DelMar Pharmaceuticals, Inc.
Form 10-Q
February 11, 2019

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 December 31, 2018

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)

Nevada	99-0360497

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Suite 720-999 West Broadway
Vancouver, British Columbia, Canada V5Z 1K5
(Address of principal executive offices) (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 Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth 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

As of February 11, 2019, 25,585,533 shares of common stock, $0.001 par value per share, were outstanding.

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PART 1. - FINANCIAL INFORMATION

Item 1. Financial Statements.

DelMar Pharmaceuticals, Inc.

Consolidated Condensed Interim Financial Statements (Unaudited)

For the six months ended December 31, 2018

(expressed in US dollars unless otherwise noted)

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DelMar Pharmaceuticals, Inc.

Consolidated Condensed Interim Balance Sheets

(Unaudited)

(expressed in US dollars unless otherwise noted)

	Note	December 31, 2018 $	June 30, 2018 $
Assets			
Current assets			
Cash and cash equivalents		3,702,902	5,971,995
Prepaid expenses and deposits		306,654	1,034,930
Interest, taxes and other receivables		10,331	39,519
		4,019,887	7,046,444
Intangible assets - net		17,665	28,411
		4,037,552	7,074,855
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,115,887	1,478,086
Related party payables		152,325	160,429
		1,268,212	1,638,515
Derivative liability	4	76	1,117
		1,268,288	1,639,632
Stockholders' equity			
Preferred stock			
Authorized			
5,000,000 shares, $0.001 par value			
Issued and outstanding			
278,530 Series A shares at December 31, 2018 (June 30, 2018 – 278,530)	3,5	278,530	278,530
841,113 Series B shares at December 31, 2018 (June 30, 2018 – 881,113)	5	5,867,829	6,146,880
1 special voting share at December 31, 2018 (June 30, 2018 – 1)		-	-
Common stock			

Authorized			
70,000,000 shares (June 30, 2018 – 70,000,000), $0.001 par value			
26,143,419 issued at December 31, 2018 (June 30, 2018 – 22,966,668)	5	26,143	22,967
Additional paid-in capital	5	46,828,288	43,177,523
Warrants	5	6,046,587	8,229,482
Accumulated deficit		(56,299,291)	(52,441,337)
Accumulated other comprehensive income		21,178	21,178
		2,769,264	5,435,223
		4,037,552	7,074,855

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 December 31, 2018 $	Three months ended December 31, 2017 $	Six months ended December 31, 2018 $	Six months ended December 31, 2017 $
Expenses					
Research and development	5	947,249	2,141,945	1,966,369	4,076,588
General and administrative	5	874,884	1,011,879	1,861,354	1,756,500
		1,822,133	3,153,824	3,827,723	5,833,088
Other loss (income)					
Change in fair value of derivative liability	4	(1,261)	889	(1,041)	(55,679)
Foreign exchange loss		5,097	7,120	10,935	50,986
Interest income		(16,272)	(235)	(36,116)	(391)
		(12,436)	7,774	(26,222)	(5,084)
Net and comprehensive loss for the period		1,809,697	3,161,598	3,801,501	5,828,004
Computation of basic loss per share					
Net and comprehensive loss for the period		1,809,697	3,161,598	3,801,501	5,828,004
Series B Preferred stock dividend		16,190	54,066	52,275	95,732
Net and comprehensive loss available to common stockholders		1,825,887	3,215,664	3,853,776	5,923,736
Basic and fully diluted loss per share		0.08	0.14	0.16	0.31
Basic weighted average number of shares		24,242,223	22,559,234	23,605,657	18,882,259

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

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DelMar Pharmaceuticals, Inc.

Consolidated Condensed Interim Statements of Cash Flows

(Unaudited)

(expressed in US dollars unless otherwise noted)

	Note	Six months ended December 31, 2018 $	2017 $
Cash flows from operating activities			
Loss for the period		(3,801,501)	(5,828,004)
Items not affecting cash			
Amortization of intangible assets		10,746	11,210
Change in fair value of derivative liability	4	(1,041)	(55,679)
Shares issued for services	5	6,756	-
Warrants issued for services	5	27,802	(1,481)
Stock option expense	5	255,653	293,377
Performance stock unit expense	5	123,028	-
Changes in non-cash working capital			
Interest, taxes and other receivables		29,188	51,928
Prepaid expenses and deposits		728,276	67,321
Accounts payable and accrued liabilities		(420,679)	646,825
Related party payables		(8,104)	308,899
		(3,049,876)	(4,505,604)
Cash flows from financing activities			
Net proceeds from the issuance of shares and warrants	5	-	8,945,336
Net proceeds from the exercise and exchange of warrants	5,7	784,961	-
Series A preferred stock dividend	5	(4,178)	(4,178)
		780,783	8,941,158
(Decrease) increase in cash and cash equivalents		(2,269,093)	4,435,554
Cash and cash equivalents - beginning of period		5,971,995	6,586,014
Cash and cash equivalents - end of period		3,702,902	11,021,568

