



DelMar Pharmaceuticals Inc. (Nasdaq CM: DMPI, Target Price: \$19.20)

DelMar Pharmaceuticals, Inc. ("DelMar", Nasdaq CM: DMPI) is a clinical stage biotechnology company focused on the development and commercialization of new cancer therapies. DelMar specializes in the development of well-validated anti-cancer therapies in orphan drug indications where patients are failing modern targeted or biologic treatments. DMPI's lead compound, VAL-083 (dianhydrogalactitol), is a potential new treatment for refractory and front-line glioblastoma multiforme ("GBM"), the most common and aggressive form of brain cancer. VAL-083 is a first-in-class small molecule with a novel alkylating agent that has been assessed in over 40 National Cancer Institute-sponsored clinical and pre-clinical trials showing the compound has potential for multiple cancers including brain, lungs, blood, and cervical. VAL-083 has also been approved in China for the treatment of lung cancer and chronic myeloid leukemia (CML), a cancer of white blood cells.

Investment Highlights

DelMar hosts upbeat investor update

DMPI hosted an investor update on September 7, 2016 which recapped the impressive progress made by the company and outlined encouraging goals for the future as it transitions to a late clinical stage company. DMPI has made significant progress over the last year on both the corporate and clinical fronts. In the last several months DMPI completed an uplisting to the Nasdaq Capital Markets and closed a \$7.2mn preferred stock private placement. In combination with prospective financing from in-the-money warrants, management believes should be able to fund the company through 2017.

DelMar continues to advance its clinical program

DMPI continues to make advancements on the clinical front as well. The company is making plans to initiate a Phase 3 clinical trial for VAL-083 for Refractory GBM, and is initiating two new two Phase 2 trials for GBM in earlier stage patients, which will be in collaboration with MD Anderson in the United States and Guanxi Wuzhou Pharma in China. DMPI also announced a new partnership with Accurexa, Inc., to deliver VAL-083 in combination with temozolomide and/or BCNU in Accurexa's ACX-31, a proprietary implantable polymer wafer delivery system, for the treatment of brain cancer. Delmar and Accurexa are hopeful that the combination of VAL-083 and/or temozolomide and BCNU within ACX-31 may provide treatment advantages while limiting systemic toxicity. Delmar has also been working to show the potential therapeutic application of VAL-083 in many cancers beyond GBM, such as non-small-cell lung cancer and ovarian cancer, among others, which, if successful, would dramatically expand the market opportunity for the company.

Maintaining price target of \$19.20

We recently updated our price target for DMPI \$19.20 following the company's reverse split and uplisting to the Nasdaq CM. We are

maintaining the price target at this time. In our view it is clear that DMPI is making significant progress advancing its clinical pipeline, with a Phase 3 trial of VAL-083 for Refractory GBM in planning and growing data showing that VAL-083 may have the potential to address a number of therapeutic indications. If achieved, the price target represents potential upside of 175.6% from the recent price of \$7.04 on September 12, 2016.

Stock Details (9/12/16)

NASDAQ:	DMPI
Sector / Industry	Healthcare / Biotechnology
Price target	\$19.20
Recent share price	\$7.04
Shares (incl. Preferred)	12.4
Market cap (in \$mn)	87.3
52-week high/low	\$10.15/ 2.28

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY14	FY15	FY16E
Revenues	0.8	0	0
EBITDA	-4.1	-4.8	-4.8
EBIT	-4.1	-4.8	-4.8
Net Income	-4.1	-5.3	-6.3
EPS (\$)	-0.48	-0.56	-0.50

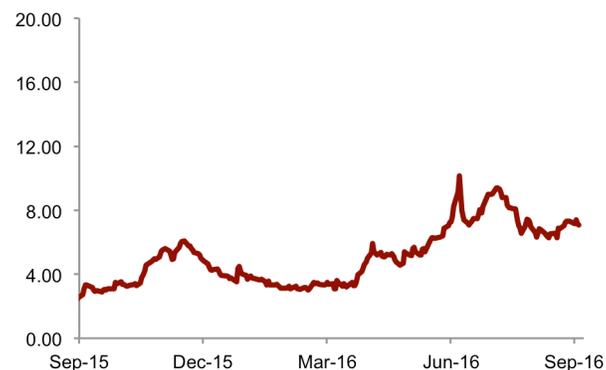
Source: SeeThruEquity Research, adjusted for reverse split

