

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-37823

DelMar Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

<u>Nevada</u> (State or other jurisdiction of incorporation or organization)	<u>99-0360497</u> (I.R.S. Employer Identification No.)
<u>Suite 720-999 West Broadway Vancouver, British Columbia, Canada</u> (Address of principal executive offices)	<u>V5Z 1K5</u> (zip code)

(604) 629-5989

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes  No

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock	DMPI	The Nasdaq Capital Market

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date, 2,652,038 shares of common stock are issued and outstanding as of May 14, 2019.

**TABLE OF CONTENTS**

		<b>Page No.</b>
<b>PART I. - FINANCIAL INFORMATION</b>		
Item 1.	Financial Statements.	1
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.	37
Item 4.	Controls and Procedures.	37
<b>PART II - OTHER INFORMATION</b>		
Item 1.	Legal Proceedings.	38
Item 1A.	Risk Factors.	38
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.	39
Item 3.	Defaults Upon Senior Securities.	39
Item 4.	Mine Safety Disclosures.	39
Item 5.	Other Information.	39
Item 6.	Exhibits.	39

PART 1. - FINANCIAL INFORMATION

Item 1. Financial Statements.

**DelMar Pharmaceuticals, Inc.**

Consolidated Condensed Interim Financial Statements  
(Unaudited)  
**For the nine months ended March 31, 2019**  
(expressed in US dollars unless otherwise noted)

**DelMar Pharmaceuticals, Inc.**  
Consolidated Condensed Interim Balance Sheets  
(Unaudited)

(expressed in US dollars unless otherwise noted)

	<u>Note</u>	<u>March 31, 2019 \$</u>	<u>June 30, 2018 \$</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,152,233	5,971,995
Prepaid expenses and deposits		240,071	1,034,930
Interest, taxes and other receivables		9,086	39,519
Deferred financing costs	7,8	40,873	-
		<u>2,442,263</u>	<u>7,046,444</u>
Intangible assets - net		14,863	28,411
		<u>2,457,126</u>	<u>7,074,855</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		1,084,460	1,478,086
Related party payables		113,240	160,429
		<u>1,197,700</u>	<u>1,638,515</u>
<b>Derivative liability</b>	4	<u>265</u>	<u>1,117</u>
		<u>1,197,965</u>	<u>1,639,632</u>
<b>Stockholders' equity</b>			
<b>Preferred stock</b>			
Authorized			
5,000,000 shares, \$0.001 par value			
Issued and outstanding			
278,530 Series A shares at March 31, 2019 (June 30, 2018 – 278,530)	3,5	278,530	278,530
841,113 Series B shares at March 31, 2019 (June 30, 2018 – 881,113)	5	5,867,829	6,146,880
1 special voting share at March 31, 2019 (June 30, 2018 – 1)		-	-
<b>Common stock</b>			
Authorized			
7,000,000 shares (June 30, 2018 – 7,000,000), \$0.001 par value			
2,620,033 issued at March 31, 2019 (June 30, 2018 – 2,296,667)	5	2,620	2,297
<b>Additional paid-in capital</b>	5	47,022,252	43,198,193
<b>Warrants</b>	5	6,055,319	8,229,482
<b>Accumulated deficit</b>		(57,988,567)	(52,441,337)
<b>Accumulated other comprehensive income</b>		<u>21,178</u>	<u>21,178</u>
		<u>1,259,161</u>	<u>5,435,223</u>
		<u>2,457,126</u>	<u>7,074,855</u>

**Going concern, nature of operations, and corporate history** (note 1)  
**Subsequent events** (note 8)

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

**DelMar Pharmaceuticals, Inc.**  
Consolidated Condensed Interim Statements of Loss and Comprehensive Loss  
(Unaudited)

(expressed in US dollars unless otherwise noted)

	Note	Three months ended March 31, 2019 \$	Three months ended March 31, 2018 \$	Nine months ended March 31, 2019 \$	Nine months ended March 31, 2018 \$
<b>Expenses</b>					
Research and development	5	735,844	1,779,609	2,702,213	5,856,197
General and administrative	5	935,530	1,155,038	2,796,884	2,911,538
		<u>1,671,374</u>	<u>2,934,647</u>	<u>5,499,097</u>	<u>8,767,735</u>
<b>Other loss (income)</b>					
Change in fair value of derivative liability	4	189	(2,160)	(852)	(57,839)
Foreign exchange loss		5,819	6,420	16,754	57,406
Interest income		(13,397)	(5,850)	(49,513)	(6,241)
		<u>(7,389)</u>	<u>(1,590)</u>	<u>(33,611)</u>	<u>(6,674)</u>
<b>Net and comprehensive loss for the period</b>		<u>1,663,985</u>	<u>2,933,057</u>	<u>5,465,486</u>	<u>8,761,061</u>
<b>Computation of basic loss per share</b>					
Net and comprehensive loss for the period		1,663,985	2,933,057	5,465,486	8,761,061
Series B Preferred stock dividend		23,202	46,626	75,477	142,358
<b>Net and comprehensive loss available to common stockholders</b>		<u>1,687,187</u>	<u>2,979,683</u>	<u>5,540,963</u>	<u>8,903,419</u>
<b>Basic and fully diluted loss per share</b>		<u>0.67</u>	<u>1.31</u>	<u>2.27</u>	<u>4.41</u>
<b>Basic weighted average number of shares</b>		<u>2,518,452</u>	<u>2,283,245</u>	<u>2,444,065</u>	<u>2,017,977</u>

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

**DelMar Pharmaceuticals, Inc.**  
Consolidated Condensed Interim Statements of Cash Flows  
(Unaudited)

(expressed in US dollars unless otherwise noted)

	Note	Nine months ended March 31,	
		2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Loss for the period		(5,465,486)	(8,761,061)
Items not affecting cash			
Amortization of intangible assets		13,548	17,869
Change in fair value of derivative liability	4	(852)	(57,839)
Shares issued for services	5	10,269	4,821
Warrants issued for services	5	36,534	155,204
Stock option expense	5	355,388	430,673
Performance stock unit expense	5	183,205	-
Changes in non-cash working capital			
Interest, taxes and other receivables		30,433	14,578
Prepaid expenses and deposits		794,859	135,293
Accounts payable and accrued liabilities		(425,383)	708,634
Related party payables		(47,189)	33,816
		<u>(4,514,674)</u>	<u>(7,318,012)</u>
<b>Cash flows from investing activities</b>			
Intangible assets – website development costs		-	(12,649)
		-	<u>(12,649)</u>
<b>Cash flows from financing activities</b>			
Net proceeds from the issuance of shares and warrants	5	-	8,945,336
Net proceeds from the exercise and exchange of warrants	5,7	726,179	312,500
Series A preferred cash dividend	5	(6,267)	(6,267)
Deferred financing costs	7,8	(25,000)	-
		<u>694,912</u>	<u>9,251,569</u>
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(3,819,762)</b>	<b>1,920,908</b>
<b>Cash and cash equivalents - beginning of period</b>		<b>5,971,995</b>	<b>6,586,014</b>
<b>Cash and cash equivalents - end of period</b>		<b><u>2,152,233</u></b>	<b><u>8,506,922</u></b>

**Supplementary information (note 7)**

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

**DelMar Pharmaceuticals, Inc.**

Notes to Consolidated Condensed Interim Financial Statements  
(Unaudited)

**March 31, 2019**

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(expressed in US dollars unless otherwise noted)

**1 Going concern, nature of operations, and corporate history**

**Going concern**

These consolidated condensed interim financial statements have been prepared on a going concern basis which assumes that DelMar Pharmaceuticals, Inc. (the "Company") will continue its operations for the foreseeable future and contemplates the realization of assets and the settlement of liabilities in the normal course of business.

For the nine months ended March 31, 2019, the Company reported a loss of \$5,465,486, and a negative cash flow from operations of \$4,514,674. The Company had an accumulated deficit of \$57,988,567 as of March 31, 2019. As of March 31, 2019, the Company had cash and cash equivalents on hand of \$2,152,233. The Company is in the development stage and has not generated any revenues to date. The Company does not have the prospect of achieving revenues until such time that its product candidate is commercialized, or partnered, which may not ever occur. In the near future, the Company will require additional funding to maintain its clinical trials, research and development projects, and for general operations. These circumstances indicate substantial doubt exists about the Company's ability to continue as a going concern.

Consequently, management is pursuing various financing alternatives to fund the Company's operations so it can continue as a going concern. Management plans to secure the necessary financing through the issue of new equity and/or the entering into of strategic partnership arrangements. The Company may tailor its drug candidate development program based on the amount of funding the Company is able to raise in the future. Nevertheless, there is no assurance that these initiatives will be successful.

These financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**Nature of operations**

The Company is a clinical stage drug development company with a focus on the treatment of cancer that is conducting clinical trials in the United States and China with our product candidate, VAL-083, as a potential new treatment for glioblastoma multiforme, the most common and aggressive form of brain cancer. The Company has also acquired certain commercial rights to VAL-083 in China where it is approved as a chemotherapy for the treatment of chronic myelogenous leukemia and lung cancer. In order to accelerate the Company's development timelines, the Company leverages existing clinical and commercial data from a wide range of sources. The Company may seek marketing partnerships in order to potentially generate future royalty revenue.

The address of the Company's administrative offices is Suite 720 - 999 West Broadway, Vancouver, British Columbia, Canada, V5Z 1K5 with clinical operations located at 3485 Edison Way, Suite R, Menlo Park, California, 94025.

**DelMar Pharmaceuticals, Inc.**

Notes to Consolidated Condensed Interim Financial Statements  
(Unaudited)

**March 31, 2019**

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(expressed in US dollars unless otherwise noted)

**Corporate history**

The Company is a Nevada corporation formed on June 24, 2009 under the name Berry Only, Inc. On January 25, 2013, the Company entered into and closed an exchange agreement (the "Exchange Agreement"), with Del Mar Pharmaceuticals (BC) Ltd. ("Del Mar (BC)"), 0959454 B.C. Ltd. ("Callco"), and 0959456 B.C. Ltd. ("Exchangeco") and the security holders of Del Mar (BC). Upon completion of the Exchange Agreement, Del Mar (BC) became a wholly-owned subsidiary of the Company (the "Reverse Acquisition").

DelMar Pharmaceuticals, Inc. is the parent company of Del Mar (BC), a British Columbia, Canada corporation incorporated on April 6, 2010, which is a clinical stage company with a focus on the development of drugs for the treatment of cancer. The Company is also the parent company to Callco and Exchangeco which are British Columbia, Canada corporations. Callco and Exchangeco were formed to facilitate the Reverse Acquisition.

References to the Company refer to the Company and its wholly-owned subsidiaries, Del Mar (BC), Callco and Exchangeco.

**2 Significant accounting policies****Basis of presentation**

The consolidated condensed interim financial statements of the Company have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP") and are presented in United States dollars. The functional currency of the Company and each of its subsidiaries is the United States dollar.

The accompanying consolidated condensed interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Del Mar (BC), Callco, and Exchangeco. All intercompany balances and transactions have been eliminated in consolidation.

The principal accounting policies applied in the preparation of these consolidated condensed interim financial statements are set out below and have been consistently applied to all periods presented.

**Unaudited interim financial data**

The accompanying unaudited consolidated condensed interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information and the notes required by U.S. GAAP for complete financial statements. These unaudited consolidated condensed interim financial statements should be read in conjunction with the audited financial statements of the Company as at June 30, 2018 included in our Form 10-K. In the opinion of management, the unaudited consolidated condensed interim financial statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation. The results for three and nine months ended March 31, 2019 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2019 or for any other future annual or interim period.

**DelMar Pharmaceuticals, Inc.**

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

**March 31, 2019**

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(expressed in US dollars unless otherwise noted)

**Use of estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, expenses, contingent assets and contingent liabilities as at the end of, or during, the reporting period. Actual results could significantly differ from those estimates. Significant areas requiring management to make estimates include the derivative liability, the valuation of equity instruments issued for services, and clinical trial accruals. Further details of the nature of these assumptions and conditions may be found in the relevant notes to these consolidated condensed interim financial statements.

**Loss per share**

Income or loss per share is calculated based on the weighted average number of common shares outstanding. For the three- and nine-month periods ended March 31, 2019 and 2018, diluted loss per share does not differ from basic loss per share since the effect of the Company's warrants, stock options, performance stock units, and convertible preferred shares is anti-dilutive. As of March 31, 2019, potential shares of common stock of 862,502 (2018 – 1,428,128) related to outstanding warrants, 292,683 (2018 – 172,085) relating to stock options, 120,000 (2018 – 0) relating to performance stock units, and 210,279 (2018 – 220,279) relating to outstanding Series B convertible preferred shares were excluded from the calculation of net loss per common share because their inclusion would be anti-dilutive.

