912	5,916	6,675	5,401	3,790	3,577	4,032	4,561	5,666
Total current Liabilities	63	210	210	210	210	210	210	210	210	210
Total Non-current Liabilities	-	350	370	370	370	370	370	370	370	370
TOTAL LIABILITIES	63	560	580	580	580	580	580	580	580	580
Total Shareholder's Equity	1,087	353	5,336	6,096	4,821	3,210	2,998	3,452	3,982	5,086
TOTAL LIABILITIES & EQUITY	1,150	912	5,916	6,675	5,401	3,790	3,577	4,032	4,561	5,666

Exhibit 18: Consolidated Balance Sheet		all figures in 000' \$, unless stated differently <i>Low Bracket estimates</i>								
<i>Year Ending December</i>	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	
Total current assets	4,043	4,784	5,516	7,855	10,699	13,718	17,164	20,862	25,592	
Total Non-current assets	2,332	2,060	1,795	1,553	1,321	1,064	817	575	343	
TOTAL ASSETS	6,376	6,845	7,311	9,408	12,020	14,782	17,981	21,437	25,934	
Total current Liabilities	210	210	210	210	210	210	210	210	210	
Total Non-current Liabilities	370	370	370	370	370	370	370	370	370	
TOTAL LIABILITIES	580	580	580	580	580	580	580	580	580	
Total Shareholder's Equity	5,796	6,265	6,731	8,829	11,441	14,202	17,402	20,858	25,355	
TOTAL LIABILITIES & EQUITY	6,376	6,845	7,311	9,408	12,020	14,782	17,981	21,437	25,934	

Exhibit 19: Consolidated Balance Sheet		all figures in 000' \$, unless stated differently									High Bracket estimates
Year Ending December	2012A	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	
Total current assets	948	818	824	2,177	3,307	2,970	4,741	6,756	9,244	12,078	
Total Non-current assets	202	94	5,091	4,498	3,968	3,544	3,345	3,120	2,900	2,688	
TOTAL ASSETS	1,150	912	5,916	6,675	7,275	6,514	8,086	9,876	12,144	14,766	
Total current Liabilities	63	210	210	210	210	210	210	210	210	210	
Total Non-current Liabilities	-	350	370	370	370	370	370	370	370	370	
TOTAL LIABILITIES	63	560	580	580	580	580	580	580	580	580	
Total Shareholder's Equity	1,087	353	5,336	6,096	6,695	5,935	7,507	9,296	11,564	14,187	
TOTAL LIABILITIES & EQUITY	1,150	912	5,916	6,675	7,275	6,514	8,086	9,876	12,144	14,766	

Exhibit 20: Consolidated Balance Sheet		all figures in 000' \$, unless stated differently									High Bracket estimates
Year Ending December	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E		
Total current assets	15,100	17,249	19,588	24,800	30,408	37,291	44,877	50,195	60,269		
Total Non-current assets	2,487	2,243	2,009	1,836	1,676	1,462	1,261	1,036	864		
TOTAL ASSETS	17,588	19,491	21,597	26,636	32,084	38,753	46,138	51,232	61,133		
Total current Liabilities	210	210	210	210	210	210	210	210	210		
Total Non-current Liabilities	370	370	370	370	370	370	370	370	370		
TOTAL LIABILITIES	580	580	580	580	580	580	580	580	580		
Total Shareholder's Equity	17,008	18,911	21,018	26,056	31,504	38,173	45,559	50,652	60,553		
TOTAL LIABILITIES & EQUITY	17,588	19,491	21,597	26,636	32,084	38,753	46,138	51,232	61,133		

