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

We initiate coverage on DelMar Pharmaceuticals, Inc. ("DelMar") with a price target of $4.53 per share. DelMar 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.

INVESTMENT HIGHLIGHTS

VAL-083 as a potential new treatment for glioblastoma multiforme

DelMar's lead drug candidate, VAL-083, is a novel alkylating agent representing a "first in class" small-molecule chemotherapeutic. DelMar initiated clinical trials on VAL-083 in October 2011 as a potential new treatment for glioblastoma multiforme ("GBM"), the most common and aggressive form of brain cancer. VAL-083 has a differentiated mechanism of action than current standard therapies and in separate historical clinical trials, the combination of VAL-083 and radiation therapy showed a median survival benefit comparable or superior to that of Merck's (NYSE: MRK) Temodar®, the current front line treatment for GBM. Furthermore, VAL-083 has shown benefits in both newly diagnosed and recurrent GBM patients, which could lead to a broad acceptance upon FDA approval. DelMar is currently conducting a Phase I/II trial for VAL-083 and recently released a trial update at the annual Society for Neuro-Oncology (SNO) meeting in San Francisco.

Partnership with Guangxi Wuzhou Pharmaceutical Group Co. Ltd.

In October of 2012, DelMar announced a strategic collaboration with Guangxi Wuzhou Pharmaceutical Company, a subsidiary of publicly traded Guangxi Wuzhou Zhongheng Group Co., Ltd. for the development of VAL-083. VAL-083 is approved by the Chinese State Food and Drug Administration ("CFDA") as a cancer chemotherapeutic for the treatment of Chronic Myelogenous Leukemia ("CML") and lung cancer. Guangxi Wuzhou Pharmaceuticals will be the exclusive world-wide supplier of VAL-083 and DelMar was granted commercial rights to VAL-083 in China. DelMar is looking for an additional marketing and distribution partnership which could lead to royalty revenues in 2014E.

Experienced management team and deep Board of Directors

DelMar has a highly seasoned management team and deep Board of Directors and company advisors, who together have been responsible for the successful development & commercialization of over 20 oncology products. Co-founders Jeffrey Bacha (President and CEO) and Dr. Dennis Brown (Chief Scientific Officer) have founded and co-founded numerous biotechnology firms throughout their careers. DelMar leverages their relationship with Valent Technologies, LLC, a company owned by Dr. Brown, to evaluate and identify potential drug candidates. DelMar purchased the rights to VAL-083 from Valent Technologies.

Initiate coverage with a price target of $4.53

Our analysis indicates a fair value estimate of $4.53 per share (detailed on page 8), implying an upside of 353% from the recent price of $1.00. We view DelMar as a highly speculative opportunity in the biotechnology field. DelMar has numerous catalysts over the next 12-18 months, including updated Phase I/II results, the commencement of a Phase II/III trial and revenue opportunities in China. With a differentiated mechanism of action and orphan drug status in a category with significant unmet medical need, we see VAL-083 as a high risk, high reward opportunity for investors looking for exposure to the oncology space.

Stock Details (01/06/2014)

OTCQB:	DMPI
Sector / Industry	Healthcare / Biotechnology
Price target	**$4.53**
Recent share price	$1.00
Shares o/s (mn)	31.5
Market cap (in $mn)	$31.5
52-week high/low	$2.50 / 0.75

Source: Bloomberg, SeeThruEquity Research

Key Financials ($mn unless specified)

	FY12	FY13E	FY14E
Revenues	0.0	0.0	0.8
EBITDA	(2.7)	(6.6)	(5.3)
EBIT	(2.7)	(6.6)	(5.3)
Net income	(2.4)	(8.9)	(5.3)
EPS ($)	(0.18)	(0.31)	(0.17)

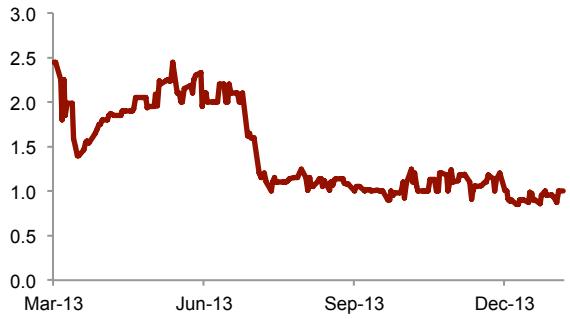
Source: SeeThruEquity Research

Key Ratios

	FY12	FY13E	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	42.0
EV/EBITDA (x)	(9.9)	(4.0)	(5.1)
EV/Revenue (x)	NM	NM	35.5

Source: SeeThruEquity Research

Share Price Performance ($, LTM)



Source: Bloomberg

SUMMARY TABLE

Figure 1. Summary Table (As of January 6, 2014)