**Recent accounting pronouncements**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies that are adopted by the Company as of the specified effective date.

Recently adopted

*Accounting Standards Board ("ASU") 2017-09 — Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting*

The amendments in this update provide guidance about which changes to the terms, or conditions of a stock-based payment award, require an entity to apply modification accounting in Topic 718. The amendments in ASU 2017-09 are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The adoption of ASU 2017-09 did not have a material impact on our results of operations or financial position.

(expressed in US dollars unless otherwise noted)

*ASU 2016-01 — Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*

The updated guidance enhances the reporting model for financial instruments and requires entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, and the separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. The guidance is effective for annual reporting periods beginning after December 15, 2017. The adoption of ASU 2016-01 did not have a material impact on our results of operations or financial position.

Not yet adopted

*ASU 2017-11 — I. Accounting for Certain Financial Instruments with Down Round Features, II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non-public Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*

The amendments in this update are intended to reduce the complexity associated with the accounting for certain financial instruments with characteristics of liabilities and equity. Specifically, a down round feature would no longer cause a freestanding equity-linked financial instrument (or an embedded conversion option) to be accounted for as a derivative liability at fair value with changes in fair value recognized in current earnings. In addition, the indefinite deferral of certain provisions of Topic 480 have been re-characterized to a scope exception. The re-characterization has no accounting effect. ASU 2017-11 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of this standard.

*ASU 2016-02 — Leases (Topic 842)*

The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the consolidated balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the potential impact of the adoption of this standard.

*ASU 2018-07 — Stock Compensation (Topic 718) Improvements to Nonemployee Share-based Payment Accounting*

The amendments in this update are intended to reduce cost and complexity and to improve financial reporting for share-based payments issued to nonemployees. The ASU expands the scope of Topic 718, Compensation — Stock Compensation, which currently only includes share-based payments issued to employees, to also include share-based payments issued to nonemployees for goods and services. The existing guidance on nonemployee share-based payments is significantly different from current guidance for employee share-based payments. This ASU expands the scope of the employee share-based payments guidance to include share-based payments issued to nonemployees. By doing so, the FASB improves the accounting of nonemployee share-based payments issued to acquire goods and services used in its own operations. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company is currently evaluating the potential impact of the adoption of this standard.

**DelMar Pharmaceuticals, Inc.**

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

**March 31, 2019**

(expressed in US dollars unless otherwise noted)

**3 Valent Technologies, LLC**

On September 30, 2014, the Company entered into an exchange agreement (the "Valent Exchange Agreement") with Valent Technologies, LLC ("Valent"), an entity owned by Dr. Dennis Brown, the Company's Chief Scientific Officer, and Del Mar (BC). Pursuant to the Valent Exchange Agreement, Valent exchanged its loan payable in the outstanding amount of \$278,530 (including aggregate accrued interest to September 30, 2014 of \$28,530), issued to Valent by Del Mar (BC), for 278,530 shares of the Company's Series A Preferred Stock. The Series A Preferred Stock has a stated value of \$1.00 per share (the "Series A Stated Value") and is not convertible into common stock. The holder of the Series A Preferred Stock is entitled to dividends at the rate of 3% of the Series A Stated Value per year, payable quarterly in arrears.

For the three months ended March 31, 2019 and 2018 respectively, the Company recorded \$2,089 related to the dividend payable to Valent. For the nine months ended March 31, 2019 and 2018 respectively, the Company recorded \$6,267 related to the dividend payable to Valent. The dividends have been recorded as a direct increase in accumulated deficit.

**4 Derivative liability**

The Company has issued common stock purchase warrants. Based on the terms of certain of these warrants the Company determined that the warrants were a derivative liability which is recognized at fair value at the date of the transaction and re-measured at fair value each reporting period with the changes in fair value recorded in the consolidated condensed interim statement of loss and comprehensive loss.

The Company's derivative liability is summarized as follows:

	Three months ended	
	March 31,	
	2019	2018
	\$	\$
<b>Opening balance</b>	76	5,549
Change in fair value of warrants	189	(2,160)
<b>Closing balance</b>	265	3,389
Less current portion	-	(5)
<b>Long term portion</b>	265	3,384

(expressed in US dollars unless otherwise noted)

	Nine months ended March 31,	
	2019 \$	2018 \$
<b>Opening balance</b>	1,117	61,228
Change in fair value of warrants	(852)	(57,839)
<b>Closing balance</b>	265	3,389
Less current portion	-	(5)
<b>Long term portion</b>	<u>265</u>	<u>3,384</u>

The derivative liability consists of the following warrants:

	March 31, 2019	
	Number of warrants	\$
2015 Agent Warrants	2,177	265
<b>Closing balance</b>	2,177	265
Less current portion	-	-
<b>Long-term portion</b>	<u>2,177</u>	<u>265</u>

## 5 Stockholders' equity

### Preferred stock

#### Series B Preferred Shares

During the year ended June 30, 2016, the Company issued an aggregate of 902,238 shares of Series B Preferred Stock at a purchase price of at \$8.00 per share. Each share of Series B Preferred Stock is convertible into 0.25 shares of common stock equating to a conversion price of \$32.00 (the "Conversion Price") and will automatically convert to common stock at the earlier of 24 hours following regulatory approval of VAL-083 with a minimum closing bid price of \$80.00 or five years from the final closing date. The holders of the Series B Preferred Stock are entitled to an annual cumulative, in arrears, dividend at the rate of 9% payable quarterly. The 9% dividend accrues quarterly commencing on the date of issue and is payable quarterly on June 30, September 30, March 31, and March 31 of each year commencing on June 30, 2016. Dividends are payable solely by delivery of shares of common stock, in an amount for each holder equal to the aggregate dividend payable to such holder with respect to the shares of Series B Preferred Stock held by such holder divided by the Conversion Price. The Series B Preferred Stock does not contain any repricing features. Each share of Series B Preferred Stock entitles its holder to vote with the common stock on an as-converted basis.

In addition, the Company and the holders entered into a royalty agreement, pursuant to which the Company will pay the holders of the Series B Preferred Stock, in aggregate, a low, single-digit royalty based on their pro rata ownership of the Series B Preferred Stock on products sold directly by the Company or sold pursuant to a licensing or partnering arrangement (the "Royalty Agreement").

Upon conversion of a holder's Series B Preferred Stock to common stock, such holder shall no longer receive ongoing royalty payments under the Royalty Agreement but will be entitled to receive any residual royalty payments that have vested. Rights to the royalties shall vest during the first three years following the applicable closing date, in equal thirds to holders of the Series B Preferred Stock on each of the three vesting dates, upon which vesting dates such royalty amounts shall become vested royalties.

**DelMar Pharmaceuticals, Inc.**Notes to Consolidated Condensed Interim Financial Statements  
(Unaudited)**March 31, 2019**

(expressed in US dollars unless otherwise noted)

Pursuant to the Series B Preferred Stock dividend, during the three months ended March 31, 2019, the Company issued 4,735 (2018 – 4,960) shares of common stock and recognized \$23,202 (2018 – \$46,626). During the nine months ended March 31, 2019, the Company issued 14,430 (2018 – 14,881) shares of common stock and recognized \$75,477 (2018 – \$142,358). These dividends have been recognized as a direct increase in accumulated deficit.

During the nine months ended March 31, 2019, 40,000 Series B Preferred shares were converted to 10,000 shares of common stock. There were no conversions during the three months ended March 31, 2019 and 2018 or for the nine months ended March 31, 2018. A total of 841,113 (2018 – 881,113) shares of Series B Preferred Stock are outstanding as of March 31, 2019, such that a total of 210,279 (2018 – 220,279) shares of common stock are issuable upon conversion of the Series B Preferred Stock as at March 31, 2019. Converted shares are rounded up to the nearest whole share.

Series A Preferred Shares

Effective September 30, 2014 pursuant to the Company's Valent Exchange Agreement (note 3), the Company filed a Certificate of Designation of Series A Preferred Stock (the "Series A Certificate of Designation") with the Secretary of State of Nevada. Pursuant to the Series A Certificate of Designation, the Company designated 278,530 shares of preferred stock as Series A Preferred Stock. The shares of Series A Preferred Stock have a stated value of \$1.00 per share (the "Series A Stated Value") and are not convertible into common stock. The holder of the Series A Preferred Stock is entitled to dividends at the rate of 3% of the Series A Stated Value per year, payable quarterly in arrears. Upon any liquidation of the Company, the holder of the Series A Preferred Stock will be entitled to be paid, out of any assets of the Company available for distribution to stockholders, the Series A Stated Value of the shares of Series A Preferred Stock held by such holder, plus any accrued but unpaid dividends thereon, prior to any payments being made with respect to the common stock.

**Common stock**

	<u>Shares of common stock outstanding</u>	<u>Common stock</u> \$	<u>Additional paid- in capital</u> \$	<u>Warrants</u> \$	<u>Accumulated deficit</u> \$
<b>Nine months ended March 31, 2019</b>					
<b>Balance – June 30, 2018</b>	2,296,667	2,297	43,198,193	8,229,482	(52,441,337)
Exercise and exchange of warrants	296,667	297	2,920,695	(2,210,697)	-
Warrants issued for services	-	-	-	36,534	-
Conversion of Series B preferred stock to common stock	10,000	10	279,041	-	-
Series B Preferred stock dividend	14,430	14	75,463	-	(75,477)
Shares issued for services	2,269	2	10,267	-	-
Stock option expense	-	-	355,388	-	-
Performance stock unit expense	-	-	183,205	-	-
Series A Preferred cash dividend	-	-	-	-	(6,267)
Loss for the period	-	-	-	-	(5,465,486)
<b>Balance – March 31, 2019</b>	<u>2,620,033</u>	<u>2,620</u>	<u>47,022,252</u>	<u>6,055,319</u>	<u>(57,988,567)</u>
<b>Three months ended March 31, 2019</b>					
<b>Balance – December 31, 2018</b>	2,614,342	2,614	46,851,817	6,046,587	(56,299,291)
Exercise and exchange of warrants – issue costs	-	-	(16,186)	-	-
Warrants issued for services	-	-	-	8,732	-
Series B Preferred stock dividend	4,735	5	23,197	-	(23,202)
Shares issued for services	956	1	3,512	-	-
Stock option expense	-	-	99,735	-	-
Performance stock unit expense	-	-	60,177	-	-
Series A Preferred cash dividend	-	-	-	-	(2,089)
Loss for the period	-	-	-	-	(1,663,985)
<b>Balance – March 31, 2019</b>	<u>2,620,033</u>	<u>2,620</u>	<u>47,022,252</u>	<u>6,055,319</u>	<u>(57,988,567)</u>

**DelMar Pharmaceuticals, Inc.**  
Notes to Consolidated Condensed Interim Financial Statements  
(Unaudited)  
**March 31, 2019**

(expressed in US dollars unless otherwise noted)

	<u>Shares of common stock outstanding</u>	<u>Common stock</u> \$	<u>Additional paid- in capital</u> \$	<u>Warrants</u> \$	<u>Accumulated deficit</u> \$
<b>Nine months ended March 31, 2018</b>					
<b>Balance – June 30, 2017</b>	1,450,963	1,451	36,678,344	4,570,574	(41,118,433)
Issuance of shares and warrants	800,000	800	6,191,785	2,752,751	-
Warrants exercised for cash	25,000	25	312,475	-	-
Warrants issued for services	-	-	-	155,204	-
Series B Preferred stock dividend	14,881	15	142,343	-	(142,358)
Shares issued for services	407	-	4,821	-	-
Stock option expense	-	-	430,673	-	-
Series A Preferred cash dividend	-	-	-	-	(6,267)
Loss for the period	-	-	-	-	(8,761,061)
<b>Balance – March 31, 2018</b>	<u>2,291,251</u>	<u>2,291</u>	<u>43,760,441</u>	<u>7,478,529</u>	<u>(50,028,119)</u>
<b>Three months ended March 31, 2018</b>					
<b>Balance – December 31, 2017</b>	2,260,884	2,261	43,259,228	7,321,844	(47,046,347)
Warrants exercised for cash	25,000	25	312,475	-	-
Warrants issued for services	-	-	-	156,685	-
Series B Preferred stock dividend	4,960	5	46,621	-	(46,626)
Shares issued for services	407	-	4,821	-	-
Stock option expense	-	-	137,296	-	-
Series A Preferred cash dividend	-	-	-	-	(2,089)
Loss for the period	-	-	-	-	(2,933,057)
<b>Balance – March 31, 2018</b>	<u>2,291,251</u>	<u>2,291</u>	<u>43,760,441</u>	<u>7,478,529</u>	<u>(50,028,119)</u>

(expressed in US dollars unless otherwise noted)

The issued and outstanding common shares at March 31, 2019 include 9,063 (June 30, 2018 – 91,276) shares of common stock on an as-exchanged basis with respect to the shares of Exchangeco that can be exchanged for shares of common stock of the Company.