FCFE Calculation (2023E-2030E) – Continued from page 30

Exhibit : 21 Year Ending - December	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
FCFF (High) *								
Net cash from operating activities	2,230	2,433	5,366	5,775	6,995	7,706	5,414	10,221
Capital Expenditure	(49)	(60)	(121)	(133)	(78)	(86)	(62)	(114)
Net Debt Addition	0	0	0	0	0	0	0	0
Free Cash Flow to Firm	2,182	2,373	5,245	5,642	6,916	7,619	5,352	10,106
Discount factor	0.44	0.40	0.37	0.34	0.31	0.28	0.26	0.23
Present Value of FCF	955	950	1,921	1,890	2,119	2,135	1,372	2,369
FCFF (Low) *								
Net cash from operating activities	749	746	2,215	2,678	3,088	3,519	3,776	4,817
Capital Expenditure	(21)	(28)	(52)	(61)	(36)	(40)	(44)	(54)
Net Debt Addition	0	0	0	0	0	0	0	0
Free Cash Flow to Firm	728	718	2,162	2,617	3,052	3,479	3,732	4,763
Discount factor	0.44	0.40	0.37	0.34	0.31	0.28	0.26	0.23
Present Value of FCF	319	288	792	877	935	975	957	1,117

NPV Calculation (2024E-2030E) – Continued from page 30

1) Brain Cancer

Exhibit 22: NPV Calculations (USD 000's)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue - High	3,491	4,143	3,852	3,428	3,238	3,040	2,834
Cost	-	-	-	-	-	-	-
Gross Profit	3,491	4,143	3,852	3,428	3,238	3,040	2,834
Expenses	1,352	1,505	1,403	1,255	1,188	1,119	1,047
EBIT (cash flow)	2,139	2,638	2,449	2,173	2,049	1,921	1,787
Success Rate (Likelihood of reaching revenue)	100%	100%	100%	100%	100%	100%	100%
Risk Adjusted Cash flow	2,139	2,638	2,449	2,173	2,049	1,921	1,787
Year	11	12	13	14	15	16	17
Discount factor	0.37	0.34	0.31	0.29	0.26	0.24	0.22
Present Value	801	904	767	623	537	460	392
Net Present value of cash flow	11,918						

2) Parkinson's

Exhibit 23: NPV Calculations (USD 000's)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue - High	2,500	7,936	9,435	12,270	14,042	9,297	20,035
Cost	1,000	-	-	-	-	-	-
Gross Profit	1,500	7,936	9,435	12,270	14,042	9,297	20,035
Expenses	70	2,832	70	2,832	3,507	4,350	4,970
EBIT (cash flow)	1,430	5,103	5,928	7,921	9,073	5,913	12,968
Success Rate (Likelihood of reaching revenue)	80%	100%	100%	100%	100%	100%	100%
Risk Adjusted Cash flow	1,144	5,103	5,928	7,921	9,073	5,913	12,968
Year	11	12	13	14	15	16	17
Discount factor	0.37	0.34	0.31	0.29	0.26	0.24	0.22
Present Value	429	1,748	1,858	2,270	2,378	1,418	2,843
Net Present value of cash flow	18,576						

