

DelMar (NASDAQ/DMPI)
December 2, 2019
BUY: Two Posters at SNO; Interim Data Looks Promising
Jason H. Kolbert
Head of Healthcare Research
646-465-6891
jkolbert@dawsonjames.com

Two posters were presented at SNO last week and both suggest comparable if not better efficacy in both the front line and recurrent setting in GBM for VAL-083 versus the standard of care. While its still early days and the trials are proof of concept Phase 2 studies the data, in our opinion, does look quite promising.

Investment Highlights

Last week at the Society for NeuroOncology Annual Meeting (SNO) in Phoenix, Arizona DelMar presented two posters from each trial (front line and recurrent) GBM. In the front line setting at the 30mg dose of VAL-083 the trial is showing a full three months longer progression-free survival or a PFS improvement of around 50% over temozolomide, the current standard of care. In the recurrent trial, also at the 30 mg dose, the trial is showing an improvement to median overall survival of more than three months, or approximately 47%, over historical published results from the current standard of care. The next update should be at ASCO in May.

The China Trial – Front line GBM. 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). 23 of 30 planned patients have now been enrolled. Of the first 18 patients median PFS is 10.4 months versus historical controls (temozolomide-TMZ) of 6.9 months PFS in unmethylated GBM patients.

The U.S. trial. Recall that DelMar recently announced back in September that the first patient was enrolled in the adjuvant arm of the U.S. trial at MD Anderson. So why is this important? Adding the adjuvant arm to 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. 62 of 83 planned have been enrolled so far. The median overall survival for the 60 patients who completed at least once cycle is currently 7.5 months, and for patients n=25 at the 30 mg dose the OS is 10.6 months versus historical control of lomustine at 7.2 months.

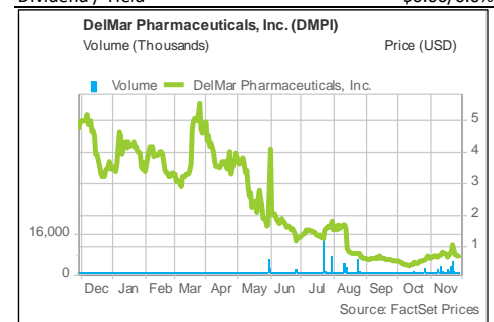
Adjuvant Update. In the second arm of the study patients receive VAL-083 as adjuvant therapy following treatment with radiation and TMZ, which was just initiated in July. Initial data (five patients out of a planned 20) have been enrolled and all patients remain alive on continued therapy.

Current Price	\$0.74
Price Target	\$4.00

Estimates	F2018A	F2019E	F2020E
Expenses (\$000s)	\$ 11,175	\$ 8,398	\$ 8,530
1Q March	\$ 2,679	\$ 2,006	\$ 2,047
2Q June	\$ 3,154	\$ 1,822	\$ 2,132
3Q September	\$ 2,935	\$ 1,671	\$ 2,132
4Q December	\$ 2,407	\$ 2,899	\$ 2,218
	F2018A	F2019E	F2020E
EPS (diluted)	\$ (0.87)	\$ (0.32)	\$ (0.14)
1Q March	\$ (0.09)	\$ (0.18)	\$ (0.04)
2Q June	\$ 0.08	\$ (0.05)	\$ (0.03)
3Q September	\$ (0.04)	\$ (0.04)	\$ (0.03)
4Q December	\$ (0.83)	\$ (0.04)	\$ (0.04)

EBITDA/Share	(\$0.53)	(\$0.09)	(\$0.07)
EV/EBITDA (x)	0.0	0.0	0.0

Stock Data			
52-Week Range	\$0.40	-	\$6.29
Shares Outstanding (mil.)	11.4		
Market Capitalization (mil.)	\$8		
Enterprise Value (mil.)	-\$1		
Debt to Capital	0%		
Book Value/Share	\$0.11		
Price/Book	7		
Average Three Months Trading Volume (K)	665		
Insider Ownership	6.1%		
Institutional Ownership	14.2%		
Short interest (mil.)	2.9%		
Dividend / Yield	\$0.00/0.0%		



