

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

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

(State or other jurisdiction of
incorporation or organization)

99-0360497

(I.R.S. Employer
Identification No.)

Suite 720-999 West Broadway
Vancouver, British Columbia, Canada
(Address of principal executive offices)

V5Z 1K5
(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

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

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date, 13,461,645 shares of common stock are issued and outstanding as of May 12, 2017.

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PART 1. - FINANCIAL INFORMATION

Item 1. Financial Statements.

DelMar Pharmaceuticals, Inc.

Consolidated Condensed Interim Financial Statements
(Unaudited)

For the nine months ended March 31, 2017
(expressed in US dollars unless otherwise noted)

DelMar Pharmaceuticals, Inc.

Consolidated Condensed Interim Balance Sheets
(Unaudited)

(expressed in US dollars unless otherwise noted)

	Note	March 31, 2017 \$	June 30, 2016 \$
Assets			
Current assets			
Cash and cash equivalents		2,100,406	6,157,264
Taxes and other receivables		70,561	18,387
Prepaid expenses		119,776	144,131
Deferred costs	9	25,705	-
		<u>2,316,448</u>	<u>6,319,782</u>
Intangible assets - net		24,443	36,017
		<u>2,340,891</u>	<u>6,355,799</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		791,805	584,002
Related party payables	4	70,259	43,444
Current portion of derivative liability	5	157,145	-
		<u>1,019,209</u>	<u>627,446</u>
Stock option liability	6	-	175,875
Derivative liability	5	91,545	693,700
		<u>1,110,754</u>	<u>1,497,021</u>
Stockholders' accumulated equity			
Preferred stock			
Authorized			
5,000,000 shares, \$0.001 par value			
Issued and outstanding			
278,530 Series A shares at March 31, 2017 (June 30, 2016 – 278,530)	3,6	278,530	278,530
887,363 Series B shares at March 31, 2017 (June 30, 2016 – 902,238)	6	6,190,482	6,294,255
1 special voting share at March 31, 2017 (June 30, 2016 – 1)		-	-
Common stock			
Authorized			
50,000,000 shares, \$0.001 par value			
11,675,174 issued at March 31, 2017 (June 30, 2016 – 11,187,023)	6	11,675	11,187
Additional paid-in capital	6	31,511,379	28,833,105
Warrants	6	1,618,656	1,658,382
Accumulated deficit		(38,401,763)	(32,237,859)
Accumulated other comprehensive income		21,178	21,178
		<u>1,230,137</u>	<u>4,858,778</u>
		<u>2,340,891</u>	<u>6,355,799</u>

Nature of operations, corporate history, and liquidity risk (note 1)

Subsequent events (note 9)

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

DelMar Pharmaceuticals, Inc.

Consolidated Condensed Interim Statement of Loss and Comprehensive Loss
(Unaudited)

(expressed in US dollars unless otherwise noted)

	Note	Three months ended March 31, 2017 \$	Three months ended March 31, 2016 \$	Nine months ended March 31, 2017 \$	Nine months ended March 31, 2016 \$
Expenses					
Research and development	4	1,086,107	790,323	2,939,746	2,183,355
General and administrative	4	698,125	630,226	2,586,050	1,994,923
		<u>1,784,232</u>	<u>1,420,549</u>	<u>5,525,796</u>	<u>4,178,278</u>
Other loss (income)					
Change in fair value of stock option and derivative liabilities	5,6	77,479	(276,584)	(58,501)	943,050
Change in fair value of derivative liability due to change in warrant terms	5,6	-	7,000	-	270,965
Foreign exchange		6,897	(10,523)	13,726	16,257
Interest income		(148)	(41)	(249)	(71)
		<u>84,228</u>	<u>(280,148)</u>	<u>(45,024)</u>	<u>1,230,201</u>
Net and comprehensive loss for the period		<u>1,868,460</u>	<u>1,140,401</u>	<u>5,480,772</u>	<u>5,408,479</u>
Computation of basic loss per share					
Net and comprehensive loss for the period		1,868,460	1,140,401	5,480,772	5,408,479
Series B Preferred stock dividend		209,811	-	676,865	-
Net and comprehensive loss available to common stockholders		<u>2,078,271</u>	<u>1,140,401</u>	<u>6,157,637</u>	<u>5,408,479</u>
Basic and fully diluted loss per share		<u>0.18</u>	<u>0.10</u>	<u>0.54</u>	<u>0.50</u>
Basic weighted average number of shares		<u>11,574,052</u>	<u>11,077,275</u>	<u>11,432,376</u>	<u>10,896,887</u>

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

DelMar Pharmaceuticals, Inc.

Consolidated Condensed Interim Statement of Cash Flows
(Unaudited)

(expressed in US dollars unless otherwise noted)

		Nine months ended March 31,	
	Note	2017	2016
		\$	\$
Cash flows from operating activities			
Loss for the period		(5,480,772)	(5,408,479)
Items not affecting cash			
Amortization of intangible assets		11,574	6,430
Change in fair value of stock option and derivative liabilities	5,6	(58,501)	943,050
Change in fair value of derivative liability due change in warrant terms	5,6	-	270,965
Shares issued for services	6	564,000	80,400
Warrants issued for services	6	80,421	400,389
Stock option expense	6	106,571	138,711
Changes in non-cash working capital			
Taxes and other receivables		(52,174)	(6,311)
Prepaid expenses		24,355	159,746
Accounts payable and accrued liabilities		207,803	(115,317)
Related party payables	4	26,815	(61,802)
		<u>(4,569,908)</u>	<u>(3,592,218)</u>
Cash flows from investing activities			
Intangible assets - website development costs		-	(16,762)
			<u>(16,762)</u>
Cash flows from financing activities			
Net proceeds from the issuance of shares and warrants	6	-	2,453,633
Proceeds from the exercise of warrants	6	545,022	405,183
Series A preferred stock dividend	6	(6,267)	(6,267)
Deferred costs	6,9	(25,705)	(60,647)
		<u>513,050</u>	<u>2,791,902</u>
Decrease in cash and cash equivalents		(4,056,858)	(817,078)
Cash and cash equivalents - beginning of period		6,157,264	1,754,433
Cash and cash equivalents - end of period		<u>2,100,406</u>	<u>937,355</u>

Supplementary information (note 8)

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

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

March 31, 2017

(expressed in US dollars unless otherwise noted)

1 Nature of operations, corporate history, and liquidity risk

Nature of operations

DelMar Pharmaceuticals, Inc. (the "Company") is a clinical stage drug development company with a focus on the treatment of cancer. We are conducting clinical trials in the United States of our first product candidate, VAL-083, as a potential new treatment for glioblastoma multiforme ("GBM"), the most common and aggressive form of brain cancer. We are also conducting preclinical research with VAL-083 as a potential treatment for other types of cancer. In addition, we have acquired certain exclusive commercial rights to VAL-083 in China where it is approved as a chemotherapy for the treatment of chronic myelogenous leukemia ("CML") and lung cancer. In order to accelerate our development timelines and reduce risk, we leverage existing clinical and commercial data from a wide range of sources. We plan to pursue independent development and commercialization of VAL-083 for refractory GBM and potentially other product candidates that we may acquire or discover through our research activities. We will also seek collaborative development and commercialization partnerships in order to accelerate and expand our own product development efforts and potentially generate future royalty revenue.

