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UPDATE REPORT

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DelMar (NASDAQ/DMPI)

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BUY: Raises Precious Capital- Creating Runway for VAL 083

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DelMar raised capital selling 6.750M shares each with a warrant, raising approximately $7.5M (gross) in the quarter. The capital should provide enough funding to see the U.S. and China trials reach completion. We had been anticipating a raise (slightly more capital and more shares) and as such, our model valuation is essentially unchanged.

Current Price	**$0.77**
Price Target	**$4.00**

Estimates	F2018A	F2019E	F2020E
Expenses ($000s)	$ 11,175	$ 6,871	$ 5,781
1Q March	$ 2,679	$ 2,006	$ 1,387
2Q June	$ 3,154	$ 1,822	$ 1,445
3Q September	$ 2,935	$ 1,671	$ 1,445
4Q December	$ 2,407	$ 1,372	$ 1,503
	F2018A	F2019E	F2020E
EPS (diluted)	$ (0.09)	$ (0.12)	$ (0.09)
1Q March	$ (0.09)	$ (0.04)	$ (0.02)
2Q June	$ 0.08	$ (0.02)	$ (0.02)
3Q September	$ (0.04)	$ (0.02)	$ (0.02)
4Q December	$ (0.04)	$ (0.02)	$ (0.02)

EBITDA/Share	($0.53)
EV/EBITDA (x)	0.0

Stock Data	
52-Week Range	$0.71 - $8.50
Shares Outstanding (mil.)	8.7
Market Capitalization (mil.)	$7
Enterprise Value (mil.)	$5
Debt to Capital	0%
Book Value/Share	$0.11
Price/Book	7
Average Three Months Trading Volume (K)	209
Insider Ownership	5.4%
Institutional Ownership	13.5%
Short interest (mil.)	2.1%
Dividend / Yield	$0.00/0.0%

Investment Highlights

DelMar Raises Capital. On August 14th, DelMar announced the completion of a financial raise. Selling 6.750M shares, each with a warrant (5 years at $1.00), generating gross proceeds to the company of approximately $7.5M. We had built into our model a 10M share raise, as such, the actual raise has no effect on our valuation. DelMar's burn rate is modest at +/- $1.5M per quarter. The capital should provide enough runway to see VAL-083 through key results in the China and U.S. trials.

The China Trial. Sun Yat sen University Cancer Center hopes to evaluate the safety and efficacy of VAL 083 for n=30 newly diagnosed MGMT unmethylated GBM patients vs. historical controls (TMZ 6.9 months). We now assume the study has enrolled 20 of 30 patients. Data thus far is early but positive. For the fifteen patients who have received at least one assessment, eight patients were assessed with a best response of "Complete Response" (8/15, 53.3% CR) and seven patients were assessed with a best response of "Stable Disease" (7/15, 46.7% SD). As a reminded the Phase 2 trial is a single-arm, open-label study testing VAL-083 in combination with standard radiotherapy in GBM patients who have an unmethylated promoter of the methylguanine DNA-methyltransferase (MGMT) gene. The clinical trial in newly-diagnosed GBM patients is designed to determine if first-line treatment with VAL-083 plus radiotherapy can provide improvements over the historical efficacy of standard of care temozolomide (TMZ) plus radiotherapy. Efficacy will be measured based on tumor response to treatment, progression-free survival, progression-free survival at six months, and overall survival compared to historical results in the target population.

The U.S. trial. News last week came that the first patient was enrolled in the adjuvant trial at MD Anderson. So, why is this important? Adding the adjuvant arm to the study is a game changer, in our opinion. The study can now provide early disease data on VAL-083 which is in contrast to those patients enrolling in the Company's original recurrent trial arm of the MDACC clinical study who have typically been heavily pre-treated with TMZ prior to disease recurrence). We note that in the recurrent setting, the trial (was previously) approved for up to 35 additional patients to this recurrent GBM study at a dose of 30 mg/m2, allowing for a total of up to 83 patients to be enrolled. To date, 56 recurrent patients have been enrolled. DelMar is actively enrolling patients for both trial arms of the clinical study at MDACC. As a reminder, the U.S. trial…is evaluating VAL-083 in MGMT-unmethylated patients in the Recurrent, Avastin naïve GBM (rGBM), post temozolomide failure setting. The primary endpoint of the trial is Median Overall Survival (mOS) vs. historical control (Lomustine at 7.2 months).