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)

December 31, 2018

(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 six months ended December 31, 2018, the Company reported a loss of $3,801,501, and a negative cash flow from operations of $3,049,876. The Company had an accumulated deficit of $56,299,291 as of December 31, 2018. As of December 31, 2018, the Company had cash and cash equivalents on hand of $3,702,902. 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)

December 31, 2018

(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 six months ended December 31, 2018 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)

December 31, 2018

(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 six-month periods ended December 31, 2018 and 2017 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 December 31, 2018, potential common shares of 9,403,525 (2017 – 15,028,906) related to outstanding warrants, 2,926,829 (2017 – 1,420,850) relating to stock options, 1,200,000 (2017 – 0) relating to performance stock units, and 2,102,792 (2017 – 2,202,792) 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.

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

December 31, 2018

(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.

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

December 31, 2018

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

The amendments in this update are intended to the 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.

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 December 31, 2018 and 2017 respectively, the Company recorded $2,089 related to the dividend payable to Valent. For the six months ended December 31, 2018 and 2017 respectively, the Company

recorded $4,178 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.

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

December 31, 2018

(expressed in US dollars unless otherwise noted)

The Company’s derivative liability is summarized as follows:

	Three months ended December 31,	
	2018	2017
	$	$
Opening balance	1,337	4,660
Change in fair value of warrants	(1,261)	889
Closing balance	76	5,549
Less current portion	-	(95)
Long term portion	76	5,454

	Six months ended December 31,	
	2018	2017
	$	$
Opening balance	1,117	61,228
Change in fair value of warrants	(1,041)	(55,679)
Closing balance	76	5,549
Less current portion	-	(95)
Long term portion	76	5,454

The derivative liability consists of the following warrants:

	December 31, 2018 Number of warrants	$
2015 Agent Warrants	21,768	76
Closing balance	21,768	76
Less current portion	-	-
Long-term portion	21,768	76

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

December 31, 2018

(expressed in US dollars unless otherwise noted)

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 2.5 shares of common stock equating to a conversion price of $3.20 (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 $8.00 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, December 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.

Pursuant to the Series B Preferred Stock dividend, during the three months ended December 31, 2018, the Company issued 47,352 (2017 – 49,602) shares of common stock and recognized $16,190 (2017 – $54,066). During the six months ended December 31, 2018, the Company issued 96,954 (2017 – 99,204) shares of common stock and recognized $52,275 (2017 – $95,732). These dividends have been recognized as a direct increase in accumulated deficit.

During the three and six months ended December 31, 2018, 40,000 Series B Preferred shares were converted to 100,000 shares of common stock. There were no conversions during the three and six months ended December 31, 2017. A total of 841,113 (2017 – 881,113) shares of Series B Preferred Stock are outstanding as of December 31, 2018, such that a total of 2,102,792 (2017 – 2,202,792) shares of common stock are issuable upon conversion of the Series B Preferred Stock as at December 31, 2018. 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.

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

December 31, 2018

(expressed in US dollars unless otherwise noted)

Common stock

	Shares of common stock outstanding	Common stock	Additional paid-in capital	Warrants	Accumulated deficit
		$	**$**	**$**	**$**
Balance – June 30, 2018	22,966,668	22,967	43,177,523	8,229,482	(52,441,337)
Exercise and exchange of warrants	2,966,666	2,967	2,934,211	(2,210,697)	-
Warrants issued for services	-	-	-	27,802	-
Conversion of Series B preferred stock to common stock	100,000	100	278,951	-	-
Series B Preferred stock dividend	96,954	96	52,179	-	(52,275)
Shares issued for services	13,131	13	6,743	-	-
Stock option expense	-	-	255,653	-	-
Performance stock unit expense	-	-	123,028	-	-
Series A Preferred cash dividend	-	-	-	-	(4,178)
Loss for the period	-	-	-	-	(3,801,501)
Balance – December 31, 2018	26,143,419	26,143	46,828,288	6,046,587	(56,299,291)

The issued and outstanding common shares at December 31, 2018 include 562,761 (June 30, 2018 – 912,761) 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.