Share data		B/S data (As of 3Q13)		Key personnel:	
Recent price:	$1.00	Total assets:	5.4mn	President & CEO:	Jeffery Bacha, B.Sc.
Price target:	$4.63	Total debt:	0.3mn	Chief Scientific Officer:	Dennis Brown, Ph.D.
52-week range:	2.50 / 0.75	Equity:	(0.3mn)	CFO:	Scott Praill, CA
Average volume:*	17,495	W/C:	5.0mn		
Market cap:	$31.5mn	ROE '12:	-203%		
Book value/share:	($0.01)	ROA '12:	-1477%		
Cash/share	$0.16	Current ratio:	12.6		
Dividend yield:	0.00%	Asset turnover:	0.0		
Risk profile:	High / Speculative	Debt/Cap:	(8.0)		

** three month average volume (number of shares)*

	Estimates			Valuation		
FY December	Rev ($mn)	EBITDA ($mn)	EPS ($)	P/Rev (x)	EV/Rev (x)	P/E (x)
2011A	0.0	(1.3)	(0.16)	N/A	NM	NM
2012A	0.0	(2.7)	(0.20)	N/A	NM	NM
1Q13A	0.0	(1.6)	(0.06)	N/A	NM	NM
2Q13A	0.0	(2.2)	(0.07)	N/A	NM	NM
3Q13A	0.0	(1.3)	0.04	N/A	NM	NM
4Q13E	0.0	(1.5)	(0.05)	N/A	NM	NM
2013E	0.0	(6.6)	(0.31)	N/A	NM	NM
2014E	0.8	(5.3)	(0.17)	42.0x	35.5x	NM
2015E	1.3	(5.1)	(0.16)	25.2x	21.3x	NM

Source: SeeThruEquity Research

INVESTMENT THESIS

DelMar Pharmaceuticals, Inc. (“DelMar”), founded in 2010, is a development stage company focused on the discovery and development of new medicines with the potential to treat cancer patients who have failed modern targeted or biologic therapy. DelMar’s drug discovery research focuses on identifying well-validated clinical and commercial-stage compounds and establishing a scientific rationale for development in modern orphan cancer indications with the aim of developing products that will have a high impact in patient care in those categories in order to obtain a guarantee of market exclusivity, attractive reimbursement, and high-likelihood of accelerated product approvals.

DelMar’s lead compound, VAL-083, has been assessed in multiple clinical studies sponsored by the National Cancer Institute ("NCI") in the US as a treatment against various cancers including lung, brain, cervical, ovarian tumors and leukemia. Both the FDA and EMEA have granted orphan drug status for VAL-083 for the treatment of glioma, including GBM. DelMar initiated clinical trials on VAL-083 in October 2011 as a potential new treatment for glioblastoma multiforme ("GBM"), the most common and aggressive form of brain cancer. VAL-083 is currently approved as a cancer chemotherapeutic in China for the treatment of chronic myelogenous leukemia ("CML") and lung cancer. DelMar has a commercial and development partnership with Guangxi Wuzhou Pharmaceutical Group Co. Ltd. (“Wuzhou Pharmaceuticals”), presenting a near term revenue opportunity through royalties from sales in China.

DelMar has a seasoned management team with a history of successful drug developments and commercial exits and a deep, experienced Board of Directors. DelMar also leverages its relationship with Valent Technologies, LLC, which is owned by Dr. Dennis Brown, DelMar’s Chief Scientific Officer, to identify and evaluate potential new drug candidates. DelMar acquired VAL-083 from Valent Technologies, LLC.

Source: Company investor materials, SeeThruEquity Research

VAL-083 as a potential new treatment for glioblastoma multiforme

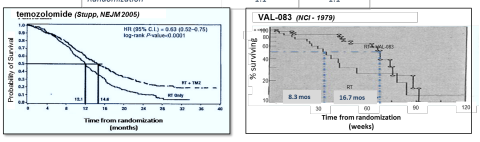
DelMar's lead drug candidate, VAL-083, was originally synthesized and studied in the 1960's and is a novel alkylating agent representing a "first in class" small-molecule chemotherapeutic. The molecular structure of VAL-083 is not an analogue or derivative of other small molecule chemotherapeutics approved for the treatment of cancer. Alkylating agents are a commonly used class of chemotherapy drugs. They work by binding to DNA and interfering with normal DNA replication processes within the cancer cell, preventing the cell from making the proteins necessary for survival and growth. After exposure to alkylating agents, the cancer cell becomes dysfunctional and dies. VAL-083 has been assessed in multiple clinical studies sponsored by the National Cancer Institute ("NCI") in the US as a treatment against various cancers including lung, brain, cervical, ovarian tumors and leukemia. It is also approved as a cancer chemotherapeutic in China for the treatment of leukemia & lung cancer. Published pre-clinical and clinical data suggest that VAL-083 alkylates and crosslinks DNA, which ultimately leads to cancer cell death. In addition, VAL-083 does not show cross-resistance to other conventional chemotherapeutic agents, has a long half-life in the central nervous system and accumulates preferentially to brain tumor tissue vs. normal brain matter. In the NCI-sponsored clinical studies, the most promising results came for the treatment of brain cancer. VAL-083 has been assessed as a potential chemotherapeutic in the treatment of both newly diagnosed and recurrent brain tumors. In historical NCI-sponsored studies, more than 40% of patients treated with VAL-083 achieved tumor regression and an additional 20% - 30% demonstrated stabilization. DelMar plans to initially position VAL-083 as a potential new treatment for glioblastoma multiforme ("GBM"), the most common and aggressive form of brain cancer.