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

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. ("DelMar (BC)"), 0959454 B.C. Ltd. ("Callco"), and 0959456 B.C. Ltd. ("Exchangeco") and the security holders of DelMar (BC). Upon closing the Exchange Agreement, DelMar (BC) became a wholly-owned subsidiary of the Company (the "Reverse Acquisition").

DelMar Pharmaceuticals, Inc. is the parent company of DelMar (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, DelMar (BC), Callco and Exchangeco.

Liquidity risk

For the three and nine months ended March 31, 2017, the Company reported losses of \$1,868,460 and \$5,480,772 respectively and the Company has an accumulated deficit of \$38,401,763 at that date. As at March 31, 2017, the Company had cash and cash equivalents on hand of \$2,100,406. The Company does not have the prospect of achieving revenues in the near future and the Company will require additional funding to maintain its research and development projects and for general operations. There is a great degree of uncertainty with respect to the expenses the Company will incur in executing its business plan. In addition, the Company has not begun to commercialize or generate revenues from its product candidate.

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

March 31, 2017

(expressed in US dollars unless otherwise noted)

Consequently, management is pursuing various financing alternatives to fund the Company's operations so it can continue as a going concern in the medium to longer term. During the three months ended March 31, 2017, the Company received \$545,022 in proceeds from the exercise of share purchase warrants (note 6). Subsequent to March 31, 2017 (note 9), the Company completed a registered public offering of an aggregate of 2,769,232 shares of common stock and warrants to purchase an aggregate of 2,076,924 shares of common stock at a price to the public of \$3.25 per share and related warrant for gross proceeds of \$9,000,004 (note 9). We believe, based on our current estimates, that we will be able to fund our operations beyond the next twelve months.

There is no assurance that our cost estimates will prove to be accurate or that unforeseen events, problems or delays will not occur with respect thereto. The ability of the Company to meet its obligations and continue the research and development of its product candidate is dependent on its ability to continue to raise adequate financing. There can be no assurance that such financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. The Company may tailor its drug candidate development program based on the amount of funding the Company raises.

2 Significant accounting policies

Reverse stock split

On May 16, 2016, the Company filed a Certificate of Change with the Secretary of State of Nevada that effected a 1-for-4 reverse stock split of its common stock. The reverse split became effective on May 20, 2016. All warrants, stock options, conversion ratios, and per share information in these consolidated condensed interim financial statements give retroactive effect to this 1-for-4 reverse stock split. The Company's authorized and issued preferred stock was not affected by the split. However, the conversion price for the conversion of the Company's Series B preferred stock into common stock was adjusted as a result of the reverse stock split.

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, DelMar BC, Callco, and Exchangeco. All intercompany balances and transactions have been eliminated.

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

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

March 31, 2017

(expressed in US dollars unless otherwise noted)

Unaudited interim financial data

The accompanying unaudited March 31, 2017 consolidated condensed interim balance sheet, the consolidated condensed interim statements of loss and comprehensive loss for the three and nine months ended March 31, 2017 and 2016, and consolidated condensed cash flows for the nine months ended March 31, 2017 and 2016, and the related interim information contained within the notes to the 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 consolidated condensed interim financial statements should be read in conjunction with the audited financial statements of the Company as at June 30, 2016 included in our Form 10-K filed with the Securities and Exchange Commission on September 13, 2016. In the opinion of management, the unaudited consolidated condensed interim financial statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for the fair statement of the Company's financial position at March 31, 2017 and results of its operations for the three and nine months ended March 31, 2017 and 2016, and its cash flows for the nine months ended March 31, 2017 and 2016. The results for three and nine months ended March 31, 2017 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2017 or for any other future annual or interim period.

Use of estimates

The preparation of consolidated condensed interim financial statements in conformity with U.S. 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 and the valuation of equity instruments issued for services. There have been no changes to the methodology used in determining these estimates from the period ended June 30, 2016.

Loss per share

Loss per share is calculated based on the weighted average number of common shares outstanding. For the three and nine month periods ended March 31, 2017 and 2016 diluted loss per share does not differ from basic loss per share since the effect of the Company's warrants and stock options are anti-dilutive. At March 31, 2017, potential common shares of 4,413,520 (2016 – 4,597,236) relating to warrants, 1,120,850 (2016 – 866,250) relating to stock options, and 2,218,417 (2016 – nil) relating to the Series B convertible preferred stock 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.

ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.

The amendments in this update change existing guidance related to accounting for employee share-based payments affecting the income tax consequences of awards, classification of awards as equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating the potential impact of the adoption of this standard.

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

March 31, 2017

(expressed in US dollars unless otherwise noted)

ASU 2016-02, Leases (Topic 842).

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

ASU No. 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 and interim reporting periods beginning after December 15, 2017. The Company is currently assessing this standard for its impact on future reporting periods.

Accounting Standards Update (“ASU”) 2014-15 - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

The objective of the guidance is to require management to explicitly assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management will assess if there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date of an entity's financial statements. The new standard defines substantial doubt and provides examples of indicators thereof. The definition of substantial doubt incorporates a likelihood threshold of "probable" similar to the current use of that term in U.S. GAAP for loss contingencies. The new standard will be effective for all entities in the first annual period ending after December 15, 2016 (March 31, 2017 for calendar year-end entities). The Company has adopted this standard as of its December 31, 2016 quarter end.

3 Valent Technologies, LLC

On December 31, 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 director, and DelMar (BC). Pursuant to the Valent Exchange Agreement, Valent exchanged its loan payable in the outstanding amount of \$278,530 (including aggregate accrued interest to December 31, 2014 of \$28,530), issued to Valent by DelMar (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.

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

March 31, 2017

(expressed in US dollars unless otherwise noted)

For the three months ended March 31, 2017 and 2016 respectively, the Company recorded \$2,089 related to the dividend payable to Valent. For the nine months ended March 31, 2017 and 2016 respectively, the Company recorded \$6,267 related to the dividend payable to Valent. The dividends have been recorded as a direct increase in accumulated deficit.