The U.S. Trial (continued): As of May 5, of this year had enrolled 51 of 83 patients in the recurrent GBM study. Enrollment has been initiated for both the maintenance stage GBM arm (n-24) and the recently approved arm (described above). The opportunity (in maintenance) is to validate VAL 083 in GBM patients post radiation. The primary endpoint is progression free survival (PFS) vs. historical control (TMZ PFS at only 6.9 months) for MGMT unmethylated patients.

Valuation. Our valuation is driven by our revenue projections for VAL-083 for its main indication in Glioblastoma Multiforme. We do not model any revenues from this program until 2024 and project our model through the year 2030. Our models also factor in funding (dilution) using a fully diluted 2030 share count. We triangulate FCFF, discounted EPS, and sum-of-the-parts models. We then average and equally weight each model to derive an NPV, which is rounded to the nearest whole number to derive our target price. Investors should recognize that this modeling exercise, which models for ten years, while projected based on the current data and estimates, is limited in its ability to predict a 12-month target. The price of the stock will ultimately be driven near term by factors such as news flow, early trial data, and cyclic concerns of financings (dilution).

Exhibit 1. Free Cash Flow Model.

Average	$	4.00

Price Target	$	3
Year		2019

DCF Valuation Using FCF (mln):

units ('000)	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	20230E
EBIT	(11,138)	(6,825)	(5,781)	(5,839)	(5,897)	14,066	58,404	185,855	382,390	523,446	667,588	821,801	996,331
Tax Rate	0%	0%	0%	0%	5%	10%	20%	22%	24%	28%	29%	30%	31%
EBIT(1-t)	(11,138)	(6,825)	(5,781)	(5,839)	(5,603)	12,659	46,724	144,967	290,617	376,881	473,988	575,261	687,469
CapEx	-	(90)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in NWC													
FCF	(11,138)	(6,915)	(5,901)	(5,959)	(5,723)	12,539	46,604	144,847	290,497	376,761	473,868	575,141	687,349
PV of FCF	(6,591)	(3,148)	(2,066)	(1,605)	(1,186)	1,998	5,713	13,659	21,072	21,023	44,686	41,720	38,353
Discount Rate	30%												
Long Term Growth Rate	1%												
Terminal Cash Flow	2,393,869												
Terminal Value YE2030	133,574.49												
NPV	313,794												
NPV-Debt	-												
Shares out (thousands)	89,821	2030E											
NPV Per Share	$ 3												

Source: Dawson James

Exhibit 2. Discounted-EPS Model.

Current Year		2019
Year of EPS		2030
Earnings Multiple		10
Discount Factor		30%
Selected Year EPS	$	7.65
NPV	$	4

Source: Dawson James

	Discount Rate and Earnings Multiple Varies, Year is Constant 2030 EPS					
Earnings Multiple	5%	10%	15%	20%	25%	30%
1	$4.25	$2.55	$1.56	$0.98	$0.62	$ 0.41
5	$21.24	$12.73	$7.81	$4.89	$3.12	$ 2.03
10	$42.48	$25.46	$15.62	$9.78	$6.24	$ 4.05
15	$63.72	$38.19	$23.42	$14.67	$9.36	$ 6.08
20	$84.95	$50.93	$31.23	$19.56	$12.48	$ 8.11
25	$106.19	$63.66	$39.04	$24.44	$15.60	$ 10.13
30	$127.43	$76.39	$46.85	$29.33	$18.72	$ 12.16
35	$148.67	$89.12	$54.65	$34.22	$21.84	$ 14.19

Source: Dawson James

Exhibit 3. Sum-of-the-Parts Model.