The current treatment regimen for newly diagnosed GBM patients is surgery followed by radiotherapy combined with chemotherapy. More recently, two chemotherapeutic agents have been used in conjunction with radiation therapy, Merck's (NYSE: MRK) Temodar for newly diagnosed GBM patients and Roche's (SWX: ROG:VX) Avastin for recurrent disease. Following surgery, Temodar in combination with radiation is the front-line GBM therapy. However, roughly 60% of GBM patients treated with Temodar experience tumor progression within one year. In clinical studies where Avastin was used as a second line treatment of GBM in patients failing Temodar, the drug only demonstrated a 20%-26% response rate. This implies that over half of the patients who are diagnosed with GBM will fail both front-line therapy and Avastin. VAL-083 has a differentiated mechanism of action and in separate historical clinical trials, the combination of VAL-083 and radiation therapy showed a median survival benefit comparable or superior to that of Temodar plus radiation.

VAL-083
Evidence of Clinical Efficacy in GBM

VAL-083 historical clinical data demonstrates comparable incremental survival benefit and overall survival comparable to today's standard of care

Treatment of GBM	temozolomide *(Phase III Stupp 2005)*	VAL-083 *(Phase II Eagan 1979)*
Median Overall Survival *RT + Chemo*	58 weeks	67 weeks
OS Benefit of adding Chemo: *RT & Chemo vs. XRT Only*	2.5 months (p<0.01)	8.4 months (p=0.02)
Sample (n=) Randomization	573 1:1	42 1:1



In October 2011, DelMar initiated clinical trials with VAL-083 as a potential new treatment for GBM. The 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 histologically confirmed initial diagnosis of primary WHO Grade IV malignant glioma (GBM), now recurrent. Patients with prior low-grade glioma or anaplastic glioma are eligible if histologic assessment demonstrates transformation to GBM. Patients must have been previously treated for GBM with surgery, and/or radiation, if appropriate, and must have failed both Bevacizumab (Avastin) and temozolomide (Temodar), unless either or both are contra-indicated. Patients with brain tumors that have developed due to CNS metastases were eligible for the DelMar clinical trial at early doses. Based on a detailed review of safety data and the demonstrated clinical activity of VAL-083, the FDA granted DelMar allowance to accelerate the dosing in the Phase I/II trial.

Chemotherapy	Comparative Therapy Survival		Median Survival Benefit vs. XRT
	Radiation	Radiation + Chemotherapy	
Temodar™	12.1 months	58 weeks (14.6 months)	2.5 months
VAL-083	8.3 months	67 weeks (16.7 months)	8.0 months

Reported Radiation + Chemo Survival w/ other chemotherapeutic agents in GBM	
Carmustine™ (BCNU)	40-50 weeks
Lormustine™ (CCNU)	52 weeks
Nimustine™ (ACNU)	35 weeks
Avastin™	No reported benefit to survival

In November 2013, DelMar presented interim data from their Phase I/II study at the annual Society for Neuro-Oncology (SNO) meeting in San Francisco. DelMar reported that enrollment in the first four cohorts of the VAL-083 trial has been completed with no significant adverse events or dose limiting toxicity ("DLT") observed. 25% of patients evaluated in Cohorts 1-3 exhibited stable disease or tumor-regression and improved disease symptoms. Evaluation and clinical observations of Cohort 4 is still ongoing. DelMar

reported that the maximum tolerated dose ("MTD") had not yet been reached and enrollment of Cohort 5 (20mg/m2) would be expected to complete during January 2014. Subject to completion of the mandated safety observation period, DelMar expects to advance the dose of VAL-083 beyond the NCI's dosing regimen to increase drug levels and exposure to the tumor compared to historical NCI-sponsored clinical trials. In 3Q13, following an interim safety review, the FDA allowed DelMar to skip interim doses in order to acheive higher drug levels more quickly than DelMar's original study design. CEO Jeffrey Bacha noted that accelerating dose escalation is not expected to significantly alter the duration of the Phase I/II trial. However, DelMar will treat fewer patients at sub-optimal doses and reach doses more likely to achieve meaningful patient benefit in a more cost efficient manner. DelMar is on track to complete dose escalation and advance VAL-083 toward registration directed trials in refractory glioblastoma in 1H14E. DelMar 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.

