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Kintara (NASDAQ/KTRA) – Neutral Rated

October 19, 2022

VAL-083 Remains the Critical Focus

Kintara announced that the REM-001 Program is to be paused in order to conserve funds to Support the VAL-083 International Registrational Study. This effort could save \$3.0M in calendar year 2023. In our previous note (9.29.22) we reviewed the status of the competitive arms versus Kintara's VAL-083. We believe it's important to understand that, in our opinion, VAL-083 is the most likely therapeutic to succeed. Multiple arms in the GCAR trial include two kinase inhibitors, one from Bayer and the other from Kazia Therapeutics. From Biohaven (acquired by Pfizer) a glutamate transport inhibitor and from Vigeo Therapeutics – VT1021, a peptide. We do not have a rating on any of these names (except Kintara-Neutral rated).

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Investment Highlights

Additional Thoughts on the GCAR trial and Status of the Competitive Arms. The trial design is interesting. The arms are designed to enroll N=100 to 150 patients. Our understanding is that a review board, such as the DSMB, reviews each arm monthly. Based on pre-specified criteria, a therapeutic may “graduate” and the enrollment is expanded by an additional N=50 patients. The purpose of this is to strengthen statistical results. If a given arm enrolls N=150 and does not graduate, the enrolled patients are then followed for an additional 12 months.

Graduating is a Positive Indicator. We are not aware that any of the arms have yet graduated. We do believe VAL-083 is close. The company has said we should expect data by YE 2023. If we assume a 12-month follow-up that means that VAL-083 must be close to the 150-enrollment number. Not Graduating is not a good sign. As we previously wrote, it is our understanding that several of the competitive arms may be struggling to meet the criteria to advance to the next stage of the trial. That seems to be the case with the kinase inhibitors (Bayer and Kazia). Mechanistically we are skeptical on Biohaven and Vigeo arms where the MOA on VAL-083 is already established.

So, If We Believe VAL-083 is Going to Graduate, Why Not Upgrade the Stock from Neutral to Buy? Kintara reported results this week for the year ending in June. The company reported \$12M in cash. Given the pullback in the stock, we expect management to reverse the stock and raise capital. Our preference is to revisit the fundamentals once the company is restructured and financed. Our confidence in VAL-083 is unchanged.

Valuation. Our valuation is driven by our revenue projections for VAL-083 (GBM) and REM-001 for CMBC. For both indications, we apply a risk cut in our model (50%), which flows into our income statement. We model both products out to 2030.

Risk Factors: Investment Risk, Market Share Risk, Regulatory Risk, Commercial Risk, and Financial Risk

Current Price	\$0.10
Price Target	NA
VAL-083: FDA Approved Expedited Development and Registration Pathway	
<p>Collaboration with the Global Coalition for Adaptive Research (GCAR)</p> <ul style="list-style-type: none"> Founded in 2017 by world's foremost clinical, translational, basic science investigators, and health authorities Sponsor of innovative and complex platform trials utilizing adaptive design Prior success via I-GPI with similar design for breast cancer <p>GBM Adaptive Global Innovative Learning Environment (AGILE) Study</p> <ul style="list-style-type: none"> International effort in newly-diagnosed and recurrent glioblastoma Master Protocol with three experimental arms versus a common control Primary endpoint: overall survival "Seamless" transition to Stage 2, with Stage 1 patients included in final analysis <p>150 to 200 Patients Maximum Stratified by Three Subtypes</p> <ul style="list-style-type: none"> Newly-diagnosed methylated Newly-diagnosed unmethylated Recurrent <p><small>*Comparable to MDACC Phase 2 trial – adjuvant cohort *Comparable to MDACC Phase 2 trial – recurrent cohort</small></p>	
<p>Timeline: Jan 2021 (First site initiated for VAL-083 treatment arm), May 2021 (35 sites active for VAL-083 treatment arm), Aug 2021 (26 sites active for VAL-083 treatment arm), Q3 2022 (Graduate to Stage 2 (projected)), TBD (Top Line Results (Timing dependent on signatures) (graduated))</p>	
Source: Kintara	
Stock Data	
52-Week Range	\$0.09 - \$1.05
Shares Outstanding (mil.)	67.2
Market Capitalization (mil.)	\$7
Enterprise Value (mil.)	-\$1
Debt to Capital	0%
Book Value/Share	\$0.11
Price/Book	1
Average Three Months Trading Volume (K)	1,264
Insider Ownership	10.7%
Institutional Ownership	4.8%
Short interest (mil.)	1.2%
Dividend / Yield	\$0.00/0.0%