Company: DMPI	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MM's	Term Val
VAL-083 USA	1%	30%	7	70%	$878	$3,026
NPV						$1.88
VAL-083 China	1%	30%	5	70%	$713	$2,458
NPV						$2.58
Net Margin						50%
MM Shrs OS (2030E)						90
Total						$4

Source: Dawson James

Risk Analysis

Clinical and regulatory risk. DelMar Pharmaceuticals is currently in Phase 2 clinical trials in both applications of its pipeline product focused on MGMT-unmethylated GBM. There is no assurance that their product will be approved for any additional indications and even if approved, will be reimbursed by insurance or successfully commercialized.

Commercial risk. The focus of the company is on successfully developing their products and eventually bring them to the mass market. It is important to note that the market opportunity in MGMT-unmethylated GMB is large and if successful VAL-083 may be introduced to the market for multiple cancer applications. We can make no assurances that the company will be able to achieve a critical level of market share to become profitable in this indication and or in additional planned indications.

Employee risk. DelMar Pharmaceuticals has an experienced management team in their President and CEO, CSO, and CFO. DelMar Pharmaceuticals plans to bring their proposed products to reality. DelMar Pharmaceuticals' success will depend, to a great extent, upon the experience, abilities and continued services of its senior officers, sales staff, and key scientific personnel.

Financial risk. The company may need to raise capital in the marketplace relatively soon, and there can be no assurances that the company will be able to successfully raise capital and do so on favorable terms.

Intellectual property risk. The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and the company may infringe on third party's patents.

Reimbursement and insurance payment risk. Insurance payment for products may be an additional hurdle for adoption.

