

**DelMar (NASDAQ/DMPI)**

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**BUY: A Clinical and Financial Path Forward as GCAR Selects VAL-083 for the GBM AGILE Pivotal Study**
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DelMar announced an agreement with the Global Coalition for Adaptive Research (GCAR) to include VAL-083 in GCAR's Glioblastoma Adaptive Global Innovative Learning Environment (GBM AGILE) study. We see this as a registrational path forward for DelMar's VAL-083 in GBM, clinically and financially.

**Investment Highlights**

DelMar announced the acceptance of an invitation from the Global Coalition for Adaptive Research (GCAR) to include VAL-083 in GCAR's Glioblastoma Adaptive Global Innovative Learning Environment (GBM AGILE) Study. From DelMar's press release:

- **The study is designed** as an adaptive clinical trial platform in glioblastoma multiforme (GBM). DelMar plans to utilize the GBM AGILE study to serve as the basis for VAL-083's new drug application (NDA) submission and registration.
- **What is it?** GBM AGILE is an international effort in newly-diagnosed and recurrent GBM, (both indications where VAL-083 has shown activity). The trial utilizes "an FDA approved master protocol" with multiple drugs to be tested simultaneously and overtime against a common control arm.
- **As an approved registrational study**, results from the VAL-083 arm of GBM AGILE are intended to be utilized to file for FDA approval. This study employs a cost-efficient, adaptive trial design with a Stage 1 (Phase 2) learning and adapting phase and a Stage 2 (Phase 3) expansion and confirmation phase.
- **KOL Led Effort:** The effort is led by top-tier key opinion leaders in the GBM field and has the collective support of an international group of more than 130 clinicians, researchers, biostatisticians, imagers, pathologists, leaders from government and industry, and patient advocates.
- **GCAR is Paying the Cost.** GCAR is a 501(c)(3) organization that functions as the GBM AGILE study sponsor and provides financial support for the program infrastructure, as well as general trial oversight. Comprising the world's foremost clinical, translational, and basic science investigators, GCAR strives to support the development of novel treatments to fight against rare and deadly diseases like GBM where the patient prognosis is poor, and treatment options are limited.

**Valuation & Risks.** Please see the pages that follow.

Current Price	\$0.82
Price Target	\$4.00

Estimates	F2018A	F2019E	F2020E
<b>Expenses (\$000s)</b>	\$ 11,175	\$ 8,398	\$ 7,595
1Q March	\$ 2,679	\$ 2,006	\$ 1,635
2Q June	\$ 3,154	\$ 1,822	\$ 1,766
3Q September	\$ 2,935	\$ 1,671	\$ 1,976
4Q December	\$ 2,407	\$ 2,899	\$ 2,218
	F2018A	F2019E	F2020E
<b>EPS (diluted)</b>	\$ (0.87)	\$ (0.58)	\$ (0.13)
1Q March	\$ (0.09)	\$ (0.21)	\$ (0.04)
2Q June	\$ 0.08	\$ (0.15)	\$ (0.03)
3Q September	\$ (0.04)	\$ (0.17)	\$ (0.03)
4Q December	\$ (0.83)	\$ (0.04)	\$ (0.03)

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

Stock Data			
52-Week Range	\$0.38	-	\$2.66
Shares Outstanding (mil.)	11.4		
Market Capitalization (mil.)	\$9		
Enterprise Value (mil.)	\$1		
Debt to Capital	0%		
Book Value/Share	\$0.11		
Price/Book	8		
Average Three Months Trading Volume (K)	88		
Insider Ownership	1.6%		
Institutional Ownership	8.9%		
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 FCF, 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 \$		4											
Year		2020											
<b>DCF Valuation Using FCF (mln):</b>													
units ('000)	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	20230E
EBIT	(11,138)	(8,048)	(7,521)	(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)	(7,521)	(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)	(7,641)	(8,735)	(8,386)	9,990	44,294	142,573	288,259	374,619	471,735	573,017	685,234
PV of FCF	(8,568)	(4,762)	(3,478)	(3,058)	(2,259)	2,070	7,059	17,478	27,183	27,174	57,830	54,035	49,706
Discount Rate	30%												
Long Term Growth Rate	1%												
Terminal Cash Flow	2,386,505												
Terminal Value YE2030	173,112.66												
NPV	406,852												
NPV-Debt	-												
Shares out (thousands)	100,660	2030E											
NPV Per Share	\$ 4												

Source: Dawson James

### Exhibit 2. Discounted-EPS Model.

Current Year	2020
Year of EPS	2030
Earnings Multiple	10
Discount Factor	30%
Selected Year EPS	\$ 6.81
NPV	\$ 5

Source: Dawson James

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		2030 EPS					
		5%	10%	15%	20%	25%	30%
Earnings Multiple	1	\$4.18	\$2.62	\$1.68	\$1.10	\$0.73	\$ 0.49
	5	\$20.90	\$13.12	\$8.41	\$5.50	\$3.65	\$ 2.47
	10	\$41.79	\$26.25	\$16.83	\$10.99	\$7.31	\$ 4.94
	15	\$62.69	\$39.37	\$25.24	\$16.49	\$10.96	\$ 7.41
	20	\$83.58	\$52.49	\$33.65	\$21.99	\$14.62	\$ 9.88
	25	\$104.48	\$65.61	\$42.07	\$27.49	\$18.27	\$ 12.35
	30	\$125.38	\$78.74	\$50.48	\$32.98	\$21.93	\$ 14.81
	35	\$146.27	\$91.86	\$58.89	\$38.48	\$25.58	\$ 17.28