Six months ended December 31, 2017

On September 22, 2017, the Company completed a registered direct offering (the “2018 Registered Offering”) of an aggregate of 8,000,000 shares of common stock and warrants to purchase an additional 8,000,000 shares of common stock at a price of $1.25 per share and related warrant for gross proceeds of $10.0 million. The warrants have an exercise price of $1.25 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 400,000 shares of common stock to the placement agent (the “2018 Agent Warrants”). The 2018 Agent Warrants are exercisable at a per share price of $1.25 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.

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

December 31, 2018

(expressed in US dollars unless otherwise noted)

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, 7,800,000 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 1,699,850 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 1,226,979 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, 1,200,000 PSU's have been issued under the 2017 Plan leaving a potential 3,673,171 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.

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 1,200,000 PSUs outstanding as of December 31, 2018 and June 30, 2018.

The Company has recognized $61,514 (2017 - $0) and $123,028 (2017 - $0) in expense related to the PSUs during the three and six months ended December 31, 2018, respectively, with all of it being recognized as general and administrative expense. As at December 31, 2018 there was $403,113 (2017 - $0) in unrecognized compensation expense that will be recognized over the next 2.71 years.

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December 31, 2018

(expressed in US dollars unless otherwise noted)

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 December 31, 2018:

	Number of stock options outstanding	Weighted average exercise price
Balance – June 30, 2018	2,626,829	2.43
Granted	300,000	0.61
Balance – December 31, 2018	2,926,829	2.24

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The following table summarizes stock options currently outstanding and exercisable at December 31, 2018 under all plans:

Exercise price	Number Outstanding	Weighted average remaining contractual life	Number exercisable
$		(years)	
0.61	300,000	9.85	16,665
0.70	54,514	9.48	-
0.87	120,000	9.84	120,000
0.98	836,465	9.39	162,646
1.06	36,000	9.28	-
1.17	300,000	4.16	275,000
1.47	25,000	3.42	25,000
2.00	131,250	2.77	131,250
2.11	159,000	7.76	75,000
2.96	45,000	6.09	45,000
3.20	30,000	0.42	30,000
3.76	45,000	7.11	42,492
4.00	12,500	0.75	12,500
4.10	40,000	7.86	27,775
4.20	412,500	4.06	412,500
4.48	30,000	7.11	28,331
4.95	224,600	5.56	173,657
5.32	80,000	7.35	68,890
6.16	15,000	4.25	15,000
9.20	30,000	4.42	30,000
	2,926,829		1,691,706

Included in the number of stock options outstanding are 25,000 stock options granted at an exercise price of CA $2.00. The exercise prices shown in the above table have been converted to US $1.47 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:

	December 31, 2018	
Dividend rate	0	%
Volatility	71.8% to 75.9	%
Risk-free rate	2.7% to 3.2	%
Term - years	0.1 to 2.0	

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DelMar Pharmaceuticals, Inc.

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

	Three months ended		Six months ended	
	December 31,		December 31,	
	2018	2017	2018	2017
	$	$	$	$
Research and development	23,127	126,375	51,577	121,401
General and administrative	99,624	102,132	204,076	171,976
	122,751	228,507	255,653	293,377

All of the stock option expense for the periods ended December 31, 2018 and 2017 has been recognized as additional paid in capital. The aggregate intrinsic value of stock options outstanding at December 31, 2018 was $0 (2017 - $26,400) and the aggregate intrinsic value of stock options exercisable at December 31, 2018 was $0 (2017 - $2,200). As of December 31, 2018, there was $332,988 in unrecognized compensation expense that will be recognized over the next 2.86 years. No stock options granted under any plan have been exercised to December 31, 2018. 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	Weighted average

		exercise price	grant date fair value
		$	$
Unvested at June 30, 2018	1,381,599	1.44	0.76
Granted	300,000	0.61	0.26
Vested	(446,476)	1.51	0.81
Unvested at December 31, 2018	1,235,123	1.21	0.62

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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 December 31, 2018:

Description	Number
Balance – June 30, 2018	14,281,275
Exercised for cash (i)	(1,975,000)
Cashless exchange (i)	(2,975,000)
Issued for services (ii)	140,000
Forfeited (iii)	(24,000)
Expired (iv)	(43,750)
Balance - December 31, 2018	9,403,525

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 $1.25 to $0.40 per share. Pursuant to the Warrant Exercise Agreements, the Exercising Holders exercised their 2018 Investor Warrants with respect to an aggregate of 1,975,000 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.