4 Related party transactions

Pursuant to employment and consulting agreements with the Company's officers the Company recognized a total of \$162,500 (2016 - \$120,000) for the three months ended March 31, 2017 and \$557,500 (2016 - \$360,000) in expenses for the nine months ended March 31, 2017. Amounts owed to related parties are non-interest bearing and payable on demand.

The Company incurred \$44,500 (2016 - \$42,583) in directors' fees during the three months ended March 31, 2017 and \$126,500 (2016 - \$127,583) in directors' fees during the nine months ended March 31, 2017.

As part of the Series B preferred stock dividend (note 6) the Company issued 1,511 (2016 - 0) shares of common stock to officers and directors of the Company and recognized \$6,346 (2016 - 0) as a direct increase to deficit for the three months ended March 31, 2017. For the nine months ended March 31, 2017, the Company issued 4,533 (2016 - 0) shares of common stock and recognized \$20,306 (2016 - 0) as a direct increase to the deficit in relation to the Series B preferred stock dividend.

The Company recorded \$2,089 (2016 - \$2,089) in dividends related to the Series A preferred stock issued to Valent (note 6) for the three months ended March 31, 2017 and \$6,267 (2016 - \$6,267) for the nine months ended March 31, 2017 (note 3).

During the three and nine months ended March 31, 2017 Valent (note 3) exercised 125,000 common stock purchase warrants at \$1.54 per share (CDN \$2.00) for total proceeds of \$192,075.

During the three and nine months ended March 31, 2017 the Company issued 224,600 (2016 - nil) stock options to officers of the Company at an exercise price of \$4.95. The stock options vest pro rata on a monthly basis over 36 months and expire on February 17, 2027.

5 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)

March 31, 2017

(expressed in US dollars unless otherwise noted)

2013 Investor Warrants

During the quarter ended March 31, 2013 the Company issued an aggregate of 3,281,250 units at a purchase price of \$3.20 per unit, for aggregate gross proceeds of \$10,500,000 (the "Private Offering"). Each unit consisted of one share of common stock and one five-year warrant (the "2013 Investor Warrants") to purchase one share of common stock at an initial exercise price of \$3.20. The exercise price of the 2013 Investor Warrants is subject to adjustment in the event that the Company issues common stock at a price lower than the exercise price, subject to certain exceptions. The 2013 Investor Warrants are redeemable by the Company at a price of \$0.004 per 2013 Investor Warrant at any time subject to the conditions that (i) the Company's common stock has traded for twenty (20) consecutive trading days with a closing price of at least \$6.40 per share with an average trading volume of 50,000 shares per day, and (ii) the underlying shares of common stock are registered for resale.

As a result of the financing completed by the Company during the nine months ended March 31, 2016 the exercise price of the 2013 Investor Warrants was reduced from \$3.20 to \$3.144.

2013 Investor Warrant exercises

During the nine months ended March 31, 2017, 65,095 (2016 – 128,875) of the 2013 Investor Warrants were exercised at an exercise price of \$3.144 per share. The Company received proceeds of \$204,659 (2016 - \$405,183) from these exercises. The warrants that have been exercised were revalued at their respective exercise dates and then the reclassification to equity was recorded resulting in \$238,474 (2016 - \$247,440) of the derivative liability being reclassified to equity.

There were no exercises of 2013 Investor Warrants during the three months ended March 31, 2017 and 2016.

2013 Investor Warrant amendments

During the three and nine months ended March 31, 2016, the Company entered into amendments (the "2013 Investor Warrant Amendments") with the holders of certain 2013 Investor Warrants to extend the expiration date to March 31, 2019 and remove the provision requiring an adjustment of the warrant exercise price in the event the Company sells common stock at a purchase price lower than the current warrant exercise price. During the three and nine months ended March 31, 2016, 62,500 of the 2013 Investor Warrants were amended resulting in the recognition of a loss of \$7,000 and a reclassification of \$65,750 from the derivative liability to equity.

During the nine months ended March 31, 2017 pursuant to the 2013 Investor Warrant Amendments, 15,944 of the 2013 Investor Warrants were amended. As a result, the Company has reclassified \$53,006 from the derivative liability to equity. The 2013 Investor Warrants were revalued to their respective amendment dates and were then reclassified to equity.

During the three months ended March 31, 2017 there were no amendments to the 2013 Investor Warrants.

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

March 31, 2017

(expressed in US dollars unless otherwise noted)

2013 Placement Agent Warrants

On December 30, 2015, the Company entered into amendments (the “2013 Placement Agent Warrant Amendments”) with the holders of warrants the Company issued to the placement agent for the Private Offering (the “2013 Placement Agent Warrants”). Pursuant to the 2013 Placement Agent Warrant Amendments, 1,262,500 of the 2013 Placement Agent Warrants were amended to extend the expiration date to June 30, 2019 and remove the provision requiring an adjustment of the exercise price in the event the Company sells common stock at a purchase price lower than the current warrant exercise price. As a result of the 2013 Placement Agent Warrant Amendments, for the nine months ended March 31, 2016 the Company has recognized a loss of \$242,400 and has reclassified \$2,277,550 from the derivative liability to equity. The 2013 Placement Agent Warrants were revalued to the date of the amendment and were then reclassified to equity.

2015 Agent Warrants

As part of the Company’s financing completed during the nine months ended December 31, 2015, the Company issued warrants to purchase 23,477 shares of common stock to certain placement agents (“2015 Agent Warrants”) and recognized them as a derivative liability of \$29,594 at the time of issuance. The 2015 Agent Warrants are exercisable at a per share price equal to \$3.00 until July 15, 2020. During the nine months ended March 31, 2017, 680 (2016 – 0) of the 2015 Agent Warrants were exercised for cash proceeds of \$2,040 and 1,000 (2016 – 0) of the 2015 Agent Warrants were exercised on a cashless basis for 594 shares of common stock. The total reclassification to equity subsequent to revaluation at the respective exercise dates was \$9,935.

There were no 2015 Agent Warrant exercises during the three months ended March 31, 2017 and 2016.

The Company’s derivative liability is summarized as follows:

	Three months ended	
	March 31,	
	2017	2016
	\$	\$
Opening balance	171,211	1,352,584
Change in fair value of warrants	77,479	(276,584)
Change in fair value due to change in warrant terms	-	7,000
Reclassification to equity upon amendment of warrants	-	(65,750)
Closing balance	248,690	1,017,250
Less current portion	(157,145)	-
Long term portion	<u>91,545</u>	<u>1,017,250</u>

DelMar Pharmaceuticals, Inc.