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)	(8,048)	(8,530)	(8,615)	(8,701)	11,233	55,517	182,940	379,446	520,471	664,584	818,767	993,267
Tax Rate	0%	0%	0%	0%	5%	10%	20%	22%	24%	28%	29%	30%	31%
EBIT(1-t)	(11,138)	(8,048)	(8,530)	(8,615)	(8,266)	10,110	44,414	142,693	288,379	374,739	471,855	573,137	685,354
CapEx	-	-	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	(11,138)	(8,048)	(8,650)	(8,735)	(8,386)	9,990	44,294	142,573	288,259	374,619	471,735	573,017	685,234
PV of FCF	(6,591)	(3,663)	(3,029)	(2,353)	(1,737)	1,592	5,430	13,445	20,910	20,903	44,484	41,566	38,235
Discount Rate	30%												
Long Term Growth Rate	1%												
Terminal Cash Flow	2,386,505												
Terminal Value YE2030	133,163.58												
NPV	308,946												
NPV-Debt	-												
Shares out (thousands)	89,863	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	\$ 7.63
NPV	\$ 4

Source: Dawson James

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		2030 EPS					
		5%	10%	15%	20%	25%	30%
Earnings Multiple	1	\$6.59	\$3.95	\$2.42	\$1.52	\$0.97	\$ 0.63
	5	\$32.95	\$19.75	\$12.11	\$7.58	\$4.84	\$ 3.14
	10	\$65.90	\$39.50	\$24.23	\$15.17	\$9.68	\$ 6.29
	15	\$98.84	\$59.25	\$36.34	\$22.75	\$14.52	\$ 9.43
	20	\$131.79	\$79.00	\$48.45	\$30.34	\$19.36	\$ 12.58
	25	\$164.74	\$98.76	\$60.56	\$37.92	\$24.20	\$ 15.72
	30	\$197.69	\$118.51	\$72.68	\$45.51	\$29.04	\$ 18.87
	35	\$230.64	\$138.26	\$84.79	\$53.09	\$33.88	\$ 22.01

Source: Dawson James

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

Company: DMPi	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MMs	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