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 991,666 shares of common stock in exchange for 2,975,000 2018 Investor Warrants, resulting in a 1,983,334 reduction in the Company's total shares of common stock outstanding on a fully-diluted basis.

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ii) All of the warrants issued for services are exercisable at $0.90 with 120,000 expiring on September 15, 2023 and 20,000 expiring on October 11, 2021. Of the total, 120,000 vest pro rata monthly over twelve months commencing September 15, 2018 and 20,000 are fully vested as of November 11, 2018.

iii) Warrants issued for services exercisable at $1.17 were forfeited upon termination of the underlying agreement.

iv) Warrants issued for services exercisable at $7.04 expired September 12, 2018.

The following table summarizes the Company's outstanding warrants as of December 31, 2018:

Description	**Number**	**Exercise price** **$**	**Expiry date**
2018 Investor	2,800,000	1.25	September 22, 2022
2017 Investor	2,076,924	3.50	April 19, 2022
2015 Investor	979,003	3.00	July 31, 2020
2013 Investor – Amended	778,504	3.14	March 31, 2019
2013 Placement Agent	1,262,500	3.14	June 30, 2019
Issued for services	265,000	3.00	July 1, 2020 to February 1, 2021
Issued for services	60,000	1.78	January 25, 2023
Issued for services	336,000	1.17	February 27, 2023
Issued for services	120,000	0.90	September 15, 2023
Issued for services	41,400	5.93	February 27, 2020
Issued for services	20,000	0.90	October 11, 2021
2018 Agent	400,000	1.25	September 20, 2022
2017 Agent	138,462	4.06	April 12, 2022

2016 Agent	103,964	4.00	May 12, 2021
2015 Agent	21,768	3.00	July 15, 2020
	9,403,525	2.48	

6Financial 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.

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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.

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.

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

	December 31, 2018		
Liability	**Level 1**	**Level 2**	**Level 3**
Derivative liability	$-	$ -	$ 76

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

7 Supplementary statement of cash flows information

	Six months ended December 31,	
	2018	2017
	$	$
Series B Preferred share common stock dividend (note 5)	52,275	95,732
Series B Preferred shares converted to common stock (note 5)	279,051	-
Share issuance costs accrued through accounts payable and accrued liabilities	58,480	-
Income taxes paid	-	-
Interest paid	-	-

8 Subsequent events

Subsequent to December 31 2018, the Company issued 4,874 shares of common stock for services.

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 simil 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. Actual results may differ materially from any forward-looking statement.

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

Recent Highlights

On February 4, 2019, the Company received a written notice that The Nasdaq Capital Market LLC ("Nasdaq") had granted the Company an extension until June 25, 2019 to regain compliance with the Minimum Bid Price requirement. During the extension, the Company must remain in compliance with all other listing requirements of Nasdaq.

As of January 31, 2019, we have enrolled 46 of the planned 48 patients in our Phase 2, open-label clinical study of VAL-083 in bevacizumab (Avastin®)-naïve, recurrent glioblastoma multiforme ("rGBM") patients with MGMT-unmethylated status. This study is being conducted at the MD Anderson Cancer Center ("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 of January 31, 2019, we have enrolled 14 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. This study was initiated in September 2017 and is being conducted under the terms of our collaboration with Guangxi Wuzhou Pharmaceutical Company.

At the annual meeting of the Society for Neuro-Oncology ("SNO") held November 15 to 18, 2018, we presented clinical trial updates on both of our Phase 2 studies in MGMT-unmethylated glioblastoma multiforme ("GBM)" patients as well as preclinical presentations on VAL-083 in combination with Avastin and continued evaluation of VAL-083 in GBM tumor cells.

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 Sun Yat-sen University); and

Based on published data from our Phase 2 studies being conducted at MDACC and in China, we have identified a potential future opportunity in pre-temozolomide maintenance GBM patients, and

Potential future indications include ovarian cancer, non-small cell lung cancer, 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. Approximately two-thirds 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. 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 of January 31, 2019, 46 patients had been enrolled in this Phase 2 study. The original starting dose of 40mg/m^2 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 30mg/m^2 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.

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 first 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, Identifier Number: NCT02717962.

As noted above, patients in our current MDACC clinical trial have been heavily pre-treated with temozolomide. Based on published data from our MDACC and SYSUCC clinical trials, we believe there is a significant opportunity to treat GBM patients in the pre-temozolomide maintenance stage. 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 trial that would potentially enroll up to 24 pre-TMZ maintenance stage, MGMT-unmethylated GBM patients.