Notes to Consolidated Condensed Interim Financial Statements

(Unaudited)

March 31, 2017

(expressed in US dollars unless otherwise noted)

	Nine months ended	
	March 31,	
	2017	2016
	\$	\$
Opening balance	693,700	2,364,381
Change in fair value of warrants	(143,595)	943,050
Change in fair value due to change in warrant terms	-	270,965
Reclassification to equity upon amendment of warrants	(53,006)	(2,343,300)
Issuance of 2015 Agent Warrants	-	29,594
Reclassification to equity upon exercise of warrants	(248,409)	(247,440)
Closing balance	248,690	1,017,250
Less current portion	(157,145)	-
Long term portion	<u>91,545</u>	<u>1,017,250</u>

6 Stockholders' equity

Preferred stock

Authorized

5,000,000 preferred shares, \$0.001 par value

Issued and outstanding

Special voting shares – at March 31, 2017 – 1 (June 30, 2016 – 1)

Series A shares – at March 31, 2017 – 278,530 (June 30, 2016 – 278,530)

Series B shares – at March 31, 2017 – 887,363 (June 30, 2016 – 902,238)

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 dates. 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, December 31, December 31, and March 31 of each year commencing on June 30, 2016. Dividends are payable solely by delivery of shares of common stock (the "PIK Shares"), 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.

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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 March 31, 2017, the Company issued 49,955 (2016 – 0) shares of common stock and recognized \$209,811 (2016 – 0) as a direct increase in accumulated deficit and during the nine months ended March 31, 2017, the Company issued 150,844 (2016 – 0) shares of common stock and recognized \$676,865 (2016 – 0) as a direct increase in accumulated deficit.

During the three months ended March 31, 2017, a total of 2,500 (2016 – 0) shares of Series B Preferred Stock were converted for an aggregate 6,250 (2016 – 0) shares of common stock and during the nine months ended March 31, 2017, a total of 14,875 (2016 – 0) shares of Series B Preferred Stock were converted for an aggregate 37,188 (2016 – 0) shares of common stock.

Series A Preferred Shares

Effective December 31, 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.

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Common stock

Authorized - 50,000,000 common shares, \$0.001 par value

Issued and outstanding - March 31, 2017 – 11,675,174 (June 30, 2016 – 11,187,023)

	Shares of common stock outstanding	Common stock \$	Additional paid-in capital \$	Warrants \$
Balance – June 30, 2016	11,187,023	11,187	28,833,105	1,658,382
Warrants exercised for cash	239,525	239	908,183	(120,147)
Cashless exercise of warrants	594	1	5,158	-
Shares issued for services	60,000	60	563,940	-
Warrants issued for services	-	-	-	80,421
Amendment of warrants	-	-	53,006	-
Amendment of stock options	-	-	260,969	-
Series B Preferred stock dividends	150,844	151	676,714	-
Conversion of Series B preferred stock	37,188	37	103,734	-
Stock option expense	-	-	106,570	-
Balance – March 31, 2017	<u>11,675,174</u>	<u>11,675</u>	<u>31,511,379</u>	<u>1,618,656</u>

The issued and outstanding common shares at March 31, 2017 include 982,761 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.

Nine months ended March 31, 2016

During the nine months ended March 31, 2016, pursuant to a public offering under a Registration Statement on Form S-1, the Company issued 1,069,417 shares of common stock at \$2.40 per share and 1,069,417 warrants (the “2015 Investor Warrants”) to purchase shares of common stock at \$0.004 per warrant for total gross proceeds of \$2,566,660. The 2015 Investor Warrants are exercisable at \$3.00 per share for a period of five years until they expire on July 31, 2020.

The Company engaged certain placement agents for the sale of a portion of the shares and 2015 Investor Warrants. Under the Company’s engagement agreements with these placement agents, the Company agreed to pay up to a 7% cash commission and issue warrants to purchase shares of common stock (the “2015 Agent Warrants”) up to the number of shares of our common stock equal to 5% of the aggregate number of shares sold in the offering by such placement agent. Pursuant to the placement agent agreements the Company paid a total cash commission of \$80,575 and issued 23,477 2015 Agent Warrants (note 5). The 2015 Agent Warrants are exercisable at a per share price equal to \$3.00 until July 15, 2020.

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In addition to the cash commission of \$80,575 the Company also incurred additional cash issue and closing costs of \$582,511 resulting in net cash proceeds from the public offering of \$1,903,514. The 2015 Agent Warrants have been recognized as non-cash issue costs of \$29,594.

Stock Options

The following table sets forth the options outstanding:

	Number of stock options outstanding	Weighted average exercise price \$
Balance – June 30, 2016	856,250	3.77
Granted	264,600	4.82
Balance – March 31, 2017	<u>1,120,850</u>	<u>4.02</u>

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The following table summarizes stock options currently outstanding and exercisable at March 31, 2017:

Exercise price \$	Number Outstanding at March 31, 2017	Weighted average remaining contractual life (years)	Number exercisable at March 31, 2017
1.50	25,000	4.89	25,000
2.00	131,250	4.89	131,250
2.96	45,000	7.84	45,000
3.20	30,000	8.00	30,000
3.32	30,000	8.83	11,667
3.60	25,000	8.96	8,634
3.76	45,000	8.75	18,750
4.00	12,500	2.50	12,500
4.10	40,000	9.61	5,222
4.20	412,500	6.37	412,500
4.48	30,000	8.77	12,333
4.76	25,000	9.08	7,639
4.95	224,600	9.88	9,150
6.16	15,000	6.00	15,000
9.20	30,000	6.17	30,000
	1,120,850		774,645

Included in the number of stock options outstanding are 25,000 stock options granted at an exercise price of CDN \$2.00. The exercise prices shown in the above table have been converted to \$1.50 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 have been revalued using a Black-Scholes pricing model using the following assumptions:

	March 31, 2017
Dividend rate	0%
Volatility	77.8% to 88.7%
Risk-free rate	1.1% to 1.7%
Term - years	2.0 to 3.0

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

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Research and development	117,775	20,165	82,763	36,395
General and administrative	32,179	3,678	23,808	102,316
	<u>149,954</u>	<u>23,843</u>	<u>106,571</u>	<u>138,711</u>

All of the stock option expense for the periods ended March 31, 2017 and 2016 has been recognized as additional paid in capital. The aggregate intrinsic value of stock options outstanding at March 31, 2017 was \$508,255 (2016 - \$396,538) and the aggregate intrinsic value of stock options exercisable at March 31, 2017 was \$468,674 (2016 - \$396,538). As of March 31, 2017, there was \$664,071 in unrecognized compensation expense that will be recognized over the next three years. No stock options granted under the Plan have been exercised to March 31, 2017. Upon the exercise of stock options new shares will be issued.