Key Ratios

	FY14	FY15	FY16E
Gross margin (%)	NM	NM	NM
Operating Margin (%)	NM	NM	NM
EBITDA margin (%)	NM	NM	NM
Net margin (%)	NM	NM	NM
P/Revenue (x)	109.2x	NM	NM
EV/Revenue (x)	106.2x	NM	NM

Source: SeeThruEquity Research

Share Performance, LTM



Source: Thomson Reuters

Delmar management hosted a call with investors highlighting achievements and goals for 2016 / 2017

- On September 7, 2016, Delmar CEO Jeffrey Bacha hosted a call with investors to review the substantial developments at the company during 2016 and outlined several encouraging goals. Since we initiated coverage on Delmar the company has evolved considerably, from an OTC-listed, single-program, early stage biotech, into what has become a late clinical stage company with multiple indications listed on the Nasdaq CM. Shares have reflected the progress at Delmar, up 88% year-to-date through September 9, 2016, when shares closed at \$7.10.
- Baccha highlighted several accomplishments at Demar, including the recent uplisting to the Nasdaq CM and private placement financing. The financing raised more than \$7mn in gross proceeds in 2016 and could fund the company's development program through 2017E, in combination with the substantial level of in-the-money warrants outstanding, which would raise an additional \$10nm if exercised.
- On the development front, Delmar has presented compelling abstract data from its Phase 2 clinical study for VAL-083 for GBM at a number of prestigious industry events such as the AACR and ASCO (American Society of Clinical Oncology) Annual Meetings. The company also announced a collaboration with MD Anderson for studying VAL-083 for first line treatment of GBM, and is currently preparing to initiate a Phase 3 clinical trial for VAL-083 for refractory GBM following a successful "end of Phase 2" meeting with the FDA. VAL-083 is a first in class small molecule chemotherapy targeting several large unmet needs in cancer treatment, as illustrated in the enclosed table.
- Importantly, the FDA also extended Delmar's orphan designation for VAL-083 to include medullablastoma and ovarian cancer. DelMar has now received orphan drug designation status for VAL-083 for ovarian cancer, medulloblastoma (the most common malignant pediatric brain tumor) and GBM.
- In our view this development was particularly impactful given that it supports the longstanding thesis that VAL-083 has applications for a number of cancers beyond its initial target indication of GBM, the deadliest form of brain cancer.



Large Market Opportunities:
2014 world -wide revenues

Non-small cell lung cancer	\$6.8 B
Glioma	\$1.0 B
Ovarian cancer	>\$500 M
Pediatric medulloblastoma	orphan