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 Sun Yat-sen University Cancer Center 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^2/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^2/day x three every 21 days have been completed. Based on the dose confirmation phase of the study, we have selected 30 mg/m^2 for combination with irradiation for the treatment of newly-diagnosed MGMT-unmethylated GBM patients. As of January 31, 2019, 14 patients have been enrolled in this study.

We plan to use data from the study to establish a dosing regimen and study design for advanced registration-directed clinical studies with VAL-083 in newly diagnosed MGMT-unmethylated GBM. We anticipate providing updates regarding the progress of this study, including safety data and observations regarding outcomes, at scientific meetings during 2019. A detailed description of this study can be found at clinicaltrials.gov, Identifier Number: NCT03050736.

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 **Re**current **P**latinum **R**esistant **Ov**arian Cancer (the REPROVe study).

The FDA has allowed this study to begin enrolling patients, but based on ongoing evaluation and input from our clinical 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 six 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.

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 promotor for the gene encoding the DNA repair enzyme MGMT, a biomarker correlated with resistance to temozolomide, may be treated with radiation alone following surgery.

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^7 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 (“Callco”), and 0959456 B.C. Ltd., a British Columbia corporation (“Exchangeco”). Callco and Exchangeco were formed to facilitate the reverse acquisition.

Outstanding Securities

As of February 11, 2019, we had 25,585,533 shares of common stock issued and outstanding, 562,761 shares of common stock issuable upon exchange of the Exchangeable Shares of Exchangeco (which entitle the holder to require Exchangeco to redeem (or, at the option of the Company or Callco, to have the Company or Callco purchase) the Exchangeable Shares, and upon such redemption or purchase to receive an equal number of shares of common stock of the Company) (the Exchangeable Shares are recognized on an as-exchanged for common stock basis for financial statement purposes), outstanding warrants to purchase 9,403,525 shares of common stock, 841,113 outstanding shares of Series B Preferred Stock that are convertible into 2,102,792 shares of common stock, outstanding stock options to purchase 2,926,829 shares of common stock, and 1,200,000 PSUs. All Exchangeable Shares, warrants, stock options, and PSUs are convertible, or exercisable into, one share of common stock. Each Series B convertible preferred share is convertible into 2.5 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 the Company.

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 December 31, 2018 is the US$. The following tables represent selected financial information for us for the periods presented.

Selected Balance Sheet Data

	December 31, 2018 $	June 30, 2018 $
Cash and cash equivalents	3,702,902	5,971,995
Working capital	2,751,675	5,407,929
Total assets	4,037,552	7,074,855

Total stockholders' equity	2,769,264	5,435,223

Selected Statement of operations data

For the three months ended:

	December 31, 2018 $	December 31, 2017 $
Research and development	947,249	2,141,945
General and administrative	874,884	1,011,879
Change in fair value of derivative liability	(1,261)	889
Foreign exchange loss	5,097	7,120
Interest income	(16,272)	(235)
Net and comprehensive loss for the period	1,809,697	3,161,598
Series B preferred stock dividend	16,190	54,066
Net and comprehensive loss available to common stockholders	1,825,887	3,215,664
Basic weighted average number of shares outstanding	24,242,223	22,559,234
Basic loss per share	0.08	0.14

For the six months ended:

	December 31, 2018 $	December 31, 2017 $
Research and development	1,966,369	4,076,588
General and administrative	1,861,354	1,756,500
Change in fair value of derivative liability	(1,041)	(55,679)
Foreign exchange loss	10,935	50,986
Interest income	(36,116)	(391)
Net and comprehensive loss for the period	3,801,501	5,828,004
Series B Preferred stock dividend	52,275	95,732
Net and comprehensive loss available to common stockholders	3,853,776	5,923,736
Basic weighted average number of shares outstanding	23,605,657	18,882,259
Basic loss per share	0.16	0.31

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:

	December 31, 2018 $	December 31, 2017 $
Research and development	947,249	2,141,945
Less: non-cash, share-based compensation expense	(25,744)	(126,375)
Research and development net of non-cash, share-based, compensation expense	921,505	2,015,570
General and administrative	874,884	1,011,879
Less: non-cash, share-based compensation expense	(158,279)	(102,132)
General and administrative net of non-cash, share-based, compensation expense	716,605	909,747

For the six months ended:

	December 31, 2018 $	December 31, 2017 $
Research and development	1,966,369	4,076,588
Less: non-cash, share-based compensation expense	(58,334)	(121,401)
Research and development net of non-cash, share-based, compensation expense	1,908,035	3,955,187
General and administrative	1,861,354	1,756,500
Less: non-cash, share-based compensation expense	(354,905)	(170,495)
General and administrative net of non-cash, share-based, compensation expense	1,506,449	1,586,005

Results of Operations

Comparison of the three months ended December 31, 2018 and December 31, 2017

	Three Months Ended			
	December 31, 2018 $	**December 31, 2017 $**	**Change $**	Change %
Research and development	947,249	2,141,945	(1,194,696)	(56)
General and administrative	874,884	1,011,879	(136,995)	(14)
Change in fair value of derivative liability	(1,261)	889	(2,150)	(242)
Foreign exchange loss	5,097	7,120	(2,023)	(28)
Interest income	(16,272)	(235)	(16,037)	6,824
Net loss and comprehensive loss	1,809,697	3,161,598	(1,351,901)	

Research and Development

Research and development expenses decreased to $947,249 for the three months ended December 31, 2018 from $2,141,945 for the three months ended December 31, 2017. The decrease was largely attributable to a decrease in clinical development costs, personnel, preclinical research, and non-cash, share-based compensation expense. Non-cash, share-based compensation expense for the three months ended December 31, 2018 of $25,744 consisted of stock option expense and shares issued for services while non-cash, share-based compensation expense of $126,375 for the three months ended December 31, 2017 related to stock option expense only. During the quarter ended December 31, 2017, the Company entered into a separation agreement with the Company's former President and Chief Operating Officer that included accelerated vesting of certain stock options. The full expense of the accelerated vesting was recognized during the three months ended December 31, 2017 resulting in a higher non-cash, share-based compensation expense for the three months ended December 31, 2017 compared to the three months ended December 31, 2018.

Excluding the impact of non-cash, share-based compensation expense, research and development expenses decreased to $921,505 during the three months ended December 31, 2018 from $2,015,570 for the three months ended December 31, 2017. The decrease in clinical development costs for the three months ended December 31, 2018 compared to the three months ended December 31, 2017 was primarily due to study expenses for patient enrollment for the Company's STAR-3 Phase 3 study which commenced enrollment in the quarter ended September 30, 2017. The Company announced in February 2018 that it was parking the STAR-3 study. As a result, significant costs related to the STAR-3 trial were incurred in the prior quarter and not in the current quarter. For both the three months ended December 31, 2018 and 2017 respectively, the Company incurred costs for ongoing enrollment at its Phase 2 trials being conducted at MDACC and SYSUCC.

Personnel costs decreased during the three months ended December 31, 2018 compared to the three months ended December 31, 2017 primarily due to amounts recognized in the prior quarter pursuant to the settlement agreement with the Company's former President and Chief Operating Officer. Preclinical research decreased primarily due to a decrease in the ongoing mechanism of action research that the Company was undertaking in the prior period.

General and Administrative

General and administrative expenses were $874,884 for the three months ended December 31, 2018 compared to $1,011,879 for the three months ended December 31, 2017. The decrease was largely due to a decrease in professional fees and personnel, partially offset by higher non-cash, share-based compensation expense in the current quarter compared to the prior quarter. During the quarter ended December 31, 2018, non-cash, share-based compensation expense of $158,279 consisted of stock option and performance stock unit expenses, and warrants issued for services. For the three months ended December 31, 2017, non-cash, share-based compensation expense of $102,132 consisted

of stock option expense only. The performance stock units were issued in April 2018. As a result, there was no performance stock unit expense in the three months ended December 31, 2017.

Excluding the impact of non-cash, share-based compensation expense expenses, general and administrative expenses decreased in the three months ended December 31, 2018 to $716,605 from $909,747 for the three months ended December 31, 2017 largely due to decreases in professional fees and 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 three months ended December 31, 2018 compared to three months ended December 31, 2017 in part due to the timing of the Company's annual meeting of stockholders. In the current period, the Company has not yet incurred costs for this matter while a portion was incurred in the prior period. Overall, legal costs for regulatory filings and corporate governance matters were lower in the current quarter compared to the prior quarter, which included a corporate governance review, preparation for the annual general meeting (delayed in the current period), and the 2017 equity plan. Partially offsetting lower legal fees are increased public relations and business development costs. Personnel costs decreased during the three months ended December 31, 2018 compared to the three months ended December 31, 2017 as a result of costs recognized in the prior quarter related to the former President and Chief Operating Officer's settlement agreement.