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

	Number of	Weighted	Weighted
	Options	average	average
		exercise	grant date
		price	fair value
		\$	\$
Unvested at June 30, 2016	141,016	3.17	1.73
Granted	264,600	4.82	2.61
Vested	<u>(59,411)</u>	<u>4.14</u>	<u>2.26</u>
Unvested at March 31, 2017	<u>346,205</u>	<u>4.59</u>	<u>2.49</u>

Stock option liability

Certain of the Company's stock options have been issued in \$CDN. Of these, a portion were classified as a stock option liability which is revalued at each reporting date. During the nine months ended March 31, 2017, the Company amended 43,750 of these stock options held by five optionees such that the exercise price of the options was adjusted to be denominated in \$USD. No other terms of the stock options were amended. As a result of the amendment, the Company recognized \$85,094 in stock option liability expense and \$260,969 was reclassified to equity during the nine months ended March 31, 2017.

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Warrants

Certain of the Company's warrants have been recognized as a derivative liability (note 5). The following table summarizes all of the Company's outstanding warrants as of March 31, 2017:

Description	Number
Balance – June 30, 2016	4,612,627
2013 Investor Warrants (i)	(65,077)
Valent warrants (ii)	(125,000)
2015 Investor Warrants (iii)	(48,750)
2015 Agent Warrants (iv)	(1,680)
Warrants issued for services (v)	41,400
Balance - March 31, 2017	<u>4,413,520</u>

- i) 2013 Investor Warrants were exercised at \$3.144 per share for cash proceeds of \$204,659.
- ii) Warrants issued to Valent (note 4) were exercised at \$1.54 (CDN \$2.00) per share for cash proceeds of \$192,075.
- iii) 2015 Investor Warrants were exercised at \$3.00 per share for cash proceeds of \$146,250.
- iv) 680 of the 2015 Agent Warrants were exercised at \$3.00 per share for cash proceeds of \$2,040 and 1,000 of the 2015 Agent Warrants were exercised on a cashless basis for 594 shares of common stock.
- v) Warrants were issued on February 27, 2017 and are exercisable at \$5.93 until they expire on February 27, 2020. They vest pro rata over six months from February 27, 2017 and are exercisable commencing 180 days from the date of issuance.

7 Financial instruments

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

- Level one - inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level two - inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals; and

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- Level three - unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

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

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

Derivative liability

The Company accounts for certain warrants under the authoritative guidance on accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock, on the understanding that in compliance with applicable securities laws, the warrants require the issuance of securities upon exercise and do not sufficiently preclude an implied right to net cash settlement. The Company classifies these warrants on its balance sheet as a derivative liability which is fair valued at each reporting period subsequent to the initial issuance. The Company has used a simulated probability valuation model to value the warrants. Determining the appropriate fair-value model and calculating the fair value of warrants requires considerable judgment. Any change in the estimates (specifically probabilities) 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 similar life sciences companies. 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 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:

Liability	March 31, 2017		
	Level 1	Level 2	Level 3
Derivative liability	-	-	\$ 248,690

Liability	June 30, 2016		
	Level 1	Level 2	Level 3
Derivative liability	-	-	\$ 693,700

8 Supplementary statement of cash flows information

	Nine months ended	
	March 31,	
	2017	2016
	\$	\$
Reclassification of derivative liability to equity upon the exercise of warrants (note 5)	248,409	247,440
Reclassification of derivative liability to equity upon the amendment of warrants (note 5)	53,006	2,343,300
Reclassification of stock option liability to equity upon settlement (note 6)	260,969	-
Series B Preferred share common stock dividend (note 6)	676,865	-
Reclassification of stock option liability upon forfeiture of stock options	-	29,747
Deferred costs recognized as equity issue costs	-	550,119

9 Subsequent events

Subsequent to March 31, 2017 the Company completed a registered public offering (the "2017 Public Offering") of an aggregate of 2,769,232 shares of common stock and 2,076,924 warrants to purchase an additional 2,076,924 shares of common stock at a price of \$3.25 per share and related warrant for gross proceeds of approximately \$9.0 million. The warrants have an exercise price of \$3.50 per share, are immediately exercisable and have a term of exercise of five years.

The Company engaged a placement agent for the 2017 Public Offering. Under the Company's engagement agreement with the placement agent, the Company agreed to pay up to an 8% cash commission and issue warrants to purchase shares of common stock (the "2017 Agent Warrants") up to the number of shares of common stock equal to 5% of the aggregate number of shares issued in the 2017 Public Offering. Pursuant to the placement agent agreement the Company issued 138,462 2017 Agent Warrants. The 2017 Agent Warrants are exercisable at a per share price equal to \$4.06 and have a term of exercise of five years.

In addition to the cash commission the Company also incurred additional cash issue costs of approximately \$280,000 resulting in net cash proceeds of approximately \$8.0 million. At March 31, 2017, the Company had recognized \$25,705 in deferred costs relating to the 2017 Public Offering.

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

This Management's Discussion and Analysis ("MD&A") contains "forward-looking statements", within the meaning of the Private Securities Litigation Reform Act of 1995, which represent our projections, estimates, expectations or beliefs concerning, among other things, financial items that relate to management's future plans or objectives or to our future economic and financial performance. In some cases, you can identify these statements by terminology such as "may", "should", "plans", "believe", "will", "anticipate", "estimate", "expect", "project", or "intend", including their opposites or similar phrases or expressions. You should be aware that these statements are projections or estimates as to future events and are subject to a number of factors that may tend to influence the accuracy of the statements. These forward-looking statements should not be regarded as a representation by the Company or any other person that the events or plans of the Company 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, 2016 and in the Company's other filings with the Securities and Exchange Commission, available at www.sec.gov. Actual results may differ materially from any forward-looking statement.