Source: Evaluate Pharma

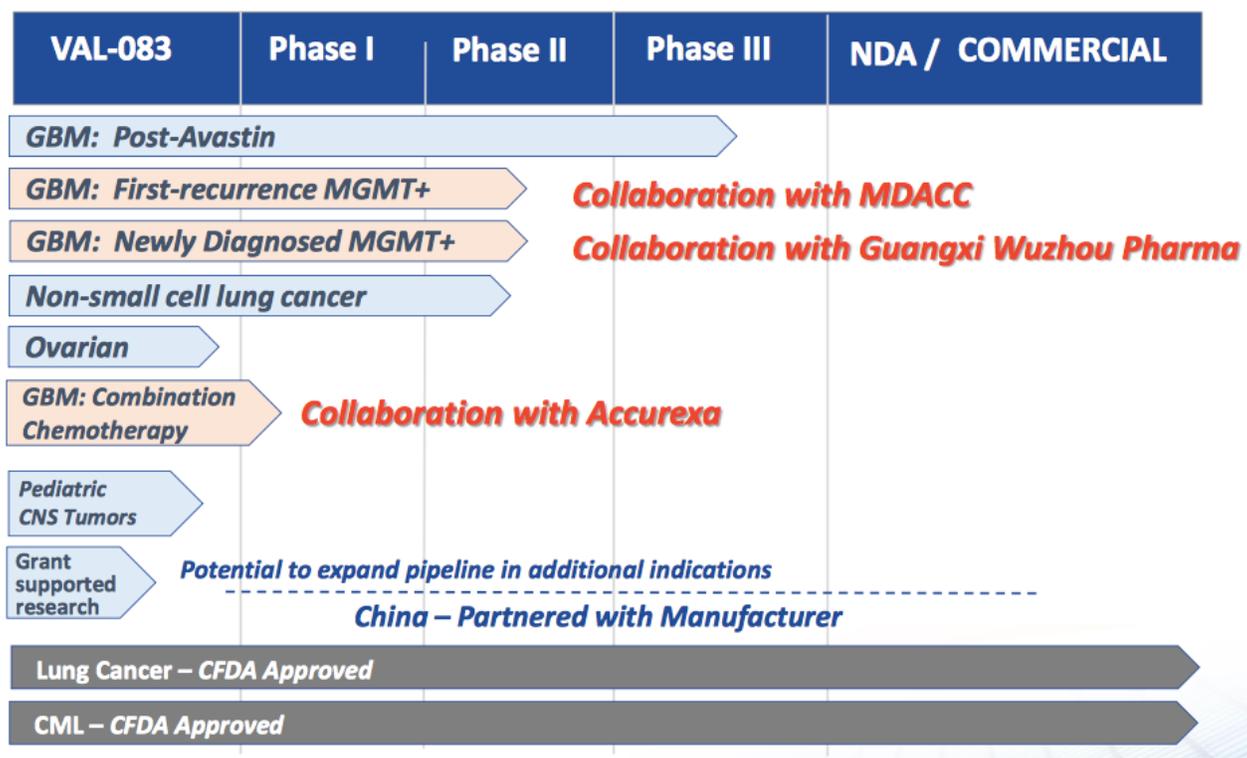
Delmar announces collaborative partnership with Accurexa to develop delivery mechanism for VAL-083

- On September 7, 2016, Delmar announced that it had entered into a new collaborative partnership with Accurexa, Inc. (OTCQB: ACXA). Based in Newark, DE, Accurexa is a biotechnology company focused on the development of novel technologies for delivering neurological therapies directly to the brain.
- As part of the agreement, the companies jointly announced their intention to develop a novel local delivery of combination chemotherapy for the treatment of brain cancer and other solid tumors.
- For its part Delmar will supply its lead candidate, small molecule chemotherapeutic VAL-083, which will be formulated within Accurexa's proprietary ACX-31 implantable polymer wafer drug delivery system. According to the announcement, ACX-31 will deliver VAL-083 in combination with temozolomide and/or BCNU for the treatment of brain cancer. Delmar and Accurexa are hopeful that the combination of VAL-083 and/or temozolomide and BCNU within ACX-31 may provide treatment advantages while limiting systemic toxicity.

- DeIMar has also been granted an exclusive option to license and/or acquire and commercialize product candidates and intellectual property resulting from the research.

DeIMar continues to make significant progress on its clinical initiatives as company evolves to late clinical stage

- **Planning Phase 3 Trial for Refractory GBM.** Following a positive “end of Phase 2” meeting with the FDA, DeIMar is readying plans to initiate a Phase 3 clinical trial for VAL-083 for refractory GBM. Management is currently planning this trial, and we expect to learn more about its scope in coming months, however, what we do know is that it will be a Pivotal Phase 3 trial with less than 200 patients, and will compare VAL-083 with physicians’ choice salvage therapy.
- **Two new Phase 2 Trials for GBM:** VAL-083 is a “first in class” small molecule that has demonstrated anti-cancer activity in a range of areas in over 40 Phase I and Phase II clinical trials, including brain, lung, cervical, ovarian and leukemia, among others. Beyond its lead program for Refractory GBM, DMPI is also pursuing two new Phase 2 clinical studies, which will be in collaboration with MD Anderson in the United States and Guanxi Wuzhou Pharma in China.
- DeIMar also has programs for VAL-083 for non-small cell lung cancer (NSCLC), Ovarian cancer, GBM as combination therapy, Pediatric CNS tumors, and other potential applications, as outlined below.