Glioblastoma market

Glioblastoma multiforme is the most common and most malignant form of brain cancer. Approximately 15,000 people are diagnosed with glioblastoma each year in the U.S., with similar incidence in Europe. The median survival for an untreated patient is 4.5 months. The overall 5-year survival rate is less than 10% with today's standard of care. With over half the diagnosed patients failing currently approved therapies, there is a clear unmet medical need. In 2012, Temodar generated US sales of $423mn and global sales of $917mn. Avastin generated US sales of $170mn in glioblastoma. The market for front line therapies is in excess of $1bn and the market for second line treatments is in the $200-500mn range. DelMar hopes to position VAL-083 for both newly diagnosed and recurrent GBM patients, presenting a very attractive market opportunity.

Partnership with Guangxi Wuzhou Pharmaceutical Group Co. Ltd.

In October of 2012, DelMar announced a strategic collaboration with Guangxi Wuzhou Pharmaceutical Company ("Wuzhou Pharmaceuticals"), a subsidiary of publicly traded Guangxi Wuzhou Zhongheng Group Co., Ltd. for the development of VAL-083, known as DAG for Injection ("DAG") in China. DAG is approved by the Chinese State Food and Drug Administration ("CFDA") as a cancer chemotherapeutic for the treatment of Chronic Myelogenous Leukemia ("CML") and lung cancer. Wuzhou Pharmaceuticals is licensed by the CFDA to manufacture and sell VAL-083 in China for these indications and DelMar holds the exclusive commercial rights to VAL-083 in China. The collaboration expanded the exclusive supply relationship between DelMar and Wuzhou Pharmaceuticals to include the Chinese market and all markets outside China. The companies are working together to insure the product specifications meet global standards in order to accelerate international development and regulatory approval of VAL-083. Wuzhou Pharmaceuticals will be the exclusive supplier of DAG for Injection and DelMar will be responsible for development and commercialization.

The partnership holds tremendous potential for DelMar in the near and long term. The companies hope their efforts lead to expanded sales of VAL-083 in China for currently approved indications, as sales of DAG have been minimal thus far. This is due to poor positioning compared with tyrosine kinase inhibitors ("TKIs"), which are the standard of care in CML and non-small cell lung cancer ("NSCLC"). Published data revealed sub-types of CML and lung cancer that are uniquely prevalent in persons of East Asian decent and highly resistant to treatment by TKIs. DelMar's research demonstrates activity against cancer cell lines resistant to TKI therapy. In addition, access to TKIs is limited in much of China due to high costs. Industry research estimates that there could be as many as one million new cases of lung cancer annually by 2025 in China. DelMar plans to partner with an additional company in China with an established oncology salesforce to help reposition DAG and expand sales, tapping into this significant market opportunity. We believe that DelMar could start seeing royalty revenues from such a partnership in 2014E.

In the longer term, DelMar and Wuzhou Pharmaceuticals plan to develop new clinical data to expand the market in China and to seek regulatory approval for the drug in multiple indications on a global basis. The companies have formed a clinical advisory board to oversee clinical studies. Wuzhou Pharmaceuticals will provide funding support for clinical trials conducted in China.

Experienced management team and deep Board of Directors

DelMar has a highly seasoned management team and deep Board of Directors and company advisors, who together have been responsible for the successful development & commercialization of over 20 oncology products. CEO & President Jeffrey Bacha was the founding CEO of Inimex Pharmaceuticals, Inc. and co-founder of XBiotech and Urigen Holdings, Inc. Chief Scientific Officer Dr. Dennis Brown founded

ChemGenex Therapeutics, and was a co-founder of Matrix Pharmaceutical, Inc., both of which were later acquired by large biotechnology firms. Dr. Brown is the President of Valent Technologies, LLC ("Valent"). DelMar has leveraged their relationship with Valent to access Valent's proprietary ChemEstate™ bioinformatics tools, which are used to screen and identify potential candidates. DelMar acquired VAL-083 from Valent.

In addition to the management team, DelMar boasts an impressive roster of directors and advisors which includes; Bill Garner, MD Director, Co-founder DelMar; CEO Invion Ltd. (ASX:IVX), John K. Bell, CA Director, President of Onbelay Capital, Robert J. Toth Director, Former Wall Street Analyst, Victor Levin, MD Prof. Emeritus MD Anderson Cancer Center (Neuro-Oncology), Susan Chang, MD Chair, NeuroOncology Department UCSF, James Perry, MD Chair, Canadian Brain Tumor Consortium, Howard Burris, MD Director, Sarah Cannon Cancer Research Institute, Bill Bodell, PhD Prof. Emeritus UC Berkley (DNA Damage & Repair), Dan Zhang, MD SFDA Oncology Advisory Panel (China FDA), Christine Charette Former Biotech Analyst, BMO Nesbitt Burns and Sol Barer, PhD Founder, Celgene (NASDAQ: CELG).