Recent Highlights

- In April 2017, we completed a public offering of common stock and warrants for gross proceeds of \$9.0 million. In addition, during the nine months ended March 31, 2017 we received \$545,022 in proceeds from the exercise of warrants. We plan to use these funds to support advancement of our product candidate VAL-083 into a pivotal Phase 3 clinical trial for refractory GBM and for general corporate and research purposes. We estimate that this cash is sufficient to fund our planned operations for the next 18-24 months.
- We continued to advance and expand the development of VAL-083 as a potential new treatment for Glioblastoma Multiforme ("GBM") for patients whose tumors express features, such as high expression of the enzyme MGMT, that make their cancer resistant to, or unlikely to, respond to currently available therapy. Further,
 - We reported data from our Phase 1-2 clinical trial in refractory GBM at the American Society of Clinical Oncology's ("ASCO") annual meeting demonstrating that VAL-083 may offer improved survival for GBM patients whose tumors have progressed following treatment with chemoradiation and subsequent bevacizumab (Avastin™) therapy;
 - Based on input from our 'End of Phase 2' meeting with the United States Food and Drug Administration ("FDA"), we have submitted a protocol to the FDA for a pivotal, controlled Phase 3 Study in Temozolomide-Avastin Recurrent GBM ("*STAR-3*") to evaluate overall survival versus salvage chemotherapy for GBM patients who have previously failed both temozolomide (Temodar™) and bevacizumab (Avastin™);
 - In May 2017, we announced a collaboration with PRA Health Sciences to work with us as our contract research organization to oversee and manage our pivotal VAL-083 STAR-3 GBM clinical trial;
 - We initiated a new Phase 2 clinical study of VAL-083 in patients with MGMT-unmethylated GBM at first recurrence/progression prior to bevacizumab (Avastin®) exposure in collaboration with the University of Texas MD Anderson Cancer Center ("MD Anderson"); and
 - We received ethics committee approval, retained a contract research organization, and submitted a required application for human genomic testing to allow for initiation of a separate Phase 2 clinical trial in newly diagnosed GBM for patients with MGMT-unmethylated GBM at Sun Yat Sen University in Guangzhou, China.

- We continued to obtain promising research results supporting the potential of VAL-083 in the treatment of other cancers. For example:
 - We presented data supporting the effectiveness of VAL-083 against chemotherapy-resistant ovarian cancers at the 11th Biennial Ovarian Cancer Research Symposium;
 - We presented new non-clinical data supporting the differentiation of VAL-083 in the treatment of lung cancer at the American Association for Cancer Research's ("AACR") annual meeting; and
 - We presented data indicating that VAL-083 offers potential therapeutic alternatives in difficult-to-treat pediatric brain tumors at the AACR – Advances in Pediatric Research: From Mechanisms and Models to Treatment and Survivorship Conference.
- In April 2017, we announced an expansion of our research collaborations with leading academic institutions through a sponsored research agreement with Duke University to evaluate VAL-083 as a front-line treatment for newly diagnosed patients with GBM.
- We continued to strengthen our intellectual property portfolio. DelMar now holds seven issued US patents and eight issued patents outside of the US. We have fourteen patent families in various stages of prosecution, and over 100 patent filings in total.

Overview

DelMar Pharmaceuticals, Inc. (the "Company") is a clinical stage drug development company with a focus on the treatment of cancer. We are conducting clinical trials in the United States of our first product candidate, VAL-083, as a potential new treatment for GBM, the most common and aggressive form of brain cancer. We are also conducting preclinical research with VAL-083 as a potential treatment for other types of cancer. We have also acquired certain exclusive commercial rights to VAL-083 in China where it is approved as a chemotherapy for the treatment of chronic myelogenous leukemia ("CML") and lung cancer. In order to accelerate our development timelines and reduce risk, we leverage existing clinical and commercial data from a wide range of sources. We plan to pursue independent development and commercialization of VAL-083 for refractory GBM and potentially other product candidates that we may acquire or discover through our research activities. We will also seek collaborative development and commercialization partnerships in order to accelerate and expand our own product development efforts and potentially generate future royalty revenue.

VAL-083

Our product candidate, VAL-083, represents a "first-in-class" small molecule chemotherapeutic which means that the molecular structure of VAL-083 is not an analogue or derivative of other small molecule chemotherapeutics approved for the treatment of cancer. VAL-083 was originally discovered in the 1960's and has been assessed in 42 Phase 1 and Phase 2 clinical trials sponsored by the National Cancer Institute ("NCI") in the United States as a treatment against various cancers including lung, brain, cervical, ovarian tumors and leukemia. Published pre-clinical and clinical data suggest that VAL-083 may be active against a range of tumor types. VAL-083 is approved as a cancer chemotherapeutic in China for the treatment of CML and lung cancer. VAL-083 has not been approved for any indications outside of China.

Upon obtaining regulatory approval, we intend to commercialize VAL-083 for the treatment of orphan cancer indications such as refractory GBM. We also plan to seek collaborative development and commercialization partnerships to accelerate and expand the development of VAL-083 in newly diagnosed GBM and other non-orphan cancer indications.

The FDA Office of Orphan Products Development ("OOPD") granted orphan drug designations to VAL-083 for the treatment of glioma, ovarian cancer and medulloblastoma. VAL-083 has also been granted an orphan drug designation for in the treatment of glioma in Europe. Orphan diseases are defined in the United States under the Rare Disease Act of 2002 as "any disease or condition that affects fewer than 200,000 persons in the United States". The Orphan Drug Act of 1983 is a federal law that provides financial and other incentives including a seven-year period of market exclusivity in the United States to encourage the development of new treatments for orphan diseases.

We research the mechanism of action of potential product candidates to determine the clinical indications best suited for therapy and seek to rapidly advance into human clinical trials and toward commercialization. The mechanism of action of VAL-083 is understood to be a bi-functional alkylating agent. Alkylating agents are a commonly used class of chemotherapy drugs. They exhibit anti-cancer effects by binding to DNA and interfering with normal processes within the cancer cell, which prevents the cell from making the proteins needed to grow and survive. After exposure to alkylating agents, the cancer cell becomes dysfunctional and dies. There are a number of alkylating agents on the market that are used by physicians to treat different types of cancer.

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 cancer patients whose tumors exhibit features that cause resistance to currently available chemotherapy, that have failed or become resistant to other chemotherapies.

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 a crosslink at the N⁷ 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 where it maintains a long half-life in comparison to the plasma. Published pre-clinical and clinical research demonstrate that VAL-083 is absorbed more readily in tumor cells versus normal cells.

Based on published research and our own data, the cytotoxic functional groups and the mechanism of action of VAL-083 are understood to be 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 data also demonstrate that VAL-083's mechanism is distinct from current standard-of-care chemotherapy and is able to overcome drug resistance against a range of cancers *in vitro*. 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 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 trials. We believe that these historical clinical data and our own research support the development of VAL-083 as a potential new treatment for multiple cancers.

The main dose-limiting toxicity ("DLT") related to the administration of VAL-083 in previous NCI-sponsored clinical studies and our own clinical trials is myelosuppression. Myelosuppression is the decrease in cells responsible for providing immunity, carrying oxygen, and those responsible for normal blood clotting. Myelosuppression is a common side effect of chemotherapy. There is no evidence of lung, liver or kidney toxicity even with prolonged treatment by VAL-083. Commercial data from the Chinese market where the drug has been approved for more than 15 years supports the safety findings of the NCI studies.

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.

Background on GBM

Worldwide, there are an estimated 240,000 new cases of brain and central nervous system (“CNS”) tumors each year. Gliomas are a type of CNS tumor that arises from glial cells in the brain or spine. Glial cells are the cells surrounding nerves. Their primary function is to provide support and protection for neurons in the CNS.