Exhibit 24: Neural Stem Cell Development Programs (42) by 21 Companies ^{xliii}

Company	Ticker	Treatment Name	Indication	Clinical Phase	Estimated # of Patients
Medipost	KS:078160	Neurostem	Alzheimer's Disease	1/2	30
Neuralstem	CUR	NSI-566	Alzheimer's Disease	Preclinical	10
StemCells Inc.	STEM	HuCNS-SC	Alzheimer's Disease	Preclinical	10
BrainStorm Cell Therapeutics	BCLI	NurOwn	Amyotrophic Lateral Sclerosis (ALS)	2	80
Neuralstem	CUR	NSI-566	Amyotrophic Lateral Sclerosis (ALS)	2	80
Kadimastem	TLV:KDST	hESC-derived astrocyte precursor cell	Amyotrophic Lateral Sclerosis (ALS)	Preclinical	10
Q Therapeutics	Private	Q-cells	Amyotrophic Lateral Sclerosis (ALS)	Preclinical	10
Neuralstem	CUR	NSI-566	Cerebral Palsy	Preclinical	10
Shenzhen Beike Biotech	Private	hUCMSCs	Hereditary Ataxias	1/2	30
Neuralstem	CUR	NSI-566	Huntington's Disease	Preclinical	10
Pharmicell	KS:005690	Autologous bone marrow-derived MSCs	Ischemic Stroke	3	150
Athersys	ATHX	MultiStem	Ischemic Stroke	2	80
ReNeuron Group	LON:RENE	ReN001	Ischemic Stroke	2	80
Cellonis Biotechnology	Private	BMSCs and EPCs	Ischemic Stroke	1/2	30
Neuralstem	CUR	NSI-566	Ischemic Stroke	1/2	30
SanBio	Private	SB623	Ischemic Stroke	1/2	30
Stemmedica Cell Technologies	Private	Stemedyne-MS	Ischemic Stroke	1/2	30
Asterias Biotherapeutics	Private	AST-OPC1	Ischemic Stroke	Preclinical	10
Mesoblast	ASX:MSB	MPCs	Ischemic Stroke	Preclinical	10
Opexa Therapeutics (Merck KGaA)	OPXA	Tcelna	Multiple Sclerosis (MS)	2	80
Shenzhen Beike Biotech	Private	hUCMSCs	Multiple Sclerosis (MS)	1/2	30
Asterias Biotherapeutics	ASTY	AST-OPC1	Multiple Sclerosis (MS)	Preclinical	10
Athersys	ATHX	MultiStem	Multiple Sclerosis (MS)	Preclinical	10
BrainStorm Cell Therapeutics	BCLI	NurOwn	Multiple Sclerosis (MS)	Preclinical	10
Neuralstem	CUR	NSI-566	Multiple Sclerosis (MS)	Preclinical	10
Living Cell (Otsuka Pharma)	AXC:LCT	NTCELL	Parkinson's Disease	1/2	30
BrainStorm Cell Therapeutics	BCLI	NurOwn	Parkinson's Disease	Preclinical	10
International Stem Cell Corporation	ISCO	h-Parthanogenetic Stem Cell	Parkinson's Disease	Preclinical	10
Neuralstem	CUR	NSI-566	Parkinson's Disease	Preclinical	10
NsGene A/S	Private	NsG0301	Parkinson's Disease	Preclinical	10
Rhinocyte	Private	Olfactory-derived Stem Cells	Parkinson's Disease	Preclinical	10
Pharmicell	KS:005690	Autologous bone marrow-derived MSCs	Spinal Cord Injury	2	80
Asterias Biotherapeutics	Private	AST-OPC1	Spinal Cord Injury	1	20
Neuralstem	CUR	NSI-566	Spinal Cord Injury	1	20
Celvive	Private	Autologous Bone Marrow Stem Cells	Spinal Cord Injury	1/2	30
Rhinocyte	Private	Olfactory-derived Stem Cells	Spinal Cord Injury	1/2	30
StemCells Inc.	STEM	HuCNS-SC	Spinal Cord Injury	1/2	30
Athersys	ATHX	MultiStem	Spinal Cord Injury	Preclinical	10
SanBio	Private	SB618	Spinal Cord Injury	Preclinical	10
SanBio	Private	SB623	Traumatic Brain Injury	1/2	30
Athersys	ATHX	MultiStem	Traumatic Brain Injury	Preclinical	10

Total patients = 1,240; Price per device = \$4,000, Total Sales = \$4.9MM

Accurexa: Applying POS of 66%, and Market Share of 33%, Total Sales Potential for Accurexa = \$1MM

9. Analyst Certifications

I, Snehal Mahajan, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject Company, based on the collection and analysis of public information and public Company disclosures.

Important disclosures

Arrowhead Business and Investment Decisions, LLC received fees in 2014 from Accurexa Inc. for researching and drafting this report and for a series of other services to Accurexa Inc. including distribution of this report and financial research services. Neither Arrowhead BID nor any of its principals or employees owns any long or short positions in Accurexa Inc.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of Arrowhead BID's judgment to this date and are subject to change without notice.

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, any of the financial or other money-management instruments linked to the Company and Company valuation described in this report, hereafter referred to as "the securities", may not be suitable for all investors.

Investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary.

Investors are advised to gather and consult multiple sources of information while preparing their investment decisions. Recipients of this report are strongly advised to read the *Information on Arrowhead Methodology* section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision making process.

Past performance of securities described directly or indirectly in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from any of the financial securities described in this report may rise as well as fall and may be affected by simple and complex changes in economic, financial and political factors.

Should a security described in this report be denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the security.

This report is published solely for information purposes, and is not to be considered in any case as an offer to buy any security, in any state.

Other than disclosures relating to Arrowhead Business and Investment Decisions, LLC, the information herein is based on sources Arrowhead BID believes to be reliable but is not guaranteed by Arrowhead BID and does not purport to be a complete statement or summary of the available data.