Capital raise shores up balance sheet

On March 7, 2013, DelMar announced the completion of a $10.5mn private placement. Each unit consisted of one share of common stock and one common stock purchase warrant. The maximum offering in the Private Placement consisted of 9,375,000 units for gross proceeds of $7.5mn. In addition, the placement agent has been granted an over-allotment option. The overallotment option was increased to 3,750,000 Units for additional gross proceeds of $3.0mn to accommodate investor interest. The overallotment option was exercised in full in conjunction with this closing and the net proceeds were approximately $8.57mn. As of September 30, 2013, DelMar had $5.2mn in cash on their balance sheet. Based on DelMar's operating budget, these funds should provide them with sufficient capital to support ongoing research and development activities for the next 18 months, or until 1Q15E.

Source: Company filings and investor materials, www.cancer.gov, SeeThruEquity Research

COMPETITIVE LANDSCAPE

DelMar operates in the global pharmaceutical industry, which is highly competitive and tightly regulated. Glioblastoma multiforme (GBM) is a deadly disease with limited treatment options. Merck's (NYSE: MRK) Temodar (standard front-line therapy) and Roche's (SWX: ROG:VX) Avastin (second-line therapy) combined with radiation are the current standards of care. VAL-083 will be positioned as a chemotherapeutic for both newly diagnosed patients and recurring GBM patients who have failed other therapies.

According to data from the International Federation of Pharmaceutical Manufacturers & Associations, there were 1,682 drug candidates for cancer as of December 31, 2012, over twice as many as the next three largest categories combined. This included 795 candidates in Phase II and 208 in Phase III. Companies such as Immunocellular Therapeutics (NYSE: IMUC) and Northwest Biotherapeutics, Inc. (NASDAQ: NWBO) are currently working on immunological or vaccine-based therapies for GBM. We would note that Immunocellular's recent results of the Phase II trial of ICT-107 were disappointing, as they did not reach the specified endpoint of a 9.0 month improvement in median overall survival.

DelMar looks to compete by targeting and advancing products in orphan drug indications where patients are failing modern biologic or targeted therapy in order to obtain a guarantee of market exclusivity, attractive reimbursement, and high-likelihood of accelerated product approvals. In order to accelerate their development timelines and reduce technical risk, DelMar leverages existing clinical and commercial data from a wide range of sources. DelMar looks to establish new intellectual property around their product candidates, including use, manufacturing, chemical and product composition and mechanism patent claims. DelMar also seeks to obtain commercial drug product from existing commercial manufacturers in order to accelerate their entry into human clinical trials and reduce development costs.

DelMar has filed a broad portfolio of new patent applications around VAL-083 claiming compositions and methods related to the use of VAL-083 and related compounds as well as methods of synthesis and quality controls for the manufacturing process of VAL-083. In July 2013, DelMar's first new patent in the US, claiming methods of synthesis for VAL-083, was issued by the United States Patent Office. In February, 2012, DelMar announced that VAL-083 has been granted Orphan Drug protection for the treatment of glioma, including GBM by the FDA in the US. In January 2013, the European Medicines Association

("EMA") granted Orphan Drug protection to VAL-083. The orphan drug designation means that DelMar may sell VAL-083 as a treatment for GBM without competition for seven years in the United States and for ten years in the European Union following market approval, in respect of a medicinal product containing a similar active substance for the same indication.

Source: Company filings and investor materials, SeeThruEquity Research

FINANCIALS AND FUTURE OUTLOOK

Revenue/Drivers

We are confident that with a new collaborative agreement and product repositioning, DelMar will be able to grow DAG revenues in China beginning in 2014E and we have modeled in $750k in revenues growing to $4.6mn in 2019E. This should provide DelMar with much needed capital while further enhancing the clinical profile of VAL-083. We are not modeling in any additional indications in China for VAL-083 at this time.

The larger opportunity is GBM, and we are modeling in a 2017E launch. Given the long clinical history of VAL-083, DelMar's currently announced results, the unmet medical need for GBM patients and the orphan drug status the of category, we feel that this timeframe for approval is not overly aggressive. We are modeling in $10mn in 2017E US revenues for VAL-083 in GBM growing to $80mn by 2019E. In 2012, Temodar generated US sales of $423mn and Avastin generated US sales of $170mn in glioblastoma. Given that VAL-083 could be positioned to compete with both drugs, and that 50% of GBM patients will ultimately fail Temodar and Avastin, we think that a $200-250mn peak US sales figure should be attainable. We are not adding any European GBM revenues in our model or any additional indications in the US, such as Chronic Myelogenous Leukemia ("CML") and lung cancer. DelMar has also discussed the long term goal of collaborating with a major pharma/biotech firm to address the solid tumor market, which could present additional upside for VAL-083.