GBM is the most common and the most lethal form of glioma. According to the World Health Organization, GBM occurs with an incidence of 3.17 per 100,000 person-years. Approximately 15,000 new cases of GBM are expected to be diagnosed in the United States during 2016.

GBM progresses quickly and patients’ conditions deteriorate rapidly progressing to death in less than two years for most patients. Common symptoms include headaches, seizures, nausea, weakness, paralysis and personality or cognitive changes such as loss of speech or difficulty in thinking clearly. The majority of GBM patients do not survive for more than two years following diagnosis, and the median survival in newly diagnosed patients with best available treatments is less than 15 months.

Standard treatment following diagnosis includes surgical resection to remove as much of the tumor as possible (“debulking”) followed by radiotherapy with concomitant and adjuvant chemotherapy with Temodar® (temozolomide “TMZ”). Nearly all patients diagnosed with GBM will relapse following first-line treatment, with a 1-year survival rate of approximately 25% following failure of front-line therapy, with an average 5-year survival rate less than 3%.

Avastin® (bevacizumab, an anti-VEGF antibody) is approved as a single agent for patients with recurrent GBM following prior therapy as an alternative to corticosteroids to relieve disease symptoms in the US, Canada, Australia and Japan. Avastin® carries a “black-box warning” related to severe, sometimes fatal, side effects such as gastrointestinal perforations, wound healing complications and hemorrhage. There are no data demonstrating an improvement in disease-related symptoms or increased survival in refractory GBM with Avastin®.

TMZ and the nitrosoureas, including carmustine, lomustine, and nimustine, are alkylating agents that readily cross the blood-brain-barrier and are used in the treatment of CNS cancers, including GBM. Alkylating agents are among the oldest type of cancer chemotherapies in use today. Alkylating agents bind to DNA to cause damage to cancer cells. Their anti-tumor mechanism is via alkylation of DNA resulting in base-pair mismatch or strand-mediated crosslinks between base pairs. The DNA damage caused by alkylating agents mimics naturally occurring errors, resulting in apoptosis and tumor cell death.

The primary anti-cancer mechanism of TMZ and the nitrosoureas is to attack the tumor’s DNA via alkylation of the O⁶-position of the DNA base residue, guanine. TMZ treatment causes DNA damage mainly by methylation at the O⁶-position of guanine resulting in guanine-thymine base pair mismatches during replication. Nitrosoureas mediate their cytotoxic effect by methylation at the O⁶-position of guanine which produces a cross-link to cytosine residues resulting in double-strand DNA breaks during mitosis.

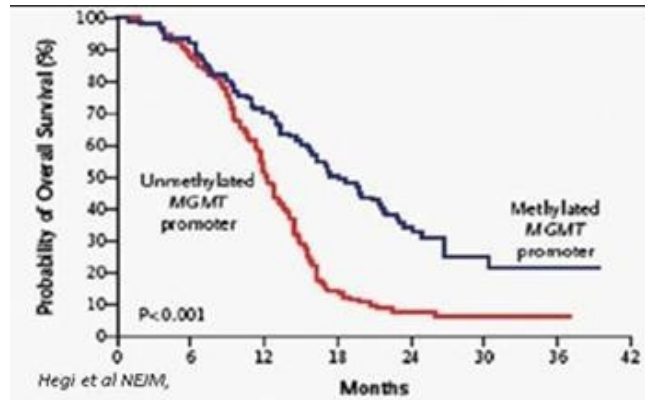
A majority of GBM patients’ tumors are resistant to TMZ or nitrosourea therapy due to high expression of a naturally occurring enzyme called O⁶-DNA methylguanine methyl-transferase (“MGMT”) enzyme which repairs O⁶-guanine lesions. MGMT repair in turn inhibits the activity of TMZ and nitrosoureas and allows a patients’ GBM tumor to continue to grow in spite of treatment.

Consistent with the importance of its repair activity, high expression of MGMT is strongly correlated with poor patient outcomes. Several clinical studies have established that MGMT is an important prognostic indicator of response to TMZ and patient survival.

We have demonstrated that VAL-083 forms inter-strand DNA crosslinks at the N⁷ position of guanine – a building block of DNA. VAL-083 is active independent of MGMT which is highly expressed in approximately 67% of GBM patients and correlated with resistance to temozolomide, the current front-line chemotherapy in the treatment of GBM. Of patients tested in the DelMar trial, 84% exhibited high MGMT expression.

Probability of GBM Patient Survival Correlated to Expression of MGMT Enzyme

(Unmethylated promoter = High MGMT Expression and Significantly Shorter Survival)