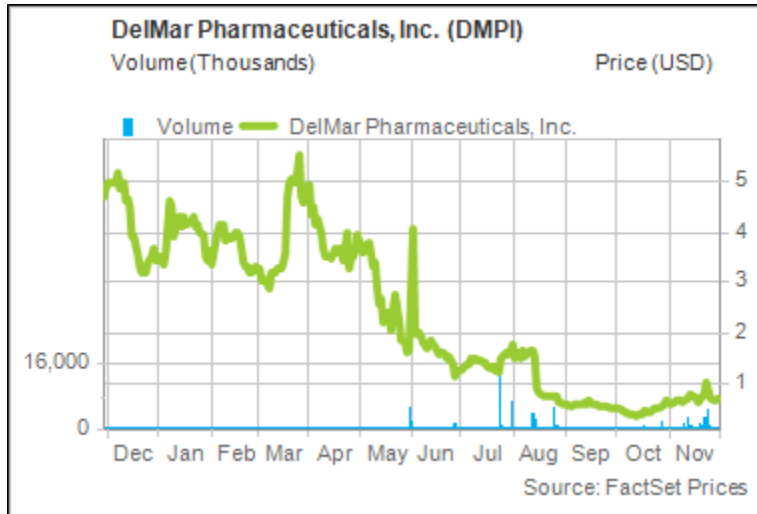
Delmar Pharmaceuticals Inc. (DMPJ) - Income Statement ('000)	6. 2018 YE	1Q19A	2Q19A	3Q19A	4Q19A	6. 2019 A	1Q20A	2Q20E	3Q20E	4Q20E	6. 2020 YE	6. 2021 YE	6. 2022 YE	6. 2023 YE	6. 2024 YE	6. 2025 YE	6. 2026 YE	6. 2027 YE	6. 2028 YE	6. 2029 YE	6. 2030 YE	
FYE-Jun 30	6.2018	3Q18A	4Q18A	1Q19A	2Q19A	6.2019 A	3Q19A	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%	
Sales, General and administrative expenses	4,042	986	875	936	1,940	4,736	914	1,208	1,208	1,256	4,831	4,879	4,928	4,978	5,027	5,078	5,128	5,180	5,231	5,284	5,337	
SG&A % of revenue														10%	10%	10%	10%	10%	10%	10%	10%	
Research and Development	7,133	1,019	947	736	960	3,662	721	925	925	962	3,699	3,736	3,773	3,811	3,849	3,887	3,926	3,965	4,005	4,045	4,086	
R&D % of revenue																						
Non-GAAP, Adj																						
Total expenses	11,175	2,005.59	1,822.13	1,671	2,899	8,398	1,635	2,132.46	2,132.46	2,217.76	8,118	8,615	8,701	11,013	15,143	29,391	51,316	67,077	83,182	100,406	119,890	
Oper. Inc. (Loss)	(11,175)	(2,006)	(1,822)	(1,671)	(2,899)	(8,398)	(1,635)	(2,132)	(2,132)	(2,218)	(8,118)	(8,615)	(8,701)	11,231	55,514	182,936	379,442	520,468	664,581	818,764	993,263	
Change in fair value of derivative liability	60	0	1	2	(437)	(434)																
Change in fair value of derivative liability due to change in warrant terms					126	126																
Issuance of shares to Valent																						
Loss on exchange of warrants																						
Foreign exchange gain	(57)	(6)	(5)	(6)	35	18	0				0	-	-	-	-	-	-	-	-	-	-	
Interest expense																						
Interest income	33	20	16	13	(110)	(61)	29				29	-	-	-	-	-	-	-	-	-	-	
Total non-operating income	36	14	12	9	(386)	(350)																
Pretax Income	(11,138)	(1,991)	(1,810)	(1,652)	(3,672)	(8,048)	(1,606)	(2,132)	(2,132)	(2,218)	(8,089)	(8,615)	(8,701)	11,233	55,517	182,940	379,446	520,471	664,584	818,767	993,267	
Income Tax Benefit (Provision)														(435)	1,123	11,103	40,247	91,067	145,732	192,729	245,630	307,913
Tax Rate														5%	10%	20%	22%	24%	28%	29%	30%	31%
GAAP Net Income (loss)	(11,281)	(1,991)	(1,810)	(1,652)	(3,672)	(8,048)	(1,608)	(2,132)	(2,132)	(2,218)	(8,091)	(8,615)	(8,266)	10,110	44,414	142,693	288,379	374,739	471,855	573,137	685,354	
Preferred stock dividend	176.24	36.09	16.19		28.16	80.43																
Net and comprehensive loss available to common stockholders	(11,315)	(2,027)	(1,826)	(1,652)	(3,672)	(8,129)	(1,608)	(2,132)	(2,132)	(2,218)	(8,091)	(8,615)	(8,266)	10,110	44,414	142,693	288,379	374,739	471,855	573,137	685,354	
GAAP-EPS	(0.55)	(0.09)	(0.07)	(0.05)	(1.07)	(3.16)	(0.21)	(0.10)	(0.07)	(0.07)	(0.45)	(0.22)	(0.20)	0.24	1.06	3.38	6.81	8.82	11.06	13.37	15.93	
Non GAAP EPS (dil)	(0.55)	(0.09)	0.08	(0.04)	(0.83)	(3.16)	(0.21)	(0.05)	(0.04)	(0.04)	(0.35)	(0.14)	(0.13)	0.15	0.63	1.94	3.76	4.70	5.68	6.64	7.63	
Wtdg Avg Shrs (Bas) - '000s	20,861	22,969	24,242	34,266	3,430	2,575	7,539	21,365	31,386	31,418	22,927	39,004	41,668	41,835	42,002	42,170	42,339	42,509	42,679	42,850	43,022	
Wtdg Avg Shrs (Dil) - '000s	20,861	22,969	24,242	44,266	4,431	2,575	7,539	41,365	51,406	51,458	37,942	60,332	65,358	68,012	70,773	73,647	76,637	79,749	82,987	86,357	89,863	

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
- Update – September 18, 2019 – Buy \$4.00
- Update – December 2, 2019 – Buy \$4.00

Dawson James Securities, Inc. (the “Firm”) is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

The Firm does not make a market in the securities of the subject company(s). The Firm has engaged in investment banking relationships with DMPI in the prior twelve months, as a manager or co-manager of a public offering and has received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has received other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of November 31, 2019, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Information about valuation methods and risks can be found in the "STOCK VALUATION" and "RISK ANALYSIS" sections of this report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

Ratings Definitions:

- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	88%	2	9%
Market Perform (Neutral)	3	12%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	26	100%	2	8%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.