Margins/Expenses

Given that we do not expect DelMar to generate any US product revenue until 2017E and that the company already has a manufacturing agreement for VAL-083 in place with Wuzhou Pharmaceuticals, we are less concerned with margins over the short term. Instead, our focus has been on trying to forecast the timing of their pipeline development, strategic partnerships and annual cash needs.

DelMar reported $1.8mn and $3.3mn in R&D and SG&A spending, respectively, through the first nine months of 2013. We have modeled in $2.4mn and $3.6mn of R&D and SG&A spending for 2014E, growing at 5% annually through 2019E. The Phase II/III registration directed trials in 2014E will be DelMar's largest expense over the next 12-15 months, and we await further updates from the company on the timing of that trial.

DelMar recorded a net loss of ($2.4mn), or ($0.18) in 2012 and used $4.2mn in cash from operations through the first nine months of 2013. We predict a net loss of ($5.3mn), or ($0.17) per share, for 2014E moving to net income of $4.9mn, or $0.15 per share, in 2017E.

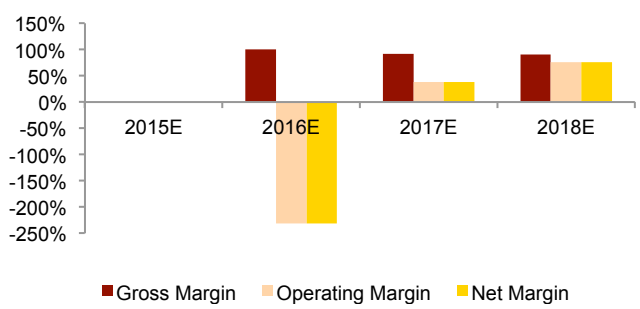
Balance Sheet & Financial Liquidity

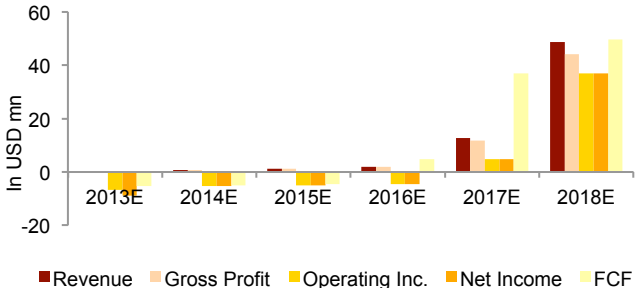
As of September 30, 2013, DelMar had $5.2mn in cash and no other significant assets. They had $428k in accounts payable, down from $1.1mn at year end 2012.

In 2011, DelMar received a loan from Valent Technologies LLC of $250,000 for the purchase of the prototype drug product. The loan is payable on demand, unsecured, and bears interest at 3.00% per year. The loan payable balance at September 30, 2013 is $270,328 including accrued interest of $20,328.

As of September 30, 2013, DelMar had 24.9mn warrants outstanding. Of these, 2.2mn are exercisable at $1.20 and expire on January 25, 2014 and another 13.1mn are callable if DelMar's stock price is above $1.60 for 20 trading days. DelMar also had 3.24mn options outstanding. We believe DelMar will have numerous catalysts throughout 2014 which could lead to the 13.1mn warrants being exercised, and we are modeling in $2mn of conversion in 2014E and $5mn in both 2015E and 2016E. These actions take the share count from a reported 31.52mn as of September 30, 2013 to 39mn in 2016E. There is the possibility of DelMar being required to raise additional capital in 2015, but the terms can swing significantly depending on the interim data released on VAL-083 throughout 2014, so we are not putting any additional capital raises in the model.

Figure 2. Key Performance Indicators of DelMar, FY13E–18E





Source: Company filings, SeeThruEquity Research

VALUATION

We have valued DelMar using a discounted cash flow ("DCF") valuation. Our analysis yields a fair value of $4.53 per share, representing an upside of 353% from the recent price of $1.00 as of January 6, 2014.

DCF

We expect DAG revenues to begin in 2014E and a US launch of VAL-083 in GBM commencing in 2017E. We project free cash flow to move from ($5.3mn) in 2014E to $49.6mn in 2019E. We discounted cash flows at a weighted average cost of capital of 20.2% and assumed a terminal growth rate of 5% at the end of 2019E to arrive at an enterprise value of $137.3mn. Adjusting for the cash balance of $5.2mn and debt of $270k as of September 30, 2013, we arrived at a fair value of $4.53 per share. Our terminal growth rate of 5% could be very conservative given our peak sales estimate of $250mn in the US and having not included any additional markets for GBM globally or any additional indications in the US.