Change in fair value of the 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 interim statement of loss and comprehensive loss. The balances recognized during the three months ended December 31, 2018 and 2017 were primarily due to changes in our common stock price since September 30, 2018 and 2017, respectively, which are the previous valuation dates used.

We recognized a gain of $1,261 and a loss of $889 respectively, from the change in fair value of the derivative liability for the three months ended December 31, 2018 and 2017.

Foreign Exchange

Our functional currency at December 31, 2018 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 $5,097 and $7,120 for the three months ended December 31, 2018 and 2017, respectively. The losses were due to changes in the exchange rate between the CA$ and the US$ and to varying levels of CA$ cash and accounts payable.

Preferred Share Dividends

For each of the three months ended December 31, 2018 and 2017 we recorded $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 47,352 (2017 – 49,602) shares of common stock on December 31, 2018 as a dividend on the Series B Preferred stock and recognized $16,190 (2017 - $54,066) as a direct increase in accumulated deficit.

Comparison of the six months ended December 31, 2018 and December 31, 2017

	Six months ended December 31, 2018 $	December 31, 2017 $	Change $	Change %
Research and development	1,966,369	4,076,588	(2,110,219)	(52)
General and administrative	1,861,354	1,756,500	104,854	6
Change in fair value of derivative liability	(1,041)	(55,679)	54,638	(98)
Foreign exchange loss	10,935	50,986	(40,051)	(79)
Interest income	(36,116)	(391)	(35,725)	9,137
Net loss and comprehensive loss	3,801,501	5,828,004	(2,026,503)	

Research and Development

Research and development expenses decreased to $1,966,369 for the six months ended December 31, 2018 from $4,076,588 for the six months ended December 31, 2017. The decrease was largely attributable to a decrease in clinical development costs, personnel, preclinical research, intellectual property and travel costs during the six months ended December 31, 2018 compared to the six months ended December 31, 2017. For the six months ended December 31, 2018 non-cash, share-based compensation expense of $58,334 related to stock option expense and shares issued for services while for the six months ended December 31, 2017, non-cash, share-based compensation expense of $121,401 related to stock option expense only. During the quarter ended December 31, 2017, the Company entered into a separation agreement with the Company's 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 six months ended December 31, 2017 resulting in a higher non-cash, share-based compensation expense for the six months ended December 31, 2017 compared to the six months ended December 31, 2018.

Excluding the impact of non-cash, share-based compensation expense, research and development expenses decreased to $1,908,035 during the current period from $3,955,187 for the prior period. The decrease in clinical development costs for the six months ended December 31, 2018 compared to the six months ended December 31, 2017 was primarily due to the parking of the Company's STAR-3, Phase 3 study which was announced in February 2018. During the six months ended December 31, 2017, 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 six months ended December 31, 2018 compared to the six months ended December 31, 2017 primarily due to amounts recognized pursuant to the settlement agreement with the Company's former President and Chief Operating Officer. Preclinical research decreased largely due to a decrease in the ongoing mechanism of action research that the Company has undertaken in the prior period. Intellectual property costs decreased in the six months ended December 31, 2018 compared to the six months ended December 31, 2017 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 six months ended December 31, 2018 compared to the six months ended December 31, 2017 as the Company has focused on reducing all travel expenses.

General and Administrative

General and administrative expenses were $1,861,354 for the six months ended December 31, 2018 compared to $1,756,500 for the six months ended December 31, 2017. A significant portion of the increase was due to an increase in non-cash, share-based compensation expense in the current period compared to the prior period. In relation to general and administrative expenses during the six months ended December 31, 2018, we incurred non-cash, share-based compensation expense of $354,905 relating to performance share units, warrants issued for services, and stock option expense while during the six months ended December 31, 2017, we incurred non-cash, share-based compensation expense of $170,495 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 six months ended December 31, 2017.

Excluding the impact of non-cash, share-based compensation expense, general and administrative expenses decreased in the six months ended December 31, 2018 to $1,506,449 from $1,586,005 for the six months ended December 31, 2017. 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 six months ended December 31, 2018 compared to six months ended December 31, 2017 in part due to the timing of the Company’s annual meeting of stockholders. In the current period, the Company has 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 six months compared to the prior six 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 six months ended December 31, 2018 compared to the six months ended December 31, 2017 as the Company has focused on reducing all travel expenses. Personnel costs have increased during the six months ended December 31, 2018 compared to the six months ended December 31, 2017 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 six months ended December 31, 2018 and 2017 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 six months ended December 31.