Nine months ended March 31, 2018

On September 22, 2017, the Company completed a registered direct offering (the “2018 Registered Offering”) of an aggregate of 800,000 shares of common stock and warrants to purchase an additional 800,000 shares of common stock at a price of \$12.50 per share and related warrant for gross proceeds of \$10.0 million. The warrants have an exercise price of \$12.50 per share, are immediately exercisable and have a term of exercise of five years (the “2018 Investor Warrants”).

The Company engaged a placement agent for the 2018 Registered Offering. Under the Company’s engagement agreement with the placement agent, the Company paid \$800,000 in cash commission and other fees to the placement agent and issued warrants to purchase 40,000 shares of common stock to the placement agent (the “2018 Agent Warrants”). The 2018 Agent Warrants are exercisable at a per share price of \$12.50 and have a term of exercise of five years.

In addition to the cash commission and other placement agent fees, the Company also incurred additional cash issue costs of \$254,664 resulting in net cash proceeds of \$8,945,336.

**2017 Omnibus Incentive Plan**

As approved by the Company’s stockholders at the annual meeting of stockholders held on April 11, 2018, on July 7, 2017, as amended on February 1, 2018, the Company’s board of directors approved adoption of the Company’s 2017 Omnibus Equity Incentive Plan (the “2017 Plan”). The board of directors also approved a form of Performance Stock Unit Award Agreement to be used in connection with grants of performance stock units (“PSUs”) under the 2017 Plan. Under the 2017 Plan, 780,000 shares of Company common stock are reserved for issuance, less the number of shares of common stock issued under the Del Mar (BC) 2013 Amended and Restated Stock Option Plan (the “Legacy Plan”) or that are subject to grants of stock options made, or that may be made, under the Legacy Plan. A total of 169,985 shares of common stock have been issued under the Legacy Plan and/or are subject to outstanding stock options granted under the Legacy Plan, and a total of 122,698 shares of common stock have been issued under the 2017 Plan and/or are subject to outstanding stock options granted under the 2017 Plan. In addition, 120,000 PSU’s have been issued under the 2017 Plan leaving a potential 367,317 shares of common stock available for issuance under the 2017 Plan if all such options under the Legacy Plan were exercised and no new grants are made under the Legacy Plan. The maximum number of shares of Company common stock with respect to which any one participant may be granted awards during any calendar year is 8% of the Company’s fully diluted shares of common stock on the date of grant (excluding the number of shares of common stock issued under the 2017 Plan and/or the Legacy Plan or subject to outstanding awards granted under the 2017 Plan and/or the Legacy Plan). No award will be granted under the 2017 Plan on or after July 7, 2027, but awards granted prior to that date may extend beyond that date.

**DelMar Pharmaceuticals, Inc.**

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

**March 31, 2019**

(expressed in US dollars unless otherwise noted)

**Performance stock units**

The Company's board of directors has granted PSUs under the 2017 Plan to the Company's directors. The awards represent the right to receive shares of the Company's common stock upon vesting of the PSU based on targets approved by the Company's board of directors related to the Company's fully diluted market capitalization. The PSUs vest at various fully diluted market capitalization levels with full vesting occurring upon the later of one year from the grant date and the Company achieving a fully diluted market capitalization of at least \$500 million for five consecutive business days. The PSUs expire on July 7, 2022. There are 120,000 PSUs outstanding as of March 31, 2019 and June 30, 2018.

The Company has recognized \$60,177 (2018 - \$0) and \$183,205 (2018 - \$0) in expense related to the PSUs during the three and nine months ended March 31, 2019, respectively, with all of it being recognized as general and administrative expense. As at March 31, 2019 there was \$342,936 (2018 - \$0) in unrecognized compensation expense that will be recognized over the next 2.47 years.

The PSUs have been valued using the following assumptions:

Dividend rate	0%
Volatility	79.0 to 82.5%
Risk-free rate	2.56% to 2.71%
Term – years	1.67 to 3.24

**Stock Options**

The following table sets forth the stock options outstanding under all plans as of March 31, 2019:

	<b>Number of stock options outstanding</b>	<b>Weighted average exercise price</b>
<b>Balance – June 30, 2018</b>	262,683	24.27
Granted	<u>30,000</u>	<u>6.10</u>
<b>Balance – March 31, 2019</b>	<u><u>292,683</u></u>	<u><u>22.40</u></u>

**DelMar Pharmaceuticals, Inc.**  
Notes to Consolidated Condensed Interim Financial Statements  
(Unaudited)  
**March 31, 2019**

(expressed in US dollars unless otherwise noted)

The following table summarizes stock options currently outstanding and exercisable at March 31, 2019 under all plans:

Exercise price \$	Number Outstanding	Weighted average remaining contractual life (years)	Number exercisable
6.10	30,000	9.60	6,666
7.00	5,451	9.23	-
8.70	12,000	8.59	12,000
9.83	83,647	9.14	23,235
10.60	3,600	9.03	1,200
11.70	30,000	3.91	30,000
14.98	2,500	3.17	2,500
20.00	13,125	2.52	13,125
21.10	15,900	7.51	8,700
29.60	4,500	5.84	4,500
32.00	3,000	0.17	3,000
37.60	4,500	6.86	4,500
40.00	1,250	0.50	1,250
41.00	4,000	7.61	3,111
42.00	41,250	3.81	41,250
44.80	3,000	6.86	3,000
49.50	22,460	5.31	18,458
53.20	8,000	7.10	7,555
61.60	1,500	4.00	1,500
92.00	3,000	4.17	3,000
	<b>292,683</b>		<b>188,550</b>

Included in the number of stock options outstanding are 2,500 stock options granted at an exercise price of CA \$20.00. The exercise prices shown in the above table have been converted to US \$14.98 using the period ending closing exchange rate. Certain stock options have been granted to non-employees and will be revalued at each reporting date until they have fully vested. The stock options granted, and those being re-valued, have been valued using a Black-Scholes pricing model using the following assumptions:

	March 31, 2019
Dividend rate	0%
Volatility	70.6% to 79.1%
Risk-free rate	2.1% to 3.2%
Term - years	0.1 to 3.0

**DelMar Pharmaceuticals, Inc.**Notes to Consolidated Condensed Interim Financial Statements  
(Unaudited)**March 31, 2019**

(expressed in US dollars unless otherwise noted)

The Company has recognized the following amounts as stock option expense for the periods noted:

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Research and development	12,889	9,145	64,466	130,546
General and administrative	86,846	128,151	290,922	300,127
	99,735	137,296	355,388	430,673

All of the stock option expense for the periods ended March 31, 2019 and 2018 has been recognized as additional paid in capital. The aggregate intrinsic value of stock options outstanding at March 31, 2019 was \$0 (2018 - \$8,400) and the aggregate intrinsic value of stock options exercisable at March 31, 2019 was \$0 (2018 - \$2,800). As of March 31, 2019, there was \$234,974 in unrecognized compensation expense that will be recognized over the next 2.61 years. No stock options granted under any plan have been exercised to March 31, 2019. Upon the exercise of stock options new shares will be issued.

A summary of the Company's unvested stock options under all plans is presented below:

	Number of Options	Weighted average exercise price \$	Weighted average grant date fair value \$
<b>Unvested at June 30, 2018</b>	138,160	14.39	7.63
Granted	30,000	6.10	2.56
Vested	(64,027)	14.82	7.88
<b>Unvested at March 31, 2019</b>	<b>104,133</b>	<b>11.62</b>	<b>5.95</b>

**Warrants**

Certain of the Company's warrants have been recognized as a derivative liability (note 4). The following table summarizes changes in the Company's outstanding warrants as of March 31, 2019:

Description	Number
<b>Balance – June 30, 2018</b>	1,428,128
Exercised for cash (i)	(197,500)
Cashless exchange (i)	(297,500)
Issued for services (ii)	14,000
Forfeited (iii)	(2,400)
Expired (iv)	(82,225)
<b>Balance - March 31, 2019</b>	<b>862,503</b>

- i) On November 25, 2018, the Company entered into Warrant Exercise and Exchange Agreements (the "Warrant Exercise Agreements") with certain holders (the "Exercising Holders") of the 2018 Investor Warrants. Pursuant to the Warrant Exercise Agreements, in order to induce the Exercising Holders to exercise the 2018 Investor Warrants for cash, the Company agreed to reduce the exercise price from \$12.50 to \$4.00 per share. Pursuant to the Warrant Exercise Agreements, the Exercising Holders exercised their 2018 Investor Warrants with respect to an aggregate of 197,500 shares of common stock underlying such 2018 Investor Warrants (the "Exercised Shares"). The Company received net proceeds of \$726,481, comprising aggregate gross proceeds of \$790,000 net of expenses of \$63,519, from the exercise of the 2018 Investor Warrants.

**DelMar Pharmaceuticals, Inc.**

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

**March 31, 2019**

(expressed in US dollars unless otherwise noted)

In addition, in order to further induce the Exercising Holders to exercise the 2018 Investor Warrants, the Warrant Exercise Agreements also provided for the issuance of one share of common stock to the Exercising Holders in exchange for every three shares of common stock underlying the 2018 Investor Warrants held by the Exercising Holders that are not being exercised for cash pursuant to the Warrant Exercise Agreements, if any. On November 26, 2018, the Company issued an aggregate of 99,167 shares of common stock in exchange for 297,500 2018 Investor Warrants, resulting in a 198,333 reduction in the Company's total shares of common stock outstanding on a fully-diluted basis.

- ii) All of the warrants issued for services are exercisable at \$9.00 with 12,000 expiring on September 15, 2023 and 2,000 expiring on October 11, 2021. Of the total, 12,000 vest pro rata monthly over twelve months commencing September 15, 2018 and 2,000 are fully vested as of November 11, 2018.
- iii) Warrants issued for services exercisable at \$11.70 were forfeited upon termination of the underlying agreement.
- iv) Warrants issued for services exercisable at \$70.40 expired September 12, 2018. In addition, warrants exercisable at \$31.40 expired March 31, 2019.

The following table summarizes the Company's outstanding warrants as of March 31, 2019:

Description	Number	Exercise price \$	Expiry date
2018 Investor	280,000	12.50	September 22, 2022
2017 Investor	207,693	35.00	April 19, 2022
2015 Investor	97,900	30.00	July 31, 2020
2013 Placement Agent	126,250	31.40	June 30, 2019
Issued for services	26,500	30.00	July 1, 2020 to February 1, 2021
Issued for services	6,000	17.80	January 25, 2023
Issued for services	33,600	11.70	February 27, 2023
Issued for services	12,000	9.00	September 15, 2023
Issued for services	4,140	59.30	February 27, 2020
Issued for services	2,000	9.00	October 11, 2021
2018 Agent	40,000	12.50	September 20, 2022
2017 Agent	13,846	40.60	April 12, 2022
2016 Agent	10,396	40.00	May 12, 2021
2015 Agent	2,178	30.00	July 15, 2020
	<b>862,503</b>	24.80	

(expressed in US dollars unless otherwise noted)

## **6 Financial instruments**

The Company has financial instruments that are measured at fair value. To determine the fair value, we use the fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use to value an asset or liability and are developed based on market data obtained from independent sources. Unobservable inputs are inputs based on assumptions about the factors market participants would use to value an asset or liability. The three levels of inputs that may be used to measure fair value are as follows:

- Level one - inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level two - inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals; and
- Level three - unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The Company's financial instruments consist of cash and cash equivalents, other receivables, accounts payable, related party payables and derivative liability. The carrying values of cash and cash equivalents, other receivables, accounts payable and related party payables approximate their fair values due to the immediate or short-term maturity of these financial instruments.

