



**DelMar Pharmaceuticals, Inc.
(OTCQB: DMPI, Target Price: \$4.53)**

DelMar Pharmaceuticals, Inc. ("DMPI") is a biotechnology company focused on the development and commercialization of well-validated anti-cancer therapies in orphan drug indications where patients are failing modern targeted or biologic treatments. Their lead compound, VAL-083, is a potential new treatment for glioblastoma multiforme ("GBM"), the most common and aggressive form of brain cancer. On March 20, 2014, DMPI reported 4Q13 and 2013 results. Highlights are the following:

- DMPI reported a net loss of (\$8.3mn), or (\$0.28) per share, for 2013, compared to (\$2.4mn), or (\$0.18) per share in 2012.
- DMPI reported a working capital balance of \$4.1mn as of December 31, 2013. DMPI estimates that the funds will provide sufficient capital to support its ongoing R&D activities through the 1Q15.
- DMPI is continuing with dose escalation of VAL-083 and the advancement of the drug continues to progress in-line with our estimated timeline.
- DMPI is assessing strategies for an up-listing to the NYSE-MKT or NASDAQ at the earliest available opportunity.

Investment Highlights

Working capital sufficient for 2014

DMPI reported a working capital balance of \$4.1mn as of December 31, 2013 and it estimates that these funds will be sufficient to support its ongoing R&D activities through the 1Q15. We had originally modeled in DMPI raising \$2mn in 2014E, so we are encouraged by these results. DMPI reported \$636k of SG&A spending and \$1.2mn of total operating expenses in 4Q13, both of these figures represented quarterly lows for 2013. As DMPI progresses into 2014, we are much more focused on news around VAL-083 than we are on operating expenses, but we are impressed with DMPI's fiscal discipline.

Potential 2014 catalysts

Aside from VAL-083 news flow in 2014, DMPI has other potential catalysts which we await updates on, specifically the repositioning and potential sales of VAL-083 in China. DMPI is continuing its efforts to secure a sales and marketing partner for VAL-083 in China, which we are hopeful could result in product revenues to the company in 2014E. The potential plan to up-list to NYSE-MKT or NASDAQ is also a significant positive.

Significant VAL-083 news to be presented in 2014

DMPI will present updated interim clinical data, including available data from Cohort 6 (those patients receiving 30mg/m²), at the upcoming American Association of Cancer Research (AACR) Annual Meeting, which is being held April 5 – 9 in San Diego, CA. This will be the first of several conferences at which we expect DMPI to provide VAL-083 updates in 2014.

Maintain price target of \$4.53

We maintain our price target of \$4.53 for DMPI. This represents 294% upside potential from the recent market price of \$1.15.

Stock Details (03/26/14)

OTCQB:	DMPI
Sector / Industry	Healthcare / Biotechnology
Price target	\$4.53
Recent share price	\$1.15
Shares o/s (mn)	31.7
Market cap (in \$mn)	36.4
52-week high/low	\$2.48 / \$0.75

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY12	FY13	FY14E
Revenues	0.0	0.0	0.8
EBITDA	(2.7)	(6.3)	(4.1)
EBIT	(2.7)	(6.3)	(4.1)
Net Income	(2.7)	(8.3)	(4.1)
EPS (\$)	(0.20)	(0.28)	(0.12)

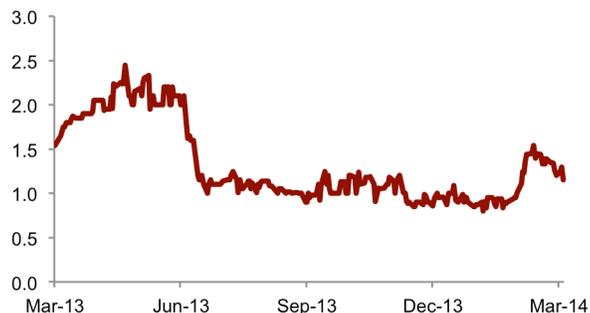
Source: SeeThruEquity Research

Key Ratios

	FY12	FY13	FY14E
Gross margin (%)	NM	NM	NM
Operating Margin (%)	NM	NM	NM
EBITDA margin (%)	NM	NM	NM
Net margin (%)	NM	NM	NM
P/Revenue (x)	NM	NM	60.9
EV/EBITDA (x)	(15.1)	(6.5)	(10.1)
EV/Revenue (x)	NM	NM	54.4

Source: SeeThruEquity Research

Share price performance (\$, LTM)



Source: Thomson Reuters

QUARTERLY FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$'000, unless specified	4Q13	4Q12	2013	2012
Operating expenses	1,202	706.8	6,295	2,705
YoY growth	70.1%		133%	
Interest and other	336.3	283.5	(1,996)	304.7
YoY growth	NM		NM	
Net income	(865.9)	(423.3)	(8,290)	(2,400)
YoY growth	NM		NM	
Diluted EPS	(\$0.03)	(\$0.03)	(\$0.28)	(\$0.18)
YoY growth	NM		NM	

Source: Company Earnings Release, SeeThruEquity Research

ADDITIONAL NOTES

VAL-083 glioblastoma clinical trial updates and update on sales in China are major 2014 catalysts for DMPI

- DMPI reported a net loss of (\$8.3mn), or (\$0.28) per share, for 2013, compared to (\$2.4mn), or (\$0.18) per share in 2012.
- DMPI reported a working capital balance of \$4.1mn as of December 31, 2013. DMPI estimates that the funds will provide sufficient capital to support its ongoing R&D activities through the 1Q15.
- DMPI is on track to deliver higher doses of VAL-083 than have been used in prior clinical studies. In prior National Cancer Institute ("NCI")-sponsored studies, a cumulative VAL-083 dose of 125mg/m² delivered in a 33 day cycle in combination with radiation was demonstrated to be superior to radiation alone (Eagan et al. 1979). In a comparative 33-day cycle, Cohort 6 of DMPI's dosing regimen will deliver a total of 180/mg², taking advantage of higher drug concentration and exposure to the tumor.
- DMPI will present updated interim clinical data, including available data from Cohort 6, at the upcoming American Association of Cancer Research (AACR) Annual Meeting, which is being held April 5 – 9 in San Diego, CA.
- DMPI's Phase I/II study is an open-label, single arm dose-escalation study designed to evaluate the safety, tolerability, pharmacokinetics and anti-tumor activity of VAL-083 in patients with recurrent GBM. Patients in the trial must have been previously treated for GBM with surgery and/or radiation and must have failed both Avastin® and Temodar®, unless either or both are contra-indicated. Subject to continued progress, DelMar anticipates completing the dose-escalation portion of its current clinical trial in mid-2014. The goal of the dose-escalation portion of the trial is to determine an appropriate dosing regimen for advancement into future registration-directed trials.
- DMPI is continuing its efforts to secure a sales and marketing partner for VAL-083 in China, which we are hopeful could results in product revenues to the company in 2014E.

Maintaining price target of \$4.53

- We maintain our \$4.53 price target, this represents 294% upside potential from the recent price of \$1.15.
- We await future updates on VAL-083, as DMPI remains on track with their dose-escalation study and overall clinical trial program for the drug. We anticipate DMPI advancing VAL-083 toward registration directed trials in refractory glioblastoma in 1H14E. DMPI has previously stated that it anticipates the directed trials to be open label studies of 80-100 patients, with PFS6 & radiographic response as primary endpoints. This open label format would enable the presentation of interim data at key conferences in 2014, including AACR, ASCO and SNO.

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