We recognized gains of $1,041 and $55,679 from the change in fair value of the derivative liability for the six months ended December 31, 2018 and 2017, respectively.

Foreign Exchange

Our functional currency at June 30, 2018 and December 31, 2018 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 $10,935 and $50,986 for the six-month periods ended December 31, 2018 and 2017, respectively. The losses were due to changes in the exchange rate between the CA$ and the US$ and to varying levels of CA$ cash and accounts payable.

Preferred Share Dividends

For each of the six-month periods ended December 31, 2018 and 2017 we recorded $4,178 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 six months ended December 31, 2018, we issued 96,954 (2017 – 99,204) shares of common stock as a dividend on the Series B Preferred stock and recognized $52,275 (2017 - $95,732) as a direct increase in accumulated deficit.

Liquidity and Capital Resources

Six months ended December 31, 2018 compared to the six months ended December 31, 2017

	December 31, 2018 $	December 31, 2017 $	Change $	Change %
Cash flows from operating activities	(3,049,876)	(4,505,604)	1,455,728	(32)
Cash flows from financing activities	780,783	8,941,158	(8,160,375)	(91)

Operating Activities

Net cash used in operating activities decreased to $3,049,876 for the six months ended December 31, 2018 from $4,505,604 for the six months ended December 31, 2017. During the six months ended December 31, 2018 and 2017, we reported net losses of $3,801,501 and $5,828,004, respectively. During the six months ended December 31, 2018, we recorded a loss from the revaluation of the derivative liability of $1,041 compared to a gain of $55,679 for the six months ended December 31, 2017. 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 $423,985 for the six months ended December 31, 2018. Non-cash items relating to amortization of intangible assets, warrants issued for services, and stock option expense totaled $303,106 for the six months ended December 31, 2017.

The most significant changes in non-cash working capital for the six months ended December 31, 2018 was a decrease in cash from a reduction in accounts payable and accrued liabilities of $420,679 and an increase in cash from a decrease in prepaid expenses and deposits of $728,276. Cash from the decrease in prepaid expenses was due to a partial refund of our clinical trial deposit related to our now-parked STAR-3 Phase 3 study. The most significant changes in non-cash working capital for the six months ended December 31, 2017 was cash from in an increase of accounts payable and accrued liabilities of $646,825 and cash from an increase in related party payables of $308,899. The increase in related party payables was due to amounts owing under the settlement agreement with the Company's former President and Chief Operating Officer.

Financing Activities

During the six months ended December 31, 2018, we received $784,961 in net proceeds from the exercise of warrants pursuant to the Warrant Exercise Agreements. During the six months ended December 31, 2017, 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 $4,178 related to the dividend payable to Valent during each of the six months ended December 31, 2018 and 2017 respectively.

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 six months ended December 31, 2018, we reported a loss of $3,801,501 and negative cash flow from operations of $3,049,876. As of December 31, 2018, we had an accumulated deficit of $56,299,291 and cash and cash equivalents on hand of $3,702,902. 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 its 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. 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, 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

The Company does 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 December 31, 2018 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.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2018, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K may not be the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results.

There were no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 24, 2018 except as noted below.

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 such compliance of the $1.00 per share bid price, we may need to consummate a reverse stock split in order to achieve such compliance.

Notwithstanding, there can be no assurance that the Company will be able to regain compliance and if we are unable to regain compliance with the minimum closing bid price requirement by June 25, 2019, or if we fail to meet any of the other continued listing requirements, including stockholder equity 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 December 31, 2018, we issued 47,352 shares of common stock as dividends on our outstanding shares of Series B Preferred Stock and 6,068 shares of common stock in relation to services received by

us. In addition, we granted options to purchase 300,000 shares of our common stock at an exercise price of $0.61 per share and issued warrants to purchase an aggregate of 20,000 shares of our common stock at an exercise price of $0.90 for service to be rendered by consultants to 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.

No.	Description
31.1	Rule 13a-14(a)/ 15d-14(a) Certification of Chief Executive Officer*
31.2	Rule 13a-14(a)/ 15d-14(a) Certification of Chief Financial Officer*
32.1	Section 1350 Certification of Chief Executive Officer**
32.2	Section 1350 Certification of Chief Financial Officer**
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.

DelMar Pharmaceuticals, Inc.

Date: February 11, 2019 By: /s/ Saiid Zarrabian
Saiid Zarrabian
Chief Executive Officer
(Principal Executive Officer)

Date: February 11, 2019 By: /s/ Scott Praill
Scott Praill
Chief Financial Officer
(Principal Financial and Accounting Officer)