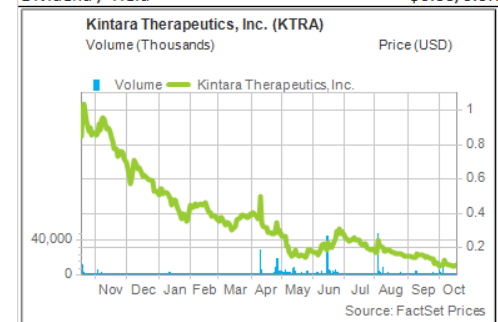


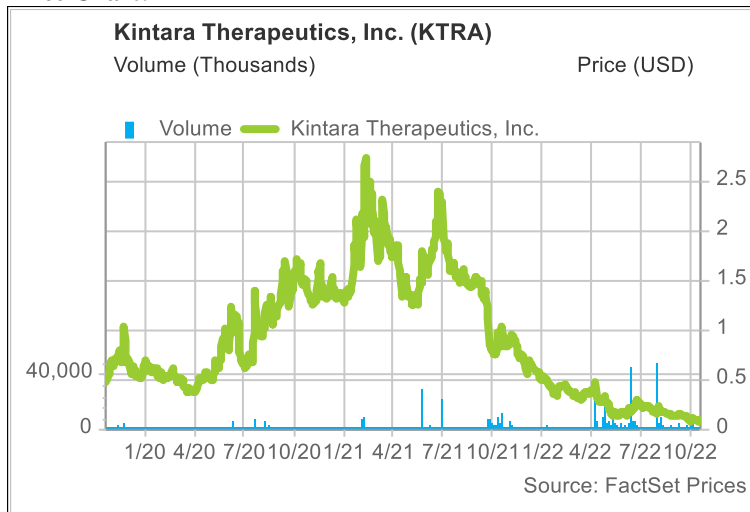
Exhibit 1. Income Statement

Kintara Pharmaceuticals Inc. (KTRA): Income Statement ('000)	6. 2018 YE	6. 2019 A	6. 2020A	6. 2021 YE	1Q22A	2Q22A	3Q22A	4Q22E	6. 2022 YE	1Q23E	2Q23E	3Q23E	4Q23E	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	6.2020A	6.2021	3Q21A	4Q21A	1Q22A	2Q22A	6.2022	3Q22E	4Q22E	1Q23E	2Q23E	6.2023	6.2024	6.2025	6.2026	6.2027	6.2028	6.2029	6.2030	
Revenue (\$000)																						
REM-001									0	2,807	2,924	2,924	3,041	11,697	41,390	59,779	66,481	73,323	86,485	93,683	101,029	
VAL-083 U.S.									0	0	0	0	0	0	24,300	98,173	173,521	250,367	278,157	286,047	174,119	
VAL-083 ROW									1,907	1,986	1,986	2,066	2,066	7,944	25,235	66,047	117,607	136,642	149,446	165,366	178,170	
License Fees and Royalties (China sales)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Product Sales										4,714	4,910	4,910	5,107	19,641	90,925	223,999	357,609	460,331	514,089	545,096	453,318	
Total Revenue										4,714	4,910	4,910	5,107	19,641	90,925	223,999	357,609	460,331	514,089	545,096	453,318	
Expenses																						
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	471	491	491	511	1,964	9,092	22,400	35,761	46,033	51,409	54,510	45,332	
COGS % of revenue				10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Sales, General and administrative expenses	4,042	4,736	4,515	8,467	2,178	1,993	1,884	1,454	7,509	1,820	1,896	1,896	1,972	7,584	10,000	10,100	10,201	10,303	10,406	10,510	10,615	
SG&A % of revenue																						
Research and Development	7,133	3,662	4,684	12,895	3,793	3,902	3,474	4,004	15,173	2,160	2,250	2,250	2,340	9,000	12,000	12,120	12,241	12,364	12,487	12,612	12,738	
R&D % of revenue																						
Non-GAAP Adj				16594																		
Total expenses	11,175	8,398	9,198	37,956	5,971	5,895	5,358	5,458	22,682	4,452	4,637	4,637	4,823	18,548	27,256	41,962	55,519	65,989	71,564	74,866	65,892	
Oper. Inc. (Loss)	(11,175)	(8,398)	(9,198)	(37,956)	(5,971)	(5,895)	(5,358)	(5,458)	(22,682)	262	273	273	284	1,093	63,668	182,037	302,090	394,343	442,525	470,230	387,426	
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	3	5	4	2	2	-1	7													
Interest expense																						
Interest income	33	(61)	-	16	1			13	14													
Total non-operating income	36	(350)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pretax Income	(11,138)	(8,048)	(9,126)	(38,012)	(5,966)	(5,893)	(5,356)	(5,446)	(22,661)	262	273	273	284	1,093	63,671	182,040	302,093	394,346	442,528	470,233	387,429	
Income Tax Benefit (Provision)					(2,464)	(2)	(2)	(272)	(2,740)	26,23	27	27	28	109	8,914	32,767	66,461	90,700	106,207	117,558	100,732	
Tax Rate					5%	5%	5%	5%	12%	10%	10%	10%	10%	10%	14%	18%	22%	23%	24%	25%	26%	