### Derivative liability

The Company accounts for certain warrants under the authoritative guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock, on the understanding that in compliance with applicable securities laws, the warrants require the issuance of securities upon exercise and do not sufficiently preclude an implied right to net cash settlement. The Company classifies these warrants on its balance sheet as a derivative liability which is fair valued at each reporting period subsequent to the initial issuance. The Company has used a Black-Scholes Option Pricing Model (based on a closed-form model that uses a fixed equation) to estimate the fair value of the share warrants. Determining the appropriate fair-value model and calculating the fair value of warrants requires considerable judgment. Any change in the estimates (specifically probabilities and volatility) used may cause the value to be higher or lower than that reported. The estimated volatility of the Company's common stock at the date of issuance, and at each subsequent reporting period, is based on the historical volatility of the Company. The risk-free interest rate is based on rates published by the government for bonds with a maturity similar to the expected remaining life of the warrants at the valuation date. The expected life of the warrants is assumed to be equivalent to their remaining contractual term.

**DelMar Pharmaceuticals, Inc.**

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

**March 31, 2019**

(expressed in US dollars unless otherwise noted)

## a) Fair value of derivative liability

The derivative is not traded in an active market and the fair value is determined using valuation techniques. The Company uses judgment to select a variety of methods to make assumptions that are based on specific management plans and market conditions at the end of each reporting period. The Company uses a fair value estimate to determine the fair value of the derivative liability. The carrying value of the derivative liability would be higher, or lower, as management estimates around specific probabilities change. The estimates may be significantly different from those amounts ultimately recorded in the consolidated financial statements because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. All changes in the fair value are recorded in the consolidated statement of operations and comprehensive loss each reporting period. This is considered to be a Level 3 financial instrument as volatility is considered a Level 3 input.

The Company has the following liabilities under the fair value hierarchy:

Liability	March 31, 2019		
	Level 1	Level 2	Level 3
Derivative liability	\$ -	\$ -	\$ 265

Liability	June 30, 2018		
	Level 1	Level 2	Level 3
Derivative liability	\$ -	\$ -	\$ 1,117

**7 Supplementary statement of cash flows information**

	Nine months ended	
	March 31,	
	2019	2018
	\$	\$
Series B Preferred share common stock dividend (note 5)	75,477	142,358
Series B Preferred shares converted to common stock (note 5)	279,051	-
Share issuance costs accrued through accounts payable and accrued liabilities	15,884	-
Deferred financing costs accrued through accounts payable and accrued liabilities	15,873	-
Income taxes paid	-	-
Interest paid	-	-

**DelMar Pharmaceuticals, Inc.**

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

**March 31, 2019**

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(expressed in US dollars unless otherwise noted)

**8 Subsequent events**

**Reverse Stock Split**

On May 7, 2019, the Company filed a Certificate of Change with the Secretary of State of Nevada that effected a 1-for-10 (1:10) reverse stock split of its common stock, par value \$0.001 per share, which became effective on May 8, 2019. Pursuant to the Certificate of Change, the Company's authorized common stock was decreased in the same proportion as the split resulting in a decrease from 70,000,000 authorized shares of common stock to 7,000,000 shares authorized. The par value of its common stock was unchanged at \$0.001 per share, post-split. All common shares, warrants, stock options, conversion ratios, and per share information in these consolidated condensed interim financial statements give retroactive effect to the 1-for-10 reverse stock split. The Company's authorized and issued preferred stock was not affected by the split.

**Rights Offering**

Subsequent to March 31, 2019, the Company filed a registration statement relating to a rights offering for a maximum gross proceeds of \$8.0 million. For every common share of stock owned (including each share of common stock issuable upon exercise of certain outstanding warrants) as of the record date, the stockholder will receive one basic subscription right, which gives the stockholder the opportunity to purchase one unit, consisting of one share of the Company's Series C Preferred Stock and 0.50 warrants, for a price of \$1,000 per Unit. The raising of any funds will not be assured until the closing of the offering which is expected to be in the first week of June 2019.

**Performance Stock Units**

On April 30, 2019, the Company's Board of Directors approved the cancellation of all 120,000 PSU's outstanding at March 31, 2019.

**2017 Omnibus Plan**

On April 30, 2019, the Company's Board of Directors also approved a temporary reduction in the reserve under the Company's 2017 Plan. As a result, the 367,317 shares of common stock available for issuance under the 2017 Plan as of March 31, 2019 was reduced to 14,217. If the Company's authorized common shares are increased at the 2019 annual meeting of stockholders, the reserve will be increased back to 367,317.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Management's Discussion and Analysis ("MD&A") contains "forward-looking statements", within the meaning of the Private Securities Litigation Reform Act of 1995, which represent our projections, estimates, expectations, or beliefs concerning, among other things, financial items that relate to management's future plans or objectives or to our future economic and financial performance. In some cases, you can identify these statements by terminology such as "may", "should", "plans", "believe", "will", "anticipate", "estimate", "expect", "project", or "intend", including their opposites or similar phrases or expressions. You should be aware that these statements are projections or estimates as to future events and are subject to a number of factors that may tend to influence the accuracy of the statements. These forward-looking statements should not be regarded as a representation by us or any other person that our events or plans will be achieved. You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. Except as may be required under applicable securities laws, we undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this report or to reflect the occurrence of unanticipated events.

You should review the factors and risks we describe under "Risk Factors" in our report on Form 10-K for the year ended June 30, 2018 and in our other filings with the Securities and Exchange Commission, available at [www.sec.gov](http://www.sec.gov). Actual results may differ materially from any forward-looking statement.

On May 8, 2019, we effected a one-for-ten reverse stock split (the "Reverse Stock Split") of our issued and outstanding and authorized common stock. All per share amounts and number of shares of common stock in the MD&A and consolidated condensed interim financial statements reflect the Reverse Stock Split. The Reverse Stock Split does not affect the our authorized preferred stock of 5,000,000 shares; except that, pursuant to the terms of the Certificate of Designations of Series B Convertible Preferred Stock for the issued and outstanding shares of our Series B Convertible Preferred Stock, par value \$0.001 per share (the "Series B Preferred Stock"), the conversion price at which shares of Series B Preferred Stock may be converted into shares of common stock will be proportionately adjusted to reflect the Reverse Stock Split.

References to "we", "us", and "our", refer to DelMar Pharmaceuticals, Inc. and our wholly-owned subsidiaries, Del Mar (BC), Calco and Exchangeco.

### Recent Highlights

- On April 4, 2019, we announced the formation of a Scientific Advisory Board ("SAB"). Its inaugural members are Drs. Napoleone Ferrara and John de Groot. Dr. Ferrara is a world-renowned molecular biologist whose pioneering work on the identification of VEGF, a signal protein produced by cells that stimulates the formation of blood vessels, led to the development of Genentech Inc.'s Avastin<sup>®</sup> for the treatment of certain types of cancer, including ovarian cancer and glioblastoma multiforme ("GBM"). Dr. Ferrara is also a member of our Board of Directors and he will serve as the SAB's Chairman. The SAB will work closely with our management team to optimize the development of VAL-083. Dr. John de Groot, Chairman, ad interim of the Department of Neuro-Oncology at the MD Anderson Cancer Center ("MDACC") is an expert in glioma biology and angiogenesis which is the key area of clinical development for VAL-083.
- On April 3, 2019, we announced that the MDACC Institutional Review Board ("IRB") had approved the addition of up to 35 patients to our recurrent GBM study at a dose of 30 mg/m<sup>2</sup>. As previously disclosed, we had lowered the dose in this study from 40 mg/m<sup>2</sup> to 30 mg/m<sup>2</sup> to improve tolerance in this patient population and to maximize overall exposure to VAL-083 thereby increasing the number of cycles of drug patients are able to receive. Upon completion of the initial 48 patients in this study, 13 will have had the 30 mg/m<sup>2</sup> dose and 35 will have had the 40 mg/m<sup>2</sup>. Therefore, potentially adding an additional 35 patients at 30 mg/m<sup>2</sup> would result in a total of 48 patients receiving the 30 mg/m<sup>2</sup> dose. In addition, the MDACC IRB approved the addition of up to 24 patients in the pre-temozolomide ("TMZ") maintenance setting. These patients will have had an initial cycle of temozolomide following radiation but will not have yet started subsequent cycles of temozolomide (i.e. maintenance stage TMZ patients). Subject to obtaining financing and all regulatory approvals, we are planning a new study arm that would potentially enroll up to 24 pre-TMZ maintenance stage, MGMT-unnmethylated GBM patients.

- At the annual meeting of the American Association for Cancer Research (“AACR”) held March 29 to April 3, 2019, we presented clinical study updates on both of our Phase 2 studies in MGMT-unmethylated GBM patients, as well as, preclinical presentations on VAL-083 in combination with Avastin<sup>®</sup> and on the potential to overcome major challenges in the treatment of diffuse intrinsic pontine glioma (“DIPG”).
- As reported at AACR’s annual meeting in April 2019, as of March 13, 2019, we have enrolled 47 of the planned 48 patients in our Phase 2, open-label clinical study of VAL-083 in bevacizumab (Avastin<sup>®</sup>)-naïve, recurrent glioblastoma multiforme (“rGBM”) patients with MGMT-unmethylated status. This study is being conducted at MDACC in Houston, Texas. The study is designed to determine the impact of VAL-083 treatment on overall survival compared to historical reference control.
- As reported at AACR’s annual meeting in April 2019 as of February 15, 2019, we have enrolled 15 of the planned up to 30 patients in our Phase 2, open-label clinical study of VAL-083 in newly-diagnosed, MGMT-unmethylated GBM patients being conducted in Guangzhou, China. This study is a single-site study being conducted at Sun Yat-sen University Cancer Center (“SYSUCC”) on newly diagnosed MGMT-unmethylated GBM patients. Patients in this study are being treated with VAL-083 in combination with radiotherapy as a potential alternative to the current standard-of-care chemo-radiation regimen.
- On February 4, 2019, we received a written notice that The Nasdaq Capital Market LLC (“Nasdaq”) had granted us an extension until June 25, 2019 to regain compliance with the Minimum Bid Price requirement. During the extension, we must remain in compliance with all other listing requirements of Nasdaq.

#### **VAL-083 Clinical Studies**

We are currently developing VAL-083, a novel DNA-targeting agent for the treatment of GBM and potentially other solid tumors, including ovarian cancer. Our recent research has highlighted the opportunities afforded by VAL-083’s unique mechanism of action and its potential to address unmet medical needs by focusing our development efforts on patients whose tumors exhibit biological features that make them resistant to, or unlikely to respond to, currently available therapies. For example, our research demonstrating VAL-083’s activity in GBM is independent of the MGMT methylation status allows us to focus patient selection based on this important biomarker.

The evaluation of MGMT promotor methylation status has increasingly become common practice in the diagnostic assessment of GBM. In September 2017, the National Comprehensive Cancer Network (“NCCN”) updated guidelines for the standard treatment of GBM based on MGMT methylation status. We believe these recently published guidelines provide for enhanced opportunities for us to capitalize on VAL-083’s unique mechanism of action by utilizing MGMT methylation as a biomarker to optimize patient selection for our novel DNA-targeting agent to target the majority of GBM patients who are diagnosed with MGMT-unmethylated tumors.

Our current priority is to leverage this research and VAL-083’s unique mechanism of action to efficiently advance our drug candidate for the most promising indications, including:

- MGMT-unmethylated GBM, currently comprising two ongoing separate Phase 2 clinical studies for:
  - rGBM patients (ongoing study at MDACC); and
  - Newly diagnosed GBM patients (ongoing study at SYSUCC); and
- Based on published data from our Phase 2 studies being conducted at MDACC and in China, we have identified an additional opportunity in pre-temozolomide maintenance GBM patients, and
- Potential future indications include ovarian cancer, non-small cell lung cancer (“NSCLC”), and other solid tumor indications.

## **MGMT-unmethylated GBM**

GBM is the most common and the most lethal form of glioma. According to the Central Brain Tumor Registry of the United States, GBM occurs with an incidence of 3.20 per 100,000 person-years. Approximately 13,000 new cases of GBM were diagnosed in the United States and 16,000 in Europe during 2017. Within the GBM patient population, approximately two-thirds of patients are unmethylated with respect to their MGMT status.

Measurement of MGMT (O6-methyl guanine methyltransferase) methylation status has become routine in clinical practice as a biomarker that correlates with resistance to the standard-of-care chemotherapy with temozolomide (Temodar® “TMZ”), and patient outcomes in GBM. Greater than 60% of GBM patients’ tumors are characterized as “MGMT-unmethylated” and exhibit a high expression of MGMT, a naturally occurring DNA-repair enzyme, the activity of which nullifies the chemotherapeutic activity of TMZ. The development of new therapies for MGMT-unmethylated GBM is a significant unmet medical need. Importantly, the most recent update to NCCN guidelines states that the treatment benefit of TMZ is likely to be lower in GBM patients with an unmethylated MGMT promoter, and therefore, allows for withholding of TMZ in the treatment of newly diagnosed GBM patients with MGMT-unmethylated tumors due to lack of efficacy.