Figure 3. Discounted Cash Flow Analysis

$' 000	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
EBIT	(5,250)	(5,050)	(4,615)	4,854	36,907	68,942
Less: Tax	0	0	0	0	0	19,304
NOPLAT	(5,250)	(5,050)	(4,615)	4,854	36,907	49,638
Changes in working capital	0	0	0	0	0	0
Depreciation & Amortization	0	0	0	0	0	0
Capex	0	0	0	0	0	0
FCFF	**(5,250)**	**(5,050)**	**(4,615)**	**4,854**	**36,907**	**49,638**
Discount factor	0.83	0.69	0.58	0.48	0.40	0.33
PV of FCFE	(4,383)	(3,508)	(2,667)	2,334	14,766	16,523
Sum of PV of FCFE						23,064
Terminal cash flow						343,072
PV of terminal cash flow						114,198
Enterprise value						137,262
Less: Debt						270
Add: Cash						5,171
Equity value						**142,703**
Outstanding shares (mn)						31.5
Fair value per share ($)						**4.53**

Summary conclusions		Key assumptions	
DCF FV ($ per share)	4.53	Beta	2.0
Recent price ($ per share)	1.00	Cost of equity	20.4%
Upside (downside)	352.7%	Cost of debt (post tax)	1.8%
WACC	20.2%	Terminal Growth Rate	5.0%

Figure 4. Sensitivity of Valuation – WACC vs. Terminal Growth Rate

Terminal growth rate (%)	WACC (%)				
	9.9%	19.7%	20.2%	20.7%	21.2%
4.00%	17.21	4.49	4.27	4.07	3.88
4.50%	18.74	4.62	4.40	4.18	3.99
5.00%	20.58	4.77	**4.53**	4.30	4.10
5.50%	22.84	4.92	4.67	4.43	4.22
6.00%	25.67	5.09	4.82	4.57	4.34
6.50%	29.34	5.26	4.98	4.72	4.48

Source: SeeThruEquity Research

Peer Group Valuation

Given that we are not expecting US VAL-083 revenues until 2017E, we have only modeled DelMar using a DCF model. However, we have put in a selected group of peer companies as another basis for comparison.

Figure 5. Comparable Valuation (Data as of 01/06/14)

Company	Mkt cap ($ mn)	EV/Revenue(x)		Price/Revenue(x)	
		FY13E	FY14E	FY13E	FY14E
Agenus Inc.	99	19.6x	15.7x	24.7x	19.8x
Celldex Therapeutics, Inc.	1,983	NM	NM	NM	NM
Clovis Oncology, Inc.	2,037	NM	NM	NM	NM
CytRx Corporation	281	NM	25.7x	NM	28.1x
Endocyte, Inc.	398	4.7x	11.7x	6.1x	15.3x
ImmunoCellular Therapeutics, Ltd.	55	NM	NM	NM	NM
Infinity Pharmaceuticals, Inc.	601	NM	186.5x	NM	NM
Northwest Biotherapeutics, Inc.	182	NM	NM	NM	NM
Pharmacyclics, Inc.	9,146	22.3x	12.6x	28.2x	15.9x
Sunesis Pharmaceuticals, Inc.	254	28.9x	5.9x	31.7x	6.5x
Spectrum Pharmaceuticals, Inc.	537	2.5x	2.1x	2.8x	2.4x
Average		**15.6x**	**37.2x**	**18.7x**	**14.7x**
DelMar Pharmaceuticals, Inc.	32	NM	NM	NM	42.0x
Premium (discount)		NM	NM	NM	186.2%

Source: Bloomberg, SeeThruEquity Research

RISK CONSIDERATIONS

Early stage candidate and regulatory environment

DelMar operates in a highly regulated industry. The process for regulatory approval of drug development by the FDA and other regulatory authorities is lengthy, uncertain and expensive. DelMar has not yet finished their Phase I/II trial and delays or negative results would materially impact our estimates.

Competition

DelMar operates in the extremely competitive field of the US pharmaceutical market. There are currently more than 1600 drug candidates in the global oncology pipeline. There are significant costs associated with oncology therapies and VAL-083 must demonstrate efficacy to avoid reimbursement issues. Additionally, DelMar is competing against major, established competitors in the field (Merck and Roche in particular) who possess far superior resources than DelMar currently has available.

Pipeline

VAL-083 is the only candidate in DelMar's product pipeline. Should VAL-083 not reach US commercialization, DelMar would have to commence on a completely new drug candidate. Acquiring new drugs is costly and difficult, especially given the level of competition globally for attractive pipeline products.

Share liquidity

DelMar shares currently trade on the OTC markets and have limited liquidity. It may be difficult to purchase or sell shares and doing so may significantly impact the share price. Over the past three months, the average volume of DelMar shares traded daily was 17,495. Using the recent market price of $1.00 on January 6, 2014, this represents average value traded per day of just $17,495.

Dilution

In our view, there is dilution risk to common shareholders of DelMar. As of September 30, 2013, there were 31.5mn common shares, 24.9mn warrants and 3.3mn options outstanding. DelMar will likely need to raise additional capital in the 2015/16 timeframe. Should they do so at unfavorable terms, current shareholders are likely to face material dilution.