Exhibit 4. Income Statement

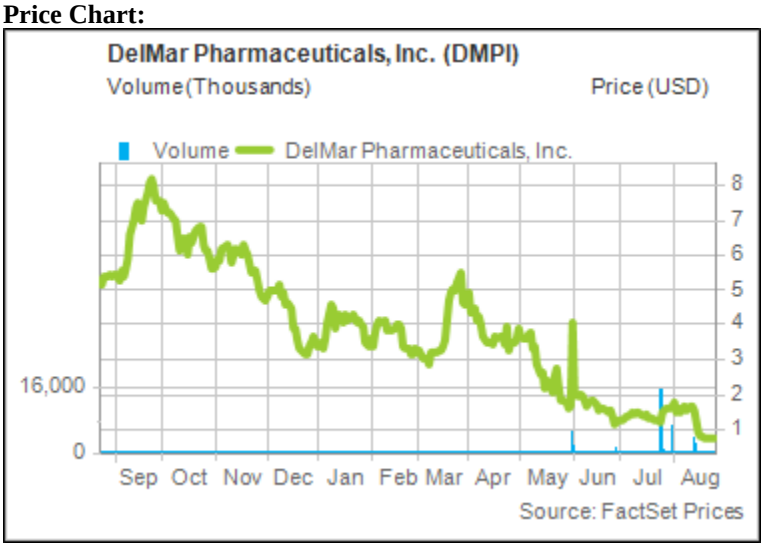
Delmar Pharmaceuticals Inc, (DMPI): Income Statement ('000)	6. 2018 YE	1Q19A	2Q19A	3Q19A	4Q19E	6. 2019 YE	1Q20E	2Q20E	3Q20E	4Q20E	6. 2020 YE	6. 2021 YE	6. 2022 YE	6. 2023 YE	6. 2024 YE	6. 2025 YE	6. 2026 YE	6. 2027 YE	6. 2028 YE	6. 2029 YE	6. 2030 YE
FYE-Jun 30	6.2018	3Q18A	4Q18A	1Q19A	2Q19E	6.2019	3Q19E	4Q19E	1Q20E	2Q20E	6.2020E	6.2021	6.2022	6.2023	6.2024	6.2025	6.2026	6.2027	6.2028	6.2029	6.2030
Revenue ($000)																					
VAL-083 U.S.														0	0	27,397	101,459	204,947	329,313	456,146	614,277
VAL-083 China														22,244	70,657	184,931	329,298	382,597	418,449	463,024	498,876
License Fees and Royalties (China sales)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Product Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	22,244	70,657	212,327	430,758	587,544	747,762	919,170	1,113,153
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	22,244	70,657	212,327	430,758	587,544	747,762	919,170	1,113,153
Expenses																					
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	2,224	7,066	21,233	43,076	58,754	74,776	91,917	111,315
COGS % of revenue												10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Sales, General and administrative expenses	4,042	986	875	936	572	2,200	539	561	561	583	2,244	2,266	2,289	2,312	2,335	2,358	2,382	2,406	2,430	2,454	2,479
SG&A % of revenue																					
Research and Development	7,133	1,019	947	736	800	3,502	849	884	884	920	3,537	3,573	3,608	3,644	3,681	3,718	3,755	3,792	3,830	3,869	3,907
R&D % of revenue																					
Non-GAAP, Adj																					
Total expenses	11,175	2,005.59	1,822.13	1,671	1,372	6,871	1,387.50	1,445.31	1,445.31	1,503.12	5,781	5,839	5,897	8,181	12,256	26,475	48,371	64,102	80,178	97,372	116,825
Oper. Inc. (Loss)	(11,175)	(2,006)	(1,822)	(1,671)	(1,372)	(6,871)	(1,387)	(1,445)	(1,445)	(1,503)	(5,781)	(5,839)	(5,897)	14,063	58,401	185,852	382,387	523,442	667,585	821,798	996,328
Total non-operating income	36	14	12	9		36					-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(11,138)	(1,991)	(1,810)	(1,652)	(1,372)	(6,825)	(1,387)	(1,445)	(1,445)	(1,503)	(5,781)	(5,839)	(5,897)	14,066	58,404	185,855	382,390	523,446	667,588	821,801	996,331
Income Tax Benefit (Provision)		-	-	-	-	-	-	-	-	-	-	-	(295)	1,407	11,681	40,888	91,774	146,565	193,601	246,540	308,863
Tax Rate													5%	10%	20%	22%	24%	28%	29%	30%	31%
GAAP Net Income (loss)	(11,281)	(1,991)	(1,810)	(1,652)	(1,372)	(6,825)	(1,387)	(1,445)	(1,445)	(1,503)	(5,781)	(5,839)	(5,603)	12,659	46,724	144,967	290,617	376,881	473,988	575,261	687,469
Preferred stock dividend	176.24	36.09	16.19																		
Net and comprehensive loss available to common stockholders	(11,315)	(2,027)	(1,826)	(1,652)	(1,372)	(6,825)	(1,387)	(1,445)	(1,445)	(1,503)	(5,781)	(5,839)	(5,603)	12,659	46,724	144,967	290,617	376,881	473,988	575,261	687,469
GAAP-EPS	(0.55)	(0.09)	(0.07)	(0.05)	(0.04)	(0.26)	(0.04)	(0.04)	(0.04)	(0.04)	(0.15)	(0.14)	(0.14)	0.30	1.12	3.45	6.90	8.91	11.16	13.49	16.06
Non GAAP EPS (dil)	(0.55)	(0.09)	0.08	(0.04)	(0.04)	(0.09)	(0.04)	(0.02)	(0.02)	(0.02)	(0.12)	(0.09)	(0.09)	0.19	0.66	1.97	3.79	4.73	5.71	6.66	7.65
Wgtd Avg Shrs (Bas) - '000s	20,861	22,969	24,242	31,016	31,047	27,318.81	31,079	41,110	41,151	41,192	38,633	41,295	41,460	41,626	41,793	41,961	42,129	42,298	42,467	42,637	42,808
Wgtd Avg Shrs (Dil) - '000s	20,861	22,969	24,242	37,766	37,804	30,696	31,079	61,110	61,171	61,232	53,647.69	62,778	65,327	67,980	70,740	73,612	76,601	79,711	82,948	86,316	89,821

Source: Dawson James estimates.

Companies mentioned in this report:

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:
Initiation - June 6, 2017 – Buy – Price target 20% (12-18 months)
Update – August 8, 2017 – Buy – Price target $6.60
Transfer – July 11, 2019 - Buy - $4.00
Update – July 15, 2019 – Buy $4.00
Update – July 24, 2019 – Buy $4.00
Update – July 31, 2019 – Buy $4.00
Update – August 27, 2019 – Buy $4.00

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