We have demonstrated that VAL-083’s anti-tumor mechanism is active independent from the MGMT status *in vitro*. We believe this suggests the potential of VAL-083 as a replacement for the current standard-of-care chemotherapy, temozolomide, in MGMT-unmethylated GBM. We are therefore utilizing MGMT-methylation status to identify GBM patients who are unlikely to respond to temozolomide and instead treat them with VAL-083.

We believe that our research, in the context of the recent amendment to NCCN guidelines, highlights this unmet need and the opportunity for VAL-083 as a potential new standard-of-care in the treatment of MGMT-unmethylated GBM.

### **Phase 2 Study in MGMT-unmethylated rGBM in Collaboration with University of Texas MD Anderson Cancer Center**

In February 2017, we initiated a biomarker driven, open-label, single-arm Phase 2 study in collaboration with MDACC. This study will enroll up to 48 MGMT-unmethylated GBM patients whose tumors have recurred following treatment with temozolomide. These patients will not have been treated previously with Avastin®. The primary endpoint of the study is overall survival. The historical comparison survival data for this study is lomustine based on a median overall survival of 7.2 months in unmethylated patients. Safety data from this study will become part of the overall safety dossier to support future filings with the FDA and other regulatory agencies.

As reported at the AACR’s annual meeting in April 2019, as of March 13, 2019, 47 patients had been enrolled in this Phase 2 study. The original starting dose of 40 mg/m<sup>2</sup> of VAL-083 on days 1, 2 and 3, of a 21-day cycle, which was based on the results from our previous Phase 1/2 safety study of VAL-083 in patients with recurrent glioma (clinicaltrials.gov identifier: NCT01478178), has continued to demonstrate myelosuppression as the principal side effect of VAL-083, as per prior clinical experience. The safety profile has been well within the existing safety monitoring guidelines described in the present study protocol. However, in consultation with the principal investigator at MDACC, we have amended the protocol for this clinical study to modify the starting dose of VAL-083 to 30 mg/m<sup>2</sup> on days 1, 2 and 3, of a 21-day cycle for this specific population previously treated with temozolomide. This modification may improve tolerance in this patient population and maximize overall exposure to VAL-083 thereby increasing the number of cycles of drug patients are able to receive. We have modified the patient screening platelet count, from 100,000/μL to 125,000/μL, for the same reasons.

At AACR’s annual meeting in April 2019, we reported that per investigator assessment at the end of cycle 2:

- 9/35 (25.7%) patients initially receiving 40 mg/m<sup>2</sup> exhibited Stable Disease
- 4/10 (40.0%) patients initially receiving 30 mg/m<sup>2</sup> exhibited Stable Disease
- Two patients have not yet reached the end of cycle 2

On April 3, 2019, we announced that MDACC approved the adding of up to 35 patients to the recurrent GBM study at a dose of 30 mg/m<sup>2</sup>. We had previously lowered the dose in this study from 40 mg/m<sup>2</sup> to 30 mg/m<sup>2</sup> to improve tolerance in this patient population and maximize overall exposure to VAL-083 thereby increasing the number of cycles of drug patients are able to receive. Upon completion of original 48 patients in this study, 13 will have had the 30 mg/m<sup>2</sup> dose and 35 will have had the 40 mg/m<sup>2</sup>. Therefore, potentially adding an additional 35 patients at 30 mg/m<sup>2</sup> would result in a total of 48 patients receiving the 30 mg/m<sup>2</sup> dose. We are still determining how many, if any, additional patients will be added at the 30 mg/m<sup>2</sup> dose.

It is important for this GBM patient population, which has been heavily pre-treated with temozolomide, to be able to be treated with multiple cycles of VAL-083 without significant hematological toxicities. We believe the modified dose of VAL-083, in addition to the change in patient eligibility platelet counts, should help provide for enhanced patient safety. We believe a positive outcome from this study can establish a position for VAL-083 in the treatment of MGMT-unmethylated rGBM.

Based on current enrollment rates, we are forecasting full enrollment in the second calendar quarter of 2019. Data from this study will be used to help develop potential future clinical study designs with VAL-083 in MGMT-unmethylated rGBM. A detailed description of this study can be found at [clinicaltrials.gov](http://clinicaltrials.gov), Identifier Number: NCT02717962.

As noted above, patients in our current MDACC clinical study have been heavily pre-treated with temozolomide. Based on published data from our MDACC and SYSUCC clinical studies, we believe there is a significant opportunity to treat GBM patients in the pre-temozolomide maintenance stage. As reported at AACR's annual meeting in April 2019, we reported that myelosuppression (thrombocytopenia and neutropenia) is the most common adverse event associated with VAL-083. The higher potential for myelosuppression with 40 mg/m<sup>2</sup>/day of VAL-083 in this study appears to be correlated with the number of cycles of prior TMZ maintenance therapy (> 5 cycles). These patients will have had an initial cycle of temozolomide following radiation but will not have yet started subsequent cycles of temozolomide (i.e. maintenance stage TMZ patients). The MDACC IRB has approved the addition of up to 24 patients to the pre-TMZ maintenance setting. These patients will have had an initial cycle of temozolomide following radiation but will not have yet started subsequent cycles of temozolomide (i.e. maintenance stage TMZ patients). Subject to obtaining financing and all regulatory approvals, we are planning a new Phase 2 study that would potentially enroll up to 24 pre-TMZ maintenance stage, MGMT-unmethylated GBM patients. The comparison survival data for this study is survival data from Tanguturi et al (2017 *Nero-Oncology*) for MGMT-unmethylated patients of 6.9 months.

### **Phase 2 Study in Newly Diagnosed MGMT-unmethylated GBM**

In September 2017, we initiated a single arm, biomarker driven, open-label Phase 2 study in newly diagnosed MGMT-unmethylated GBM patients at SYSUCC in Guangzhou, China. The study is being conducted under our collaboration agreement with Guangxi Wuzhou Pharmaceutical Company.

In this Phase 2 study, VAL-083 is being combined with radiotherapy as a potential replacement for standard-of-care chemoradiation with temozolomide in patients with MGMT-unmethylated GBM. One goal of the study will be to confirm the safety of the three-day VAL-083 dosing regimen in combination with radiotherapy and to investigate outcomes of the combination of VAL-083 and radiotherapy in MGMT-unmethylated GBM patients.

We plan to enroll up to 30 newly-diagnosed, MGMT-unmethylated GBM patients in this study. The efficacy endpoints of the study include tumor response, as assessed by the Response Assessment in NeuroOncology ("RANO"), and progression-free survival ("PFS"), progression-free survival at six months ("PFS6"), and overall survival ("OS"), compared to historical results in the target population. The study is being conducted in two parts: (1) Dose-confirmation: VAL-083 in cohorts (20, 30 and 40 mg/m<sup>2</sup>/day IV daily x 3 every 21 days) to assess safety and activity when administered concurrently with x-ray therapy ("XRT") to confirm the maximum tolerated dose ("MTD"), and (2) Expansion: VAL-083 will be studied in up to 20 additional patients at the target dose, as determined by the dose-confirmation part of the study, administered concurrently with XRT. Assessments of safety and tolerability will be used to support further clinical development of VAL-083 in combination with radiotherapy. Pharmacokinetic assessments of VAL-083 in plasma and cerebral spinal fluid ("CSF") will be used to correlate drug exposure in the central nervous system with patient outcomes.

Dose confirming cohorts studying 20, 30, and 40 mg/m<sup>2</sup>/day x three every 21 days have been completed. Based on the dose confirmation phase of the study, we have selected 30 mg/m<sup>2</sup> for combination with irradiation for the treatment of newly-diagnosed MGMT-unmethylated GBM patients.

As reported at the AACR’s annual meeting in April 2019, as of February 15, 2019, 15 patients have been enrolled in this study. Of these 15 patients, 11 have completed their prospectively planned Magnetic Resonance Imaging (MRI) scans and have had their initial assessment for tumor progression. Tumor progression is based on the study investigator’s clinical and radiologic assessment, according to the RANO criteria. Of these 11 patients, five were assessed by the Principal Investigator as having a “Complete Response”, three of whom were based on significant tumor shrinkage, and two of whom were based on their tumors continuing to remain “below measurable level” from post-surgery baseline MRI to post-cycle 3 MRI. Additionally, six patients were assessed as having “Stable Disease.” Of the remaining four patients, one died prior to their post-cycle 3 MRI and three have not been on study long enough to reach their planned post-cycle 3 MRI. As of the February 15, 2019 data cutoff, 12 of the 15 enrolled patients are still alive. Similar to prior experience, myelosuppression has been the most common adverse event observed. Two dose-limiting toxicities have been reported (thrombocytopenia) — one at the 40 mg/m<sup>2</sup>/day dose and one at the 30 mg/m<sup>2</sup>/day dose.

Through our research, and that of the NCI, we have previously demonstrated that VAL-083 crosses the blood brain barrier. New preliminary data from the SYSUCC study indicate that the concentration of VAL-083 is generally higher in CSF than in plasma at two hours post-infusion. By comparison, temozolomide is typically 80% lower in the CSF than the plasma (Schreck et al. 2018, Oncology (Williston Park)). The reason this is important is that accumulation of VAL-083 in the CSF further validates that VAL-083 crosses the blood-brain-barrier and demonstrates that therapeutic drug concentrations in the CSF are achievable for extended periods of time.

**Concentration of VAL-083 — Two Hours Post Dose**

Dose (mg/m <sup>2</sup> )	n	Mean Concentrations (ng/mL)		Conc. Ratio @ 2 hours CSF/Plasma
		Plasma (2 hours post dose)	CSF (2 hours post dose)	
20	1	110	154	1.40
30	3	97	134	1.41
40	3	170	190	1.13

**Ovarian Cancer**

In April 2016, the FDA granted orphan drug designation for the use of VAL-083 in the treatment of ovarian cancer.

In September 2017, we filed an IND for the use of VAL-083 in ovarian cancer, along with a protocol for a Phase 1/2, open-label, multicenter, study of VAL-083 in patients with **Recurrent Platinum Resistant Ovarian Cancer** (the REPROVe study).

The FDA has allowed this study to begin enrolling patients, but based on ongoing evaluation and input from our ovarian advisory board, we are reassessing the ovarian cancer program. We are in the process of evaluating the best path forward in ovarian cancer and are looking at various strategic options including combination with PARP inhibitors.

**Fast Track Designation**

In December 2017, the FDA granted Fast Track designation for VAL-083, in rGBM.

Fast Track designation is designed to expedite the review of drugs that show promise in treating life-threatening diseases and address unmet medical needs, with the goal of getting new treatments to patients earlier. Fast Track designation provides sponsors with an opportunity for increased frequency for communication with the FDA to ensure an optimal development plan and to collect appropriate data needed to support drug approval. Additional benefits of the Fast Track designation may include an Accelerated Approval, a Priority Review, and a Rolling Review. Accelerated Approval is granted to drugs that demonstrate an effect on a surrogate, or intermediate endpoints, reasonably likely to predict clinical benefit. Priority Review shortens the FDA review process for a new drug from ten months to nine months and is appropriate for drugs that demonstrate significant improvements in both safety and efficacy of an existing therapy. Rolling Review provides a drug company the opportunity to submit completed sections of its New Drug Application (“NDA”) for review by the FDA. Typically, NDA reviews do not commence until the drug company has submitted the entire application to the FDA. Through the Fast Track designation, the FDA attempts to ensure that questions raised during the drug development process are resolved quickly, often leading to earlier approval and increased access for patients.

### Current Treatments for Gliomas and Glioblastoma Multiforme

Gliomas are a type of Central Nervous System (“CNS”) tumor that arises from glial cells in the brain or spine. Glial cells are the cells surrounding nerves. Their primary function is to provide support and protection for neurons in the CNS.

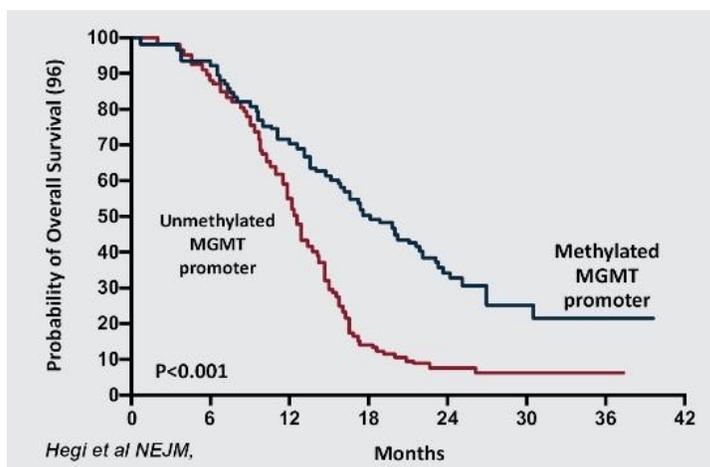
GBM is the most common and the most lethal form of glioma. According to the Central Brain Tumor Registry of The United States, GBM occurs with an incidence of 3.20 per 100,000 person-years. Approximately 13,000 new cases of GBM were diagnosed in the United States and 16,000 in Europe during 2017.