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						\$1.68
VAL-083 China	1%	30%	5	70%	\$713	\$2,458
NPV						\$2.30
Net Margin						50%
MM Shrs OS (2030E)						101
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**

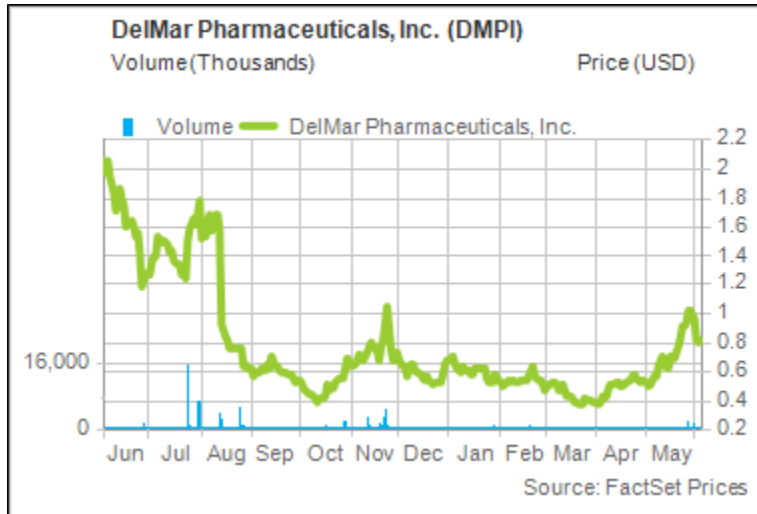
Delmar Pharmaceuticals Inc. (DMP): Income Statement ('000)	6. 2018 YE	6. 2019 A	1Q20A	2Q20A	3Q20A	4Q20E	6. 2020 YE	6. 2021 YE	6. 2022 YE	6. 2023 YE	6. 2024 YE	6. 2025 YE	6. 2026 YE	6. 2027 YE	6. 2028 YE	6. 2029 YE	6. 2030 YE
FYE-Jun 30	6.2018	6.2019 A	3Q19A	4Q19A	1Q20A	2Q20E	6.2020E	6.2021	6.2022	6.2023	6.2024	6.2025	6.2026	6.2027	6.2028	6.2029	6.2030
<b>Revenue (\$000)</b>																	
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	418,449	463,024	498,876	
License Fees and Royalties (China sales)																	
<b>Total Product Sales</b>										22,244	70,657	212,327	430,758	587,544	747,762	919,170	1,113,153
<b>Total Revenue</b>										22,244	70,657	212,327	430,758	587,544	747,762	919,170	1,113,153
<b>Expenses</b>																	
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	4,736	914	1,054	1,078	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																	
Research and Development	7,133	3,662	721	712	899	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																	
<b>Non-GAAP, Adj</b>																	
<b>Total expenses</b>	11,175	8,398	1,635.10	1,765.94	1,976.36	2,217.76	7,595	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)	(8,398)	(1,635)	(1,766)	(1,976)	(2,218)	(7,595)	(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	(434)															
Change in fair value of derivative liability due to change in warrant terms		126															
Issuance of shares to Valent																	
Loss on exchange of warrants																	
Foreign exchange gain	(57)	18	(0)	2	(2)		(1)										
Interest expense			(29)	(28)	(17)		(74)										
Interest income	33	(61)															
<b>Total non-operating income</b>	36	(350)															
<b>Pretax Income</b>	(11,138)	(8,048)	(1,606)	(1,740)	(1,957)	(2,218)	(7,521)	(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%
<b>GAAP Net Income (loss)</b>	(11,281)	(8,048)	(1,606)	(1,740)	(1,957)	(2,218)	(7,521)	(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	80.43	2.05	2.55	1.47												
<b>Net and comprehensive loss available to common stockholders</b>	(11,315)	(8,129)	(1,608)	(1,743)	(1,959)	(2,218)	(7,521)	(8,615)	(8,266)	10,110	44,414	142,693	288,379	374,739	471,855	573,137	685,354
<b>GAAP-EPS</b>	(0.55)	(3.16)	(0.21)	(0.15)	(0.17)	(0.07)	(0.61)	(0.22)	(0.20)	0.24	1.06	3.38	6.81	8.82	11.06	13.38	15.93
Non GAAP EPS (dil)	(0.55)	(3.16)	(0.21)	(0.15)	(0.17)	(0.05)	(0.59)	(0.17)	(0.15)	0.18	0.75	2.32	4.50	5.61	6.79	7.93	9.11
Wgtd Avg Shrs (Bas) - '000s	20,861	2,575	7,539	11,408	11,417	31,415	15,445	39,001	41,665	41,832	41,999	42,168	42,337	42,506	42,676	42,847	43,019
Wgtd Avg Shrs (Dil) - '000s	20,861	2,575	7,539	11,408	11,417	41,461	17,956	50,083	54,693	56,913	59,224	61,629	64,131	66,735	69,445	72,265	75,199

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
- Update – February 14, 2020 – Buy \$4.00
- Update – March 5, 2020 – Buy \$4.00
- Update – May 5, 2020 – Buy \$4.00
- Update – May 13, 2020 – Buy \$4.00
- Update – June 4, 2020 – Buy \$4.00

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	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	22	88%	3	14%
Market Perform (Neutral)	3	12%	1	33%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>25</b>	<b>100%</b>	<b>4</b>	<b>16%</b>

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