Management Team

Jeffrey Bacha, B.Sc., MBA, President & CEO

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. Mr. Bacha serves as a Director of Sernova Corp. (TSX-V: SVA), was the founding CEO of Inimex Pharmaceuticals Inc and co-founder of XBiotech and Urigen Holdings Inc. He has also held positions as and Exec. VP Corporate Affairs & Chief Operating Officer at Clera Inc., VP Corporate Development at Inflazyme Pharmaceuticals Ltd. (TSE: IZP) and Senior Manager & Director at KPMG Health Ventures . Mr. Bacha has been recognized as a "Top 40 under 40" executive by Business in Vancouver magazine and is active in the community through volunteerism with the Leukemia & Lymphoma Society's Team in Training program and as Chairman of the Board for Covenant House Vancouver, an organization dedicated to assisting at-risk and homeless youth to re-enter society . He received his MBA(honors) from the Goizueta Business School at Emory University and a B.Sc. in BioPhysics/Premed from the University of California, San Diego.

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

Dr. Brown has more than twenty 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 Technologies, LLC. 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 on about 34 issued US patents and applications, many with foreign counterparts.

Scott Praill, CA, Chief Financial Officer

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

FINANCIAL SUMMARY

Figure 6. Income Statement

Figures in $mn unless specified	FY11A	FY12E	FY13E	FY14E	FY15E	FY16E
Revenue	**0.0**	**0.0**	**0.0**	**0.8**	**1.3**	**2.0**
YoY growth	NM	NM	NM	NM	66.7%	60.0%
Cost of sales	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	**0.0**	**0.0**	**0.0**	**0.8**	**1.3**	**2.0**
Margin	NM	NM	NM	NM	100.0%	100.0%
Operating expenses	1.3	2.7	6.6	6.0	6.3	6.6
EBIT	(1.3)	(2.7)	(6.6)	(5.3)	(5.1)	(4.6)
Margin	NM	NM	NM	NM	(404.0%)	(230.8%)
EBITDA	**(1.3)**	**(2.7)**	**(6.6)**	**(5.3)**	**(5.1)**	**(4.6)**
Margin	NM	NM	NM	NM	(404.0%)	(230.8%)
Other income/ (expense)	0.0	0.3	(2.3)	0.0	0.0	0.0
Profit before tax	(1.3)	(2.4)	(8.9)	(5.3)	(5.1)	(4.6)
Tax	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**(1.3)**	**(2.4)**	**(8.9)**	**(5.3)**	**(5.1)**	**(4.6)**
Margin	NM	NM	NM	NM	(404.0%)	(230.8%)
EPS (per share)	**(0.16)**	**(0.18)**	**(0.31)**	**(0.16)**	**(0.14)**	**(0.12)**

Source: SeeThruEquity Research

Figure 7. Balance Sheet

Figures in $mn, unless specified	FY12A	FY13E	FY14E	FY15E	FY16E
Current assets	0.2	3.9	0.6	0.6	1.0
Intangibles	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0
Total assets	**0.2**	**3.9**	**0.6**	**0.6**	**1.0**
Current liabilities	1.1	0.4	0.4	0.4	0.4
Other liabilities	0.4	5.3	5.3	5.3	5.3
Shareholders' equity	(1.3)	(1.8)	(5.1)	(5.1)	(4.7)
Total liab and shareholder equity	**0.2**	**3.9**	**0.6**	**0.6**	**1.0**

Source: SeeThruEquity Research

Figure 8. Cash Flow Statement

Figures in $mn, unless specified	FY12A	FY13E	FY14E	FY15E	FY16E
Cash from operating activities	(0.6)	(7.5)	(5.3)	(5.1)	(4.6)
Cash from investing activities	0.0	0.0	0.0	0.0	0.0
Cash from financing activities	0.6	9.6	2.0	5.0	5.0
Net inc/(dec) in cash	**(0.0)**	**2.2**	**(3.3)**	**(0.1)**	**0.4**
Cash at beginning of the year	0.0	0.0	3.7	0.4	0.4
Cash at the end of the year	**0.0**	**3.7**	**0.4**	**0.4**	**0.8**

Source: SeeThruEquity Research

About DelMar Pharmaceuticals, Inc.

DelMar Pharmaceuticals was founded in 2010 to develop and commercialize proven cancer therapies in new orphan drug indications where patients are failing modern targeted or biologic treatments. The Company's lead asset, VAL-083, is currently undergoing clinical trials in the United States as a potential treatment for refractory glioblastoma multiforme (GBM), the most common and aggressive form of brain cancer. VAL-083 benefits from extensive clinical research sponsored by the U.S. National Cancer Institute (NCI), 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. For more information, please visit www.delmarpharma.com.

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