Common symptoms of GBM include headaches, seizures, nausea, weakness, paralysis and personality or cognitive changes such as loss of speech or difficulty in thinking clearly. GBM progresses quickly and patients’ conditions deteriorate rapidly progressing to death. The outlook for GBM patients is generally poor. The overall median survival in newly diagnosed GBM patients with best available treatments is less than 15 months, and two-year and five-year survival rates are approximately 30% and 10%, respectively. Median overall survival in newly-diagnosed, unmethylated GBM patients is 12.2 months.

In September 2017, the National Comprehensive Cancer Network (“NCCN”), updated treatment guidelines for GBM. The recommended treatment regimen for GBM includes surgical resection to remove as much of the tumor as possible (“debulking”) followed by radiotherapy with concomitant and adjuvant chemotherapy with temozolomide with or without tumor treating fields (“TTF”). GBM patients whose tumors exhibit an unmethylated promoter for the gene encoding the DNA repair enzyme MGMT, a biomarker correlated with resistance to temozolomide, may be treated with radiation alone following surgery.

Patients with an unmethylated MGMT promoter have high levels of MGMT, a naturally-occurring DNA repair enzyme that repairs tumor-fighting lesions induced by TMZ thus allowing a patient’s tumor to continue to grow despite treatment which leads to poor outcomes. Measurement of MGMT methylation status has become routine in clinical practice as biomarker that correlates with response to TMZ and patient outcomes in GBM.

**Probability of GBM Patient Survival Correlated to Expression of MGMT Enzyme  
(Unmethylated promoter = High MGMT Expression and Significantly Shorter Survival)**



TTF (Optune<sup>®</sup>) is a non-invasive technique for adults with GBM. TTF uses alternating electrical fields to disrupt tumor cell division, or cause cell death, thereby preventing the tumor from growing or spreading as quickly. A clinical study reported that GBM patients treated with TTF combined with TMZ experienced longer survival than those treated with TMZ alone.

The majority of GBM patients' tumors recur within 6 – 12 months of initial treatment. Experimental therapy through clinical studies is recommended under NCCN guidelines for eligible patients. NCCN guidelines also recommend treatment with systemic chemotherapy, such as lomustine ("CCNU"). For patients who are eligible for additional surgical debulking, local chemotherapy with carmustine ("BCNU") wafers may be employed. CCNU and BCNU target the same DNA-site as TMZ and are also subject to MGMT-related resistance.

Avastin (Avastin<sup>®</sup>, an anti-VEGF antibody) recently received full approval in the US, Canada, Australia, and Japan as a single agent for patients with recurrent GBM following prior therapy. Avastin carries an FDA "black-box warning" related to severe, sometimes fatal, side effects such as gastrointestinal perforations, wound healing complications and hemorrhage. There are no data demonstrating an improvement in disease-related symptoms or increased survival for GBM patients treated with Avastin.

Recurrent GBM patients, especially those whose tumors progress following treatment with Avastin, have limited or no treatment options and a very poor prognosis. According to published literature, the median survival for GBM patients whose tumors progress following Avastin is less than five months.

#### **VAL-083 Mechanism of Action and the Opportunity in the Treatment of Cancer**

Chemotherapy forms the basis of treatment in nearly all cancers. We believe that VAL-083 may be effective in treating tumors exhibiting biological features that cause resistance to currently available chemotherapy, particularly for patients who have failed, or become resistant to, other treatment regimens.

Based on published research and our own data, the cytotoxic functional groups, and the mechanism of action of VAL-083 are functionally different from alkylating agents commonly used in the treatment of cancer. VAL-083 has previously demonstrated activity in cell-lines that are resistant to other types of chemotherapy. No evidence of cross-resistance has been reported in published clinical studies.

Our research suggests that VAL-083 attacks cancer cells via a unique mechanism of action which is distinct from other chemotherapies used in the treatment of cancer. Our data indicate that VAL-083 forms inter-strand crosslinks at the N<sup>7</sup> position of guanine on the DNA of cancer cells. Our data also indicate that this crosslink forms rapidly and is not easily repaired by the cancer cell resulting in cell-cycle arrest and lethal double-strand DNA breaks in cancer cells. VAL-083 readily crosses the blood brain barrier. Published preclinical and clinical research demonstrate that VAL-083 is absorbed more readily in tumor cells than in normal cells.

*In vitro*, our data also demonstrate that VAL-083's distinct mechanism may be able to overcome drug resistance against a range of cancers. For example, VAL-083 is active against MGMT-unmethylated GBM cells which are resistant to treatment with temozolomide and nitrosoureas. VAL-083 also retains a high level of activity in p53 mutated non-small cell lung cancer ("NSCLC"), ovarian cancer and medulloblastoma cell lines that are resistant to platinum-based chemotherapy.

Importantly, clinical activity against each of the tumors mentioned above was established in prior NCI-sponsored Phase 2 clinical studies. We believe that these historical clinical data and our own research support the development of VAL-083 as a potential new treatment for multiple types of cancer.

The main dose-limiting toxicity ("DLT") related to the administration of VAL-083 in previous NCI-sponsored clinical studies and our own clinical studies is myelosuppression, particularly thrombocytopenia. Myelosuppression, including thrombocytopenia, is a common side effect of chemotherapy. Myelosuppression is the decrease in cells responsible for providing immunity, carrying oxygen, and causing normal blood clotting. Thrombocytopenia is a reduction in platelet counts which assist in blood clotting. Modern medicine allows for better management of myelosuppressive side effects. We believe this offers the potential opportunity to improve upon the drug's already established efficacy profile by substantially increasing the dose of VAL-083 that can be safely administered to cancer patients.

There is no evidence of lung, liver, or kidney toxicity even with prolonged treatment by VAL-083. Data from the Chinese market where the drug has been approved for more than 15 years supports the safety findings of the NCI studies.

## Corporate History

We are a Nevada corporation formed on June 24, 2009 under the name Berry Only, Inc. ("Berry"). Prior to a reverse acquisition undertaken on January 25, 2013, Berry did not have any significant assets or operations. We are the parent company of Del Mar Pharmaceuticals (BC) Ltd. ("Del Mar (BC)"), a British Columbia, Canada corporation incorporated on April 6, 2010, that is focused on the development of drugs for the treatment of cancer. We are also the parent company to 0959454 B.C. Ltd., a British Columbia corporation ("Calco"), and 0959456 B.C. Ltd., a British Columbia corporation ("Exchangeco"). Calco and Exchangeco were formed to facilitate the reverse acquisition.

## Outstanding Securities

As of May 14, 2019, we had 2,652,038 shares of common stock issued and outstanding, 9,063 shares of common stock issuable upon exchange of the Exchangeable Shares of Exchangeco (which entitle the holder to require Exchangeco to redeem (or, at our option or Calco's, to have us or Calco purchase) the Exchangeable Shares, and upon such redemption or purchase to receive an equal number of shares of our common stock) (the Exchangeable Shares are recognized on an as-exchanged for common stock basis for financial statement purposes), outstanding warrants to purchase 862,503 shares of common stock, 677,988 outstanding shares of Series B Preferred Stock that are convertible into 169,521 shares of common stock, and outstanding stock options to purchase 292,683 shares of common stock. All Exchangeable Shares, warrants, and stock options are convertible, or exercisable into, one share of common stock. Each Series B convertible preferred share is convertible into 0.25 shares of common stock.

## Related Parties

We acquired our initial patents and technology rights from Valent, an entity owned by Dr. Dennis Brown, our Chief Scientific Officer. As a result, Valent is a related party to us.

## Selected Quarterly Information

The financial information reported herein has been prepared in accordance with accounting principles generally accepted in the United States. Our functional currency at June 30, 2018 and March 31, 2019 is the US\$. The following tables represent selected financial information for us for the periods presented.

### Selected Balance Sheet Data

	March 31, 2019	June 30, 2018
	\$	\$
Cash and cash equivalents	2,152,233	5,971,995
Working capital	1,244,563	5,407,929
Total assets	2,457,126	7,074,855
Total stockholders' equity	1,259,161	5,435,223

### Selected Statement of operations data

#### For the three months ended:

	March 31, 2019	March 31, 2018
	\$	\$
Research and development	735,844	1,779,609
General and administrative	935,530	1,155,038
Change in fair value of derivative liability	189	(2,160)
Foreign exchange loss	5,819	6,420
Interest income	(13,397)	(5,850)
Net and comprehensive loss for the period	1,663,985	2,933,057
Series B preferred stock dividend	23,202	46,626
Net and comprehensive loss available to common stockholders	1,687,187	2,979,683
Basic weighted average number of shares outstanding	2,518,452	2,283,245
Basic loss per share	0.67	1.31

**For the nine months ended:**

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Research and development	2,702,213	5,856,197
General and administrative	2,796,884	2,911,538
Change in fair value of derivative liability	(852)	(57,839)
Foreign exchange loss	16,754	57,406
Interest income	(49,513)	(6,241)
Net and comprehensive loss for the period	<u>5,465,486</u>	<u>8,761,061</u>
Series B Preferred stock dividend	<u>75,477</u>	<u>142,358</u>
Net and comprehensive loss available to common stockholders	5,540,963	8,903,419
Basic weighted average number of shares outstanding	2,444,065	2,017,977
Basic loss per share	2.27	4.41

**Expenses net of non-cash, share-based compensation expense**

The following table discloses research and development, and general and administrative expenses net of non-cash, share-based compensation payment expense.

**For the three months ended:**

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Research and development	735,844	1,779,609
Less: non-cash, share-based compensation expense	<u>(16,401)</u>	<u>(13,966)</u>
Research and development net of non-cash, share-based, compensation expense	<u>719,443</u>	<u>1,765,643</u>
General and administrative	935,530	1,155,038
Less: non-cash, share-based compensation expense	<u>(155,756)</u>	<u>(284,836)</u>
General and administrative net of non-cash, share-based, compensation expense	<u>779,774</u>	<u>870,202</u>

**For the nine months ended:**

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Research and development	2,702,213	5,856,197
Less: non-cash, share-based compensation expense	<u>(74,735)</u>	<u>(135,367)</u>
Research and development net of non-cash, share-based, compensation expense	<u>2,627,478</u>	<u>5,720,830</u>
General and administrative	2,796,884	2,911,538
Less: non-cash, share-based compensation expense	<u>(510,661)</u>	<u>(455,331)</u>
General and administrative net of non-cash, share-based, compensation expense	<u>2,286,223</u>	<u>2,456,207</u>

## Results of Operations

### Comparison of the three months ended March 31, 2019 and March 31, 2018

	Three Months Ended		Change \$	Change %
	March 31, 2019 \$	March 31, 2018 \$		
Research and development	735,844	1,779,609	(1,043,765)	(59)
General and administrative	935,530	1,155,038	(219,508)	(19)
Change in fair value of derivative liability	189	(2,160)	2,349	(109)
Foreign exchange loss	5,819	6,420	(601)	(9)
Interest income	(13,397)	(5,850)	(7,547)	129
Net loss and comprehensive loss	1,663,985	2,933,057	(1,269,072)	

#### *Research and Development*

Research and development expenses decreased to \$735,844 for the three months ended March 31, 2019 from \$1,779,609 for the three months ended March 31, 2018. The decrease was primarily attributable to a decrease in clinical development costs with smaller decreases due to intellectual property, personnel, and preclinical research expenses. Non-cash, share-based compensation expense during the three months ended March 31, 2019 was \$16,401 compared to \$13,966 for the three months ended March 31, 2018. For both the three months ended March 31, 2019 and March 31, 2018, non-cash, share-based compensation expense related to shares issued for services and stock option expense.