Source: Company Investor Materials

- **DeIMar and MD Anderson present data supporting VAL-083 for ovarian cancer:** DMPI and research collaborators from the prestigious University of Texas MD Anderson Cancer Center presented new data on the potential effectiveness

of VAL-083 for therapeutic treatment of ovarian cancer at the 11th Biennial Ovarian Cancer Research Symposium on September 12, 2016. The data was presented in a research poster entitled "*Activity of dianhydrogalactitol (VAL-083) in ovarian tumor models, sensitive or resistant to cisplatin.*"

- According to the announcement, VAL-083 demonstrated cytotoxic activity against all the ovarian cancer lines tested, and was able to circumvent 70-85% of cisplatin-resistance in an ovarian cancer cell line panel. The release also noted that VAL-083 demonstrated synergy with AstraZeneca's PARP inhibitor Olaparib™ in ovarian cancer cell line A2780. Considering this data we would expect the company to pursue additional studies investigating VAL-083 as a standalone and combination treatment for ovarian cancer patients failing platinum-based therapy. The data appears encouraging and we hope to learn more from the company in terms of what it's specific plans are for future clinical studies in this area in coming months.
- We also find the exploration into VAL-083's effectiveness at treating lung cancer especially intriguing. Lung cancer is the leading cause of cancer deaths worldwide, and the overall five-year survival rate for NSCLC is just 15%. Moreover, the current drugs for the treatment of NSCLC represent over \$6Bn in worldwide sales, and that VAL-083 is already approved for the treatment of lung cancer in China.

Maintaining DMPI price target at \$19.20

- We recently updated our price target for DMPI \$19.20 following the company's 1:4 reverse split completed in May, 2016, and its uplisting to the Nasdaq CM. DMPI last reported 12.4mn shares outstanding including potential dilution from 1.9mn preferred shares. The company also has 4.7mn warrants outstanding, which management estimated could bring in approximately \$10mn in new funding, if in-the-money warrants are exercised.
- We are maintaining the price target at this time. In our view it is clear that DMPI is making significant progress advancing its clinical pipeline, with VAL-083 having potential to address a number of therapeutic indications and the company in the midst of preparing for a Phase 3 clinical trial for GBM.
- If achieved, the price target represents potential upside of 175.6% from the recent price of \$7.04 on September 12, 2016. We continue to view DMPI as an overlooked story in the biotechnology industry. Beyond GBM, VAL-083 appears to have therapeutic potential on a number of areas, including NSCLC, pediatric brain tumors, ovarian cancer, and cervical cancer, among others.



Management Team

Jeffrey Bacha, B.Sc., MBA, Chairman & C.E.O.

Jeffrey Bacha, BSc, MBA co-founded DeMar Pharmaceuticals in 2010 and has served as Chief Executive Officer and Chairman of the Company's board of directors since inception. Mr. Bacha is a seasoned executive leader with nearly twenty years of life sciences experience in the areas of operations, strategy and finance. His background includes successful public and private company building from both a start-up and turn around perspective; establishing and leading thriving management and technical teams; and raising capital in both the public and private markets. From July 2006 to August 2009, Mr. Bacha was Executive Vice President Corporate Affairs and Chief Operating Officer at Clera, Inc. From March 2005 to July 2006 Mr. Bacha was Consultant and held various positions at Clera Inc., Urigen Holdings Inc. and XBiotech, Inc. From 1999 through 2004, Mr. Bacha served as President & CEO of Inimex Pharmaceuticals, a venture-capital funded drug discovery and development company and is a former Senior Manager and Director of KPMG Health Ventures. Mr. Bacha holds an MBA from the Goizueta Business School at Emory University and a degree in BioPhysics from the University of California, San Diego.