GAAP Net Income (loss)	(11,281)	(8,048)	(9,126)	(38,012)	(8,430)	(5,895)	(5,358)	(5,174)	(24,857)	236	246	246	256	984	54,757	149,273	235,633	303,647	336,321	352,675	286,698	
Preferred stock dividend	176.24	80.43	8.62	730				(8.00)	(8.00)													
Net and comprehensive loss available to common stockholders	(11,315)	(9,178)	(9,135)	(38,012)	(8,430)	(5,895)	(5,358)	(5,174)	(25,131)	236	246	246	256	984	54,757	149,273	235,633	303,647	336,321	352,675	286,698	
GAAP-EPS	(0.55)	(1.28)	(0.87)	(1.85)	(0.25)	(0.12)	(0.11)	(0.04)	(0.52)	0.00	0.00	0.00	0.00	0.01	0.54	1.48	2.32	2.98	3.29	3.44	2.78	
Non GAAP EPS (dil)	(0.55)	(0.87)	(0.87)	(1.85)	(0.25)	(0.08)	(0.07)	(0.07)	(0.47)	0.00	0.00	0.00	0.00	0.01	0.69	1.81	2.74	3.39	3.61	3.64	2.84	
Wght Avg Shrs (Bas) - '000s	20,861	2,575	10,444	32,297	34,281	48,529	49,128	50,000	48,702	100,000	100,100	100,200	100,300	100,150	100,551	100,954	101,359	101,765	102,172	102,582	102,992	
Wght Avg Shrs (Dil) - '000s	20,861	2,575	10,444	32,297	34,281	72,794	73,692	74,429	63,799	75,173	75,925	76,684	77,451	76,308	79,407	82,631	85,986	89,478	93,111	96,891	100,826	

Source: Company reports and Dawson James

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- 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
- Update – June 10, 2020 – Buy \$4.00
- Update – June 23, 2020 – Buy \$4.00
- Update – June 24, 2020 – Buy \$4.00
- Update – July 30, 2020 – Buy \$4.00
- Update – September 9, 2020 – Buy \$4.00
- Update – November 23, 2020 – Buy \$4.00
- Update – January 11, 2021 – Buy \$4.00
- Update – January 21, 2021 – Buy \$4.00
- Update – February 1, 2021 – Buy \$4.00
- Update – February 25, 2021 – Buy \$5.00
- Update – April 14, 2021 – Buy \$5.00
- Update – May 18, 2021 – Buy \$5.00
- Update – May 26, 2021 – Buy \$5.00
- Update – July 1, 2021 – Buy \$5.00
- Update – August 17, 2021 – Buy \$5.00
- Update – September 22, 2021 – Buy \$5.00
- Update – December 2, 2021 – Buy \$5.00
- Update – January 19, 2022 – Buy \$5.00
- Update – February 14, 2022 – Buy \$5.00
- Update – March 18, 2022 – Buy \$5.00
- Price Target Change – April 12, 2022 – Buy \$3.00
- Rating Change – Buy to Neutral May 16, 2022 – NA
- Update – Neutral September 8, 2022 – NA
- Update – Neutral September 26, 2022 – NA
- Update – Neutral September 29, 2022 – NA
- Update – Neutral October 19, 2022 – NA

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- 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.

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Current as of 19-Oct-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	83%	3	12%
Market Perform (Neutral)	4	13%	1	25%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	4	13%

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