Excluding the impact of non-cash, share-based compensation expense, research and development expenses decreased to \$719,443 during the three months ended March 31, 2019 from \$1,765,643 the three months ended March 31, 2018. The decrease in clinical development costs for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 was primarily due to manufacturing costs for GMP drug product as well as the recognition of certain costs relating to the parking of our STAR-3, Phase 3 trial during the quarter ended March 31, 2018 which were not incurred in the current quarter. Intellectual property costs decreased in the three months ended March 31, 2019 compared to the three months ended March 31, 2018 as we have refined our patent portfolio by focusing on our most important patent claims in the most important jurisdictions. Patent costs can vary considerably depending on the filing of new patents, conversion of the provisional applications to PCT applications, foreign office actions, and actual filing costs. Personnel costs are lower in the current quarter compared to the prior quarter due to staff reductions in the current period compared to the prior period. Preclinical research decreased in the three months ended March 31, 2019 compared to the three months ended March 31, 2018 largely due to us focusing our resources on our clinical trials in the current period.

#### *General and Administrative*

General and administrative expenses were \$935,530 for the three months ended March 31, 2019 compared to \$1,155,038 for the three months ended March 31, 2018. The decrease was primarily due to a decrease in non-cash, share-based compensation expense, professional fees, and travel partially offset by higher personnel costs. For general and administrative expenses during the three months ended March 31, 2019, we recognized non-cash, share-based compensation expense relating to performance stock unit, stock option expense and warrants issued for services of \$155,756 while during the three months ended March 31, 2018 we incurred non-cash, share-based compensation expense relating to stock option expense and warrants issued for services of \$284,836. The performance stock units were issued in April 2018. As a result, there was no performance stock unit expense in the three months ended March 31, 2018.

Excluding the impact of non-cash, share-based compensation expense, general and administrative expenses decreased in the three months ended March 31, 2019 to \$779,774 from \$870,202 for the three months ended March 31, 2018. Professional fees decreased during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to costs associated with preparation for our first annual meeting of stockholders which was held on April 11, 2018 as well as to higher investor relations and business development efforts during the three months ended March 31, 2018. We intend to hold our annual meeting of stockholders for the current year in June 2019. Travel decreased during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 due to us focusing on reducing all travel costs. Personnel costs have increased in the three months ended March 31, 2019 compared to the three months ended March 31, 2018 due to higher management compensation in the current period.

#### *Change in fair value of the derivative liability*

Based on the terms of certain warrants issued by us, we determined that such warrants were a derivative liability which is recognized at fair value at the date of the transaction and re-measured at fair value every reporting period with gains or losses on the changes in fair value recorded in the consolidated condensed statement of loss and comprehensive loss. We recognized a loss of \$189 from the change in fair value of the derivative liability for the three months ended March 31, 2019, compared to a gain of \$2,160 for the three months ended March 31, 2018.

#### *Foreign Exchange*

Our functional currency at March 31, 2019 is the US\$ but we incur a portion of our expenses in CA\$. The foreign exchange gains and losses are reported in other loss (income) in the consolidated condensed interim statement of loss and comprehensive loss.

We recognized foreign exchange losses of \$5,819 and \$6,420 respectively, for the three months ended March 31, 2019 and 2018. The losses were due to changes in the exchange rate between the CA\$ and the US\$ and to varying levels of CA\$ cash and accounts payable.

#### *Preferred Share Dividends*

For each of the three months ended March 31, 2019 and 2018, we recognized \$2,089 related to the dividend payable to Valent on the Series A preferred stock. The dividend has been recorded as a direct increase in accumulated deficit for both periods.

We issued 4,735 (2018 – 4,960) shares of common stock on March 31, 2019 as a dividend on the Series B preferred stock and recognized \$23,202 (2018 - \$46,626) as a direct increase in accumulated deficit.

#### **Comparison of the nine months ended March 31, 2019 and March 31, 2018**

	<b>Nine months ended</b>			
	<b>March 31, 2019</b>	<b>March 31, 2018</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Research and development	2,702,213	5,856,197	(3,153,984)	(54)
General and administrative	2,796,884	2,911,538	(114,654)	(4)
Change in fair value of derivative liability	(852)	(57,839)	56,987	(99)
Foreign exchange loss	16,754	57,406	(40,652)	(71)
Interest income	(49,513)	(6,241)	(43,272)	693
Net loss and comprehensive loss	5,465,486	8,761,061	(3,295,575)	

#### *Research and Development*

Research and development expenses decreased to \$2,702,213 for the nine months ended March 31, 2019 from \$5,856,197 for the nine months ended March 31, 2018. The decrease was largely attributable to a decrease in clinical development costs, personnel, preclinical research, intellectual property and travel costs during the nine months ended March 31, 2019 compared to the nine months ended March 31, 2018. For the nine months ended March 31, 2019 and 2018 non-cash, share-based compensation expense of \$74,735 and \$135,367 respectively, related to stock option expense and shares issued for services. During the nine months ended March 31, 2018, we entered into a separation agreement with our former President and Chief Operating Officer that required the accelerated vesting of certain stock options. The full expense of the accelerated vesting was recognized during the nine months ended March 31, 2018 resulting in a higher non-cash, share-based compensation expense for the nine months ended March 31, 2018 compared to the nine months ended March 31, 2019.

Excluding the impact of non-cash, share-based compensation expense, research and development expenses decreased to \$2,627,478 during the current period from \$5,720,830 for the prior period. The decrease in clinical development costs for the nine months ended March 31, 2019 compared to the nine months ended March 31, 2018 was primarily due to the parking of our STAR-3, Phase 3 study which was announced in February 2018. During the nine months ended March 31, 2018, we incurred significant study start-up costs. In addition, clinical development costs were higher in the prior period compared to the current period due to the timing of certain manufacturing activities for the production of GMP material and related stability studies. Clinical development costs can vary significantly due to the timing of patient enrollment, how a patient reacts to treatment, and the number of treatment cycles a patient receives.

Personnel costs decreased during the nine months ended March 31, 2019 compared to the nine months ended March 31, 2018 primarily due to amounts recognized pursuant to the settlement agreement with our former President and Chief Operating Officer. Preclinical research decreased largely due to a decrease in the ongoing mechanism of action research that we have undertaken in the prior period. Intellectual property costs decreased in the nine months ended March 31, 2019 compared to the nine months ended March 31, 2018 as we have refined our patent portfolio by focusing on our most important patent claims in the most important jurisdictions. Patent costs can vary considerably depending on the filing of new patents, conversion of the provisional applications to PCT applications, foreign office actions, and actual filing costs. Travel costs have decreased in the nine months ended March 31, 2019 compared to the nine months ended March 31, 2018 as we have focused on reducing all travel expenses.

#### *General and Administrative*

General and administrative expenses were \$2,796,884 for the nine months ended March 31, 2019 compared to \$2,911,538 for the nine months ended March 31, 2018. The decrease was largely due to lower professional fees and travel partially offset by higher personnel and non-cash, share-based compensation expense in the current period compared to the prior period. In relation to general and administrative expenses during the nine months ended March 31, 2019, we incurred non-cash, share-based compensation expense of \$510,661 relating to performance share units, warrants issued for services, and stock option expense while during the nine months ended March 31, 2018, we incurred non-cash, share-based compensation expense of \$455,331 relating to warrants issued for services and stock option expense. The performance stock units were issued in April 2018 so no expense for these equity instruments were recognized during the nine months ended March 31, 2018.

Excluding the impact of non-cash, share-based compensation expense, general and administrative expenses decreased in the nine months ended March 31, 2019 to \$2,286,223 from \$2,456,207 for the nine months ended March 31, 2018. The decrease was primarily due to decreased professional fees and travel costs partially offset by higher personnel costs. Professional fees decreased as a result of certain costs incurred in the prior period that have not been incurred in the current period. Legal fees have decreased in the nine months ended March 31, 2019 compared to nine months ended March 31, 2018 in part due to the timing of our annual meeting of stockholders. In the current period, we have not yet incurred costs for this matter while a portion of these costs was incurred in the prior period. Overall, costs for regulatory filings and corporate governance matters have been lower in the current nine months compared to the prior nine months. Partially offsetting lower legal fees are increased public relations and business development costs due to our efforts to expand our outreach to investors while accounting support has increased due to the complexity of the valuation, and accounting for, our equity instruments. Travel costs have decreased in the nine months ended March 31, 2019 compared to the nine months ended March 31, 2018 as we have focused on reducing all travel expenses. Personnel costs have increased during the nine months ended March 31, 2019 compared to the nine months ended March 31, 2018 primarily due to the appointment of our President and Chief Executive Officer in May 2018.

### *Change in fair value of derivative liability*

Based on the terms of certain warrants issued by us, we have determined that the warrants were a derivative liability which is recognized at fair value at the date of the transaction and re-measured at fair value every reporting period with gains or losses on the changes in fair value recorded in the consolidated condensed statement of loss and comprehensive loss. The balances recognized during the nine months ended March 31, 2019 and 2018 were primarily due to changes in our common stock price between the date the warrants were last valued on June 30, 2018 and 2017 respectively. These are the previous valuation dates used for the nine months ended March 31.

We recognized gains of \$852 and \$57,839 from the change in fair value of the derivative liability for the nine months ended March 31, 2019 and 2018, respectively.

### *Foreign Exchange*

Our functional currency at June 30, 2018 and March 31, 2019 is the US\$ but we incur a portion of our expenses in CA\$. The foreign exchange gains and losses are reported in other loss (income) in the consolidated condensed interim statement of loss and comprehensive loss. We have recognized foreign exchange losses of \$16,754 and \$57,406 for the nine-month periods ended March 31, 2019 and 2018, respectively. The losses were due to changes in the exchange rate between the CA\$ and the US\$ and to varying levels of CA\$ cash and accounts payable.

### *Preferred Share Dividends*

For each of the nine-month periods ended March 31, 2019 and 2018 we recorded \$6,267 related to the dividend payable to Valent on the Series A preferred stock. The dividend has been recorded as a direct increase in accumulated deficit for both periods.

During the nine months ended March 31, 2019, we issued 14,430 (2018 – 14,881) shares of common stock as a dividend on the Series B Preferred stock and recognized \$75,477 (2018 - \$142,358) as a direct increase in accumulated deficit.

## **Liquidity and Capital Resources**

### **Nine months ended March 31, 2019 compared to the nine months ended March 31, 2018**

	<b>March 31, 2019</b>	<b>March 31, 2018</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Cash flows from operating activities	(4,514,674)	(7,318,012)	2,803,338	(38)
Cash flows from investing activities	-	(12,649)	12,649	(100)
Cash flows from financing activities	694,912	9,251,569	(8,556,657)	(92)

### *Operating Activities*

Net cash used in operating activities decreased to \$4,514,674 for the nine months ended March 31, 2019 from \$7,318,012 for the nine months ended March 31, 2018. During the nine months ended March 31, 2019 and 2018, we reported net losses of \$5,465,486 and \$8,761,061, respectively. During the nine months ended March 31, 2019, we recorded a gain from the revaluation of the derivative liability of \$852 compared to a gain of \$57,839 for the nine months ended March 31, 2018. Excluding the impact of changes in the fair value of the derivative liability, non-cash items relating to amortization of intangible assets, shares and warrants issued for services, stock option expense, and performance share unit expense totaled \$598,944 for the nine months ended March 31, 2019. Non-cash items relating to amortization of intangible assets, warrants issued for services, and stock option expense totaled \$608,567 for the nine months ended March 31, 2018.

The most significant changes in non-cash working capital for the nine months ended March 31, 2019 was an increase in cash from a decrease in prepaid expenses and deposits of \$794,859 due to a partial refund of our clinical trial deposit related to our now-parked STAR-3 Phase 3 study. The other significant change in on-cash working capital in the current period was a decrease in cash from a reduction in accounts payable and accrued liabilities of \$425,383. The most significant changes in non-cash working capital for the nine months ended March 31, 2018 was cash from an increase of accounts payable and accrued liabilities of \$708,634 and cash from a decrease in prepaid expense and deposits of \$135,293.

### *Investing activities*

During the nine months ended March 31, 2018, we incurred \$12,649 in relation to the development of our website. There were no cash flows from investing activities during the nine months ended March 31, 2019.

### *Financing Activities*

During the nine months ended March 31, 2019, we received \$726,179 in net proceeds from the exercise of warrants pursuant to the Warrant Exercise Agreements. During the nine months ended March 31, 2018, we received \$8,945,336 in net proceeds from the completion of a registered direct offering by us of common stock and common stock purchase warrants. In addition, we recorded \$6,267 related to the dividend payable to Valent during each of the nine months ended March 31, 2019 and 2018 respectively. During the nine months ended March 31, 2019, we also recognized \$25,000 in deferred costs related to our pending financing.

## **Going Concern and Capital Expenditure Requirements**

### Going Concern

(See note 1 to the consolidated condensed interim financial statements)

The consolidated condensed interim financial statements have been prepared on a going concern basis which assumes that we will continue our operations for the foreseeable future and contemplates the realization of assets and the settlement of liabilities in the normal course of business.