Dennis M. Brown, Ph.D. Chief Scientific Officer

Dr. Dennis M. Brown has been Chief Scientific Officer of the Company since January 25, 2013 and Director of the Company since February 11, 2013. Dr. Brown has more than thirty years of drug discovery and development experience. He has served as Chairman of Mountain View Pharmaceutical's Board of Directors since 2000 and is the President of Valent. In 1999 he founded ChemGenex Therapeutics, which merged with a publicly traded Australian company in 2004 to become ChemGenex Pharmaceuticals (ASX: CXS/NASDAQ: CXSP), of which he served as President and a Director until 2009. He was previously a co-founder of Matrix Pharmaceutical, Inc., where he served as Vice President (VP) of Scientific Affairs from 1985-1995 and as VP, Discovery Research, from 1995-1999. He also previously served as an Assistant Professor of Radiology at Harvard University Medical School and as a Research Associate in Radiology at Stanford University Medical School. He received his B.A. in Biology and Chemistry (1971), M.S. in Cell Biology (1975) and Ph.D. in Radiation and Cancer Biology (1979), all from New York University. Dr. Brown is an inventor of about 34 issued U.S. patents and applications, many with foreign counterparts. Dr. Brown's scientific knowledge and experience qualifies him to serve on our Board of Directors.

Scott Prail, CA, Chief Financial Officer

Mr. Prail has been Chief Financial Officer of the Company since January 2013 and previously served as a consultant to the Company. Since 2004, Mr. Prail has been an independent consultant providing accounting and administrative services to companies in the resource industry. Mr. Prail served as CFO of Strata Oil & Gas, Inc. from June 2007 to September 2008. From November 1999 to October 2003 Mr. Prail was Director of Finance at Inflazyme Pharmaceuticals Inc. Mr. Prail completed his articling at Price Waterhouse (now PricewaterhouseCoopers LLP) and obtained his Chartered Accountant designation in 1996. Mr. Prail obtained his Certified Public Accountant (Illinois) designation in 2001. Mr. Prail received a Financial Management Diploma (Honors), from the British Columbia Institute of Technology in 1993, and a Bachelor of Science from Simon Fraser University in 1989.



About VAL-083

VAL-083 is a "first-in-class", small-molecule chemotherapeutic. In more than 40 Phase I and II clinical studies sponsored by the U.S. National Cancer Institute, VAL-083 demonstrated safety and efficacy in treating a number of cancers including lung, brain, cervical, ovarian tumors and leukemia. VAL-083 is approved in China for the treatment of chronic myelogenous leukemia and lung cancer and has received orphan drug designation in the U.S. for the treatment of gliomas, medulloblastoma and ovarian cancer as well as in Europe for the treatment of glioma. DeIMar recently announced the results of a Phase I/II clinical trial for patients with refractory GBM and the successful completion of an End of Phase II meeting with the US FDA. As a potential treatment for glioblastoma, VAL-083's mechanism of action appears to be unaffected by the expression of MGMT, a DNA repair enzyme that causes chemotherapy resistance to front-line treatment with Temodar® (temozolomide).

About DeIMar Pharmaceuticals, Inc.

DeIMar Pharmaceuticals, Inc. was founded to develop and commercialize proven cancer therapies in new orphan drug indications where patients are failing or have become intolerable to modern targeted or biologic treatments. The Company's drug in development, VAL-083, is currently undergoing clinical trials in the U.S. as a potential treatment for refractory glioblastoma multiforme. VAL-083 has been extensively studied by U.S. National Cancer Institute, and is currently approved for the treatment of chronic myelogenous leukemia (CML) and lung cancer in China. Published pre-clinical and clinical data suggest that VAL-083 may be active against a range of tumor types via a novel mechanism of action that could provide improved treatment options for patients. Delmarpharma.com



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