Arrowhead Business and Investment Decisions, LLC is not responsible for any loss, financial or other, directly or indirectly linked to any price movement or absence of price movement of the securities described in this report.

10. Notes and References

- i Source: Bloomberg, December 22, 2014
- ii 52 weeks to December 22, 2014. Source: Bloomberg, December 22, 2014
- iii 3 months December 22, 2014. Source: Bloomberg, December 22, 2014
- iv Arrowhead Business and Investment Decisions Fair Value Bracket – AFVBTM. See information on valuation on pages 13-18 of this report and important disclosures on page 22 of this report.
- v Source:<http://www.rnrmarketresearch.com/stem-cell-therapy-market-by-treatment-mode-autologous-allogeneic-therapeutic-applications-cns-cvs-git-wound-healing-musculoskeletal-eye-immune-system-regulatory-landscape-pipeline-an-market-report.html>
- vi Source: http://www.pdf.org/en/parkinson_statistics
- vii Source:<http://www.healthcare.globaldata.com/media-center/press-releases/pharmaceuticals/global-parkinsons-disease-therapeutics-market-value-to-reach-53-billion-by-2022-as-current-pipeline-addresses-advanced-patients-needs-says-globaldata>
- viii Source: <http://www.cbtrus.org/factsheet/factsheet.html>
- ix Source: <http://www.cnn.com/id/102181450#>.
- x Source:<http://www.transparencymarketresearch.com/pressrelease/global-deep-brain-stimulator-market.htm>
- xi Source: Accurexa - Annual Report, 2013
- xii Source: Accurexa – Company Presentation
- xiii Source: Accurexa – Company Presentation
- xiv Source: Accurexa – Company Presentation
- xv Source: Accurexa – Annual Report 2013
- xvi Source: Company management, December 2013
- xvii Source: Company management
- xviii Source: Arrowhead BID estimate
- xix Source: http://www.advfn.com/news_Current-Report-Filing-8-k_61198725.html
- xx Source: <http://www.otcmarkets.com/stock/ACXA/news?id=93356>
- xxi Source: http://www.ninds.nih.gov/disorders/parkinsons_disease/detail_parkinsons_disease.htm
- xxii Source: Accurexa – Company Presentation
- xxiii Source: <http://www.photonics.com/Article.aspx?AID=55784>
- xxiv Source:<http://www.healthcare.globaldata.com/media-center/press-releases/pharmaceuticals/global-parkinsons-disease-therapeutics-market-value-to-reach-53-billion-by-2022-as-current-pipeline-addresses-advanced-patients-needs-says-globaldata>
- xxv Source: http://www.pdf.org/en/parkinson_statistics

-
- xxvi Source: http://www.pdf.org/en/parkinson_statistics
- xxvii Source: http://en.wikipedia.org/wiki/Deep_brain_stimulation
- xxviii Source : <http://www.transparencymarketresearch.com/pressrelease/global-deep-brain-stimulator-market.htm>
- xxix Source : <http://www.transparencymarketresearch.com/pressrelease/global-deep-brain-stimulator-market.htm>
- xxx Source: Accurexa- Company Presentation
- xxxi Source: Accurexa- Company Presentation
- xxxii Source: <http://www.cbtrus.org/factsheet/factsheet.html>
- xxxiii Source:<http://www.businesswire.com/news/home/20140821005518/en/Research-Markets-Global-Stem-Cell-Research-Products>
- xxxiv Source:<http://www.rnrmarketresearch.com/stem-cell-therapy-market-by-treatment-mode-autologous-allogeneic-therapeutic-applications-cns-cvs-git-wound-healing-musculoskeletal-eye-immune-system-regulatory-landscape-pipeline-an-market-report.html>
- xxxv Source: Bloomberg, retrieved December 18, 2014
- xxxvi Source: Bloomberg, retrieved December 18, 2014.
- xxxvii Source: Bloomberg
- xxxviii Source: Company Documents
- xxxix Source: Bloomberg
- xl Source: WACC calculation Shown on Page 31
- xli Source: Bloomberg
- xlii Source: Arrowhead estimates
- xliii Source: Company Management