For the nine months ended March 31, 2019, we reported a loss of \$5,465,486 and negative cash flow from operations of \$4,514,674. As of March 31, 2019, we had an accumulated deficit of \$57,988,567 and cash and cash equivalents on hand of \$2,152,233. We are in the development stage and have not generated any revenues to date. We do not have the prospect of achieving revenues until such time that our product candidate is commercialized, or partnered, which may not ever occur. In the near future, we will require additional funding to maintain our clinical trials, research and development projects, and for general operations. These circumstances indicate substantial doubt exists about our ability to continue as a going concern.

Consequently, management is pursuing various financing alternatives to fund our operations so we can continue as a going concern, including the proposed rights offering recently announced by us. Management plans to secure the necessary financing through the issue of new equity and/or the entering into of strategic partnership arrangements. We may tailor our drug candidate development program based on the amount of funding we are able to raise in the future. Nevertheless, there is no assurance that these initiatives will be successful.

The financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern. Such adjustments could be material.

Our future funding requirements will depend on many factors, including but not limited to:

- the rate of progress and cost of our clinical trials, preclinical studies and other discovery and research and development activities;
- the costs associated with establishing manufacturing and commercialization capabilities;
- the costs of acquiring or investing in businesses, product candidates and technologies;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;

- the costs and timing of seeking and obtaining FDA and other regulatory approvals;
- the effect of competing technological and market developments;
- the economic and other terms and timing of any collaboration, licensing or other arrangements into which we may enter; and.
- the impact of us being a public entity.

In September 2018, we announced that we had engaged Oppenheimer & Co. Inc. as our strategic advisor to help manage the exploration and evaluation of a wide range of strategic opportunities. Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never do, we expect to finance future cash needs primarily through public or private equity offerings, the proposed rights offering or strategic collaborations. The sale of equity and convertible debt securities may result in dilution to our stockholders and certain of those securities may have rights senior to those of our shares of capital stock. If we raise additional funds through the issuance of preferred stock, convertible debt securities or other debt financing, these securities or other debt could contain covenants that would restrict our operations. Any other third-party funding arrangement could require us to relinquish valuable rights. Economic conditions may affect the availability of funds and activity in equity markets. We do not know whether additional funding will be available on acceptable terms, or at all. If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of or eliminate one or more of our clinical trials or research and development programs or make changes to our operating plan. In addition, we may have to seek a partner for one or more of our product candidate programs at an earlier stage of development, which would lower the economic value of those programs to us.

### **Critical Accounting Policies**

The preparation of financial statements, in conformity with generally accepted accounting principles in the United States, requires companies to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain and therefore actual results may differ from those estimates.

A detailed presentation of all of our significant accounting policies and the estimates derived therefrom is included in Note 2 to our consolidated financial statements for the year ended June 30, 2018 contained in our Form 10-K filed with the SEC on September 24, 2018. While all of the significant accounting policies are important to our consolidated condensed financial statements, the following accounting policies and the estimates derived therefrom are critical:

- Warrants and shares issued for services
- Stock options
- Performance stock units
- Derivative liability
- Clinical trial accruals

#### Warrants and shares issued for services

We have issued equity instruments for services provided by employees and nonemployees. The equity instruments are valued at the fair value of the instrument granted.

### Stock options

We account for these awards under Accounting Standards Codification (“ASC”) 718, “Compensation - Stock Compensation” (“ASC 718”). ASC 718 requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the requisite service period for awards expected to vest. Compensation expense for unvested options to non-employees is revalued at each period end and is being amortized over the vesting period of the options. The determination of grant-date fair value for stock option awards is estimated using the Black-Scholes model, which includes variables such as the expected volatility of our share price, the anticipated exercise behavior of its grantee, interest rates, and dividend yields. These variables are projected based on our historical data, experience, and other factors. Changes in any of these variables could result in material adjustments to the expense recognized for share-based payments. Such value is recognized as expense over the requisite service period, net of actual forfeitures, using the accelerated attribution method. We recognize forfeitures as they occur. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results, or updated estimates, differ from current estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised.

### Performance stock units

We also account for performance stock units (PSU’s) under ASC 718. ASC 718 requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the requisite service period for awards expected to vest. As vesting of the PSU’s is based on a number of factors, the determination of the grant-date fair value for PSU’s has been estimated using a Monte Carlo simulation approach which includes variables such as the expected volatility of our share price and interest rates to generate potential future outcomes. These variables are projected based on our historical data, experience, and other factors. Changes in any of these variables could result in material adjustments to the expense recognized for the PSUs. Such value is recognized as expense over the derived service period using the accelerated attribution method. The estimation of PSUs that will ultimately vest requires judgment, and to the extent actual results, or updated estimates, differ from current estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised.

### Derivative liability

We account for certain warrants under the authoritative guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a company’s own stock, on the understanding that in compliance with applicable securities laws, the warrants require the issuance of securities upon exercise and do not sufficiently preclude an implied right to net cash settlement. We classify these warrants on our balance sheet as a derivative liability which is fair valued at each reporting period subsequent to the initial issuance. We have used a binomial model as well as a Black-Scholes Option Pricing Model (based on a closed-form model that uses a fixed equation) to estimate the fair value of the share warrants. Determining the appropriate fair-value model and calculating the fair value of warrants requires considerable judgment. Any change in the estimates (specifically probabilities and volatility) used may cause the value to be higher or lower than that reported. The estimated volatility of our common stock at the date of issuance, and at each subsequent reporting period, is based on our historical volatility. The risk-free interest rate is based on rates published by the government for bonds with a maturity similar to the expected remaining life of the warrants at the valuation date. The expected life of the warrants is assumed to be equivalent to their remaining contractual term.

### Clinical trial accruals

Clinical trial expenses are a component of research and development costs and include fees paid to contract research organizations, investigators and other service providers who conduct specific research for development activities on our behalf. The amount of clinical trial expenses recognized in a period related to service agreements is based on estimates of the work performed on an accrual basis. These estimates are based on patient enrollment, services provided and goods delivered, contractual terms and experience with similar contracts. We monitor these factors by maintaining regular communication with the service providers. Differences between actual expenses and estimated expenses recorded are adjusted for in the period in which they become known. Prepaid expenses or accrued liabilities are adjusted if payments to service providers differ from estimates of the amount of service completed in a given period.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not required for a smaller reporting company.

**Item 4. Controls and Procedures.****Disclosure Controls and Procedures**

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation (as required by Rule 13a-15 under the Exchange Act) of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report, due to the material weakness in internal control over financial reporting as discussed in the Company's Annual Report on Form 10-K for the year ended June 30, 2018, filed with the SEC on September 24, 2018.

**Changes in internal controls**

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

There are no legal proceedings the Company is party to or any of its property is subject to.

### Item 1A. Risk Factors.

*If we fail to comply with the continued minimum closing bid requirements of the Nasdaq Capital Market LLC (“Nasdaq”) by June 25, 2019 or other requirements for continued listing, including stockholder equity requirements, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.*

Our common stock is listed for trading on Nasdaq. We must satisfy Nasdaq’s continued listing requirements, including, among other things, a minimum closing bid price requirement of \$1.00 per share for 30 consecutive business days. If a company’s common stock trades for 30 consecutive business days below the \$1.00 minimum closing bid price requirement, Nasdaq will send a deficiency notice, advising that such company has been afforded a “compliance period” of 180 calendar days to regain compliance with the applicable requirements. Thereafter, if such a company does not regain compliance with the bid price requirement, a second 180-day compliance period may be available, provided (i) it meets the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on Nasdaq, including stockholder equity requirements, which we may be unable to satisfy (except for the bid price requirement), and (ii) it provides written notice to Nasdaq of its intention to cure this deficiency during the second compliance period by effecting a reverse stock split, if necessary. In the event the company does not regain compliance with Rule 5550(a)(2) prior to the expiration of the initial 180 calendar day period, and if it appears to the Staff of the Listing Qualifications Department of The Nasdaq Stock Market LLC (the “Nasdaq Staff”) that the company will not be able to cure the deficiency, or if the company is not otherwise eligible, the Nasdaq Staff will provide the company with written notification that its securities are subject to delisting from Nasdaq. At that time, the company may appeal the delisting determination to a Hearings Panel.

On June 28, 2018, the Nasdaq Staff notified us that we did not comply with the minimum \$1.00 per share bid price requirement for continued listing, as set forth in Nasdaq Listing Rule 5550(a)(2), and we were therefore granted 180 calendar days, through December 26, 2018, to regain compliance. On December 27, 2018, the Nasdaq Staff notified us that we had not regained compliance with the \$1.00 per share bid price requirement and that our stockholders’ equity as reported in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 did not qualify us for an additional 180 calendar day extension period for compliance and therefore, we would be subject to delisting unless we requested a hearing before a Nasdaq Hearings Panel. Accordingly, we requested a hearing, which was held on January 31, 2019, at which we presented the plan of compliance that was the basis for the Nasdaq Hearings Panel’s decision.

On February 4, 2019, the Nasdaq Hearings Panel issued a decision granting our request for continued listing of our common stock on The Nasdaq Capital Market pursuant to an extension through June 25, 2019, subject to the condition that we shall have demonstrated a closing bid price of \$1.00 per share or more for a minimum of ten consecutive business days by June 25, 2019. In order to meet compliance with the \$1.00 per share bid price, we effected a one-for-ten reverse stock split on May 8, 2019; provided that our common stock trades at a price greater than \$1.00 for ten consecutive trading days prior to June 25, 2019. In addition, we have not met the stockholder equity requirements as of March 31, 2019 but expect to utilize the net proceeds from our recently announced rights offering in order to establish compliance with such requirements. However, there can be no assurance that the amounts raised in the rights offering will fulfill our stockholder equity requirements with Nasdaq.

In addition, if we are unable to regain compliance with the minimum closing bid price requirement by June 25, 2019 or the stockholder equity requirements, or if we fail to meet any of the other continued listing requirements, our securities may be delisted from Nasdaq, which could reduce the liquidity of our common stock materially and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees and business development opportunities. Such a delisting likely would impair your ability to sell or purchase our common stock when you wish to do so. Further, if we were to be delisted from Nasdaq, our common stock may no longer be recognized as a “covered security” and we would be subject to regulation in each state in which we offer our securities. Thus, delisting from Nasdaq could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly impact the ability of investors to trade our securities and would negatively impact the value and liquidity of our common stock.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

During the three months ended March 31, 2019, we issued 4,735 shares of common stock as dividends on our outstanding shares of Series B Preferred Stock and 956 shares of common stock in relation to services received by us.

In connection with the foregoing, we relied upon the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, for transactions not involving a public offering.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>No.</b>	<b>Description</b>
3.1	<a href="#">Certificate of Correction to the Company's articles of incorporation, filed with the Secretary of State of the State of Nevada on April 17, 2019 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the SEC on April 17, 2019)</a>
3.2	<a href="#">Certificate of Change of DelMar Pharmaceuticals, Inc., dated May 7, 2019 and effective May 8, 2019 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the SEC on May 8, 2019)</a>
31.1	<a href="#">Rule 13a-14(a)/ 15d-14(a) Certification of Chief Executive Officer*</a>
31.2	<a href="#">Rule 13a-14(a)/ 15d-14(a) Certification of Chief Financial Officer*</a>
32.1	<a href="#">Section 1350 Certification of Chief Executive Officer**</a>
32.2	<a href="#">Section 1350 Certification of Chief Financial Officer**</a>
EX-101.INS	XBRL INSTANCE DOCUMENT
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

\* Filed herewith.

\*\* Furnished herewith.

+ Indicates management contract or compensatory plan.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 14, 2019

**DelMar Pharmaceuticals, Inc.**

By: /s/ Saiid Zarrabian  
Saiid Zarrabian  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 14, 2019

By: /s/ Scott Prall  
Scott Prall  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## Certifications

I, Saiid Zarrabian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DelMar Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2019

/s/ Saiid Zarrabian

Saiid Zarrabian

Chief Executive Officer

(Principal Executive Officer)

## Certifications

I, Scott Prail, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DelMar Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2019

/s/ Scott Prail

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Scott Prail  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of DeMar Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Saiid Zarrabian, Chief Executive Officer of the Company, certify to my knowledge and in my capacity, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2019

/s/ Saiid Zarrabian

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Saiid Zarrabian

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of DeMar Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott Prall, Chief Financial Officer of the Company, certify to my knowledge and in my capacity, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2019

/s/ Scott Prall

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Scott Prall  
Chief Financial Officer  
(Principal Financial Officer)