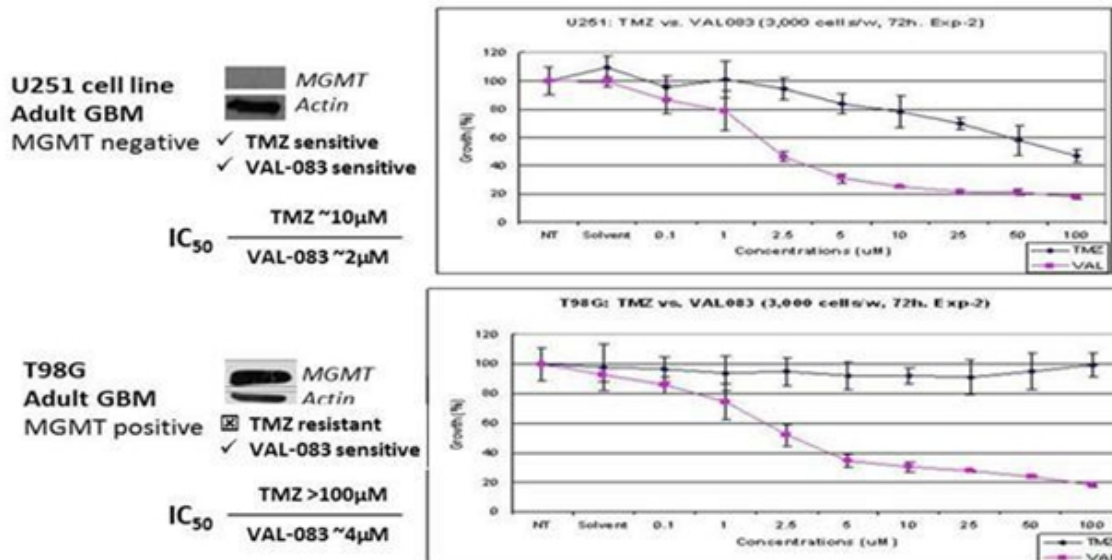


VAL-083 in GBM

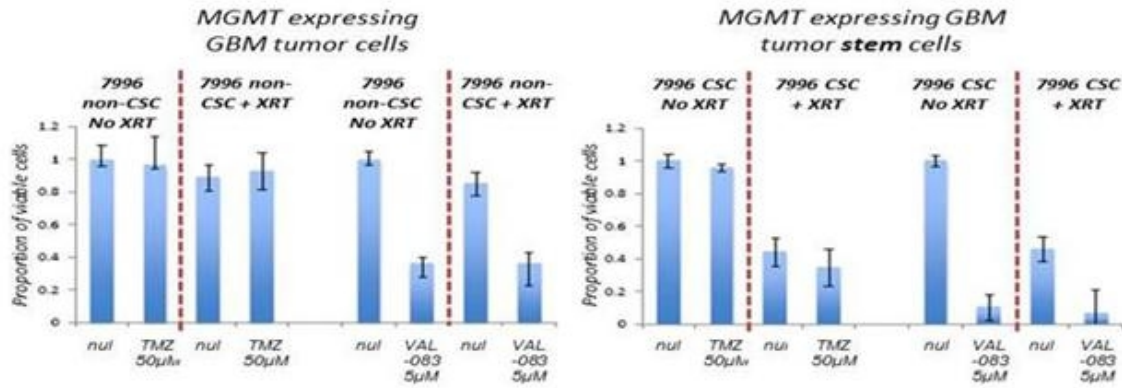
Data from prior NCI sponsored clinical trials with VAL-083 demonstrates activity against GBM and other central nervous system tumors. VAL-083 is an alkylating agent which readily crosses the blood-brain-barrier. Its primary cytotoxic mechanism, epoxide derived DNA cross-links at the N⁷ position of guanine, is distinct from TMZ or the nitrosoureas.

Our research demonstrates that VAL-083's unique cytotoxic mechanism forms DNA cross-links at the N⁷ position of guanine and retains cytotoxic activity independent of MGMT expression in vitro. We have presented research at peer-reviewed scientific meetings demonstrating that VAL-083 is active in patient-derived tumor cell lines and cancer stem cells that are resistant to other chemotherapies. Of particular importance is resistance to Temodar® due to activity of the repair enzyme MGMT, which results in chemoresistance in many GBM patients. We have presented data demonstrating that VAL-083 is active independent of MGMT resistance in laboratory studies. VAL-083 has more potent activity against brain tumor cells in comparison to TMZ and overcome resistance associated with MGMT suggesting the potential to surpass the current standard-of-care in the treatment of GBM.

A Summary of Our Data Demonstrating that VAL-083's Anti-Tumor Mechanism is Distinct from, and can Overcome, MGMT-Related Chemoresistance in the Treatment of GBM

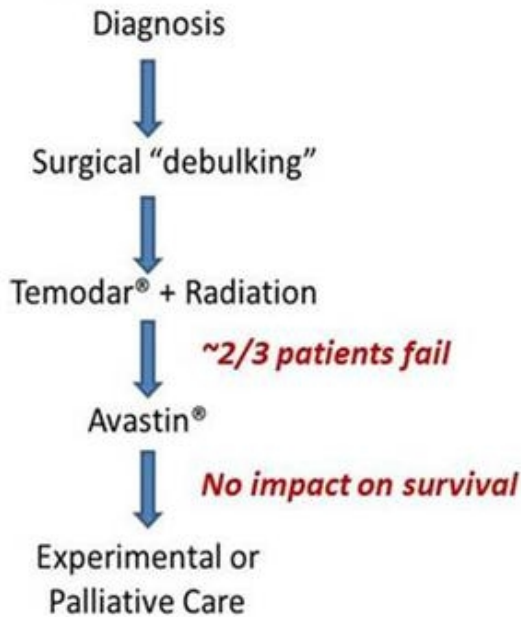


In addition, historical NCI clinical trial data and our own research support the activity of VAL-083 as a potentiator of radiotherapy. Radiotherapy in combination with temozolomide is the current standard of care in the treatment of glioblastoma. Our research demonstrates that temozolomide and radiotherapy are ineffective against GBM cells exhibiting a high expression of MGMT, whereas VAL-083 potentiates the tumor-killing effect of radiation in these cells. Furthermore, the combination of VAL-083 and radiation has been demonstrated to be active against GBM tumor stem cells in vitro. Tumor stem cells are often resistant to chemotherapy and form the basis for tumor recurrence and metastasis.

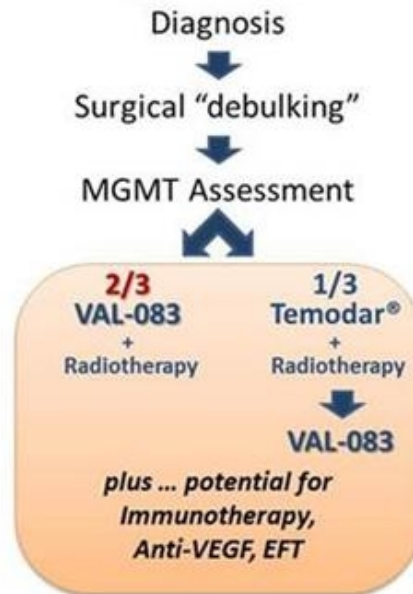


VAL-083's more potent activity against brain tumor cells in comparison to TMZ, the ability to overcome MGMT-mediated resistance and activity against GBM cancer stem cells suggests the potential of VAL-083 to surpass the current standard-of-care in the treatment of GBM. We believe these data support a potential paradigm shift in the treatment of GBM where VAL-083 would be the chemotherapy of choice in the treatment of the majority of GBM patients whose tumors are known to express MGMT and other factors correlated with resistance to temozolomide or whose tumors become resistant to temozolomide over time.

CURRENT TREATMENT PARADIGM IN GBM



New Paradigm Vision for GBM



VAL-083’s activity in GBM has been established in historical NCI-sponsored clinical studies as chemotherapy in the treatment of newly diagnosed and recurrent brain tumors and other cancers. In general, tumor regression in brain cancer was achieved following therapy in greater than 40% of patients treated and stabilization was achieved in an additional 20% to 30%. In published clinical studies VAL-083 has previously been shown to have a statistically significant impact on median survival in high grade glioma brain tumors when combined with radiation versus radiation alone with results similar or superior to other chemotherapies approved for use in GBM (p value = <0.05).

A Summary of Published Data adapted from Separate Sources Comparing the Efficacy of VAL-083 and Other Therapies in the Treatment of GBM

Chemotherapy	Comparative Therapy		Median Survival Benefit vs. XRT alone
	Radiation (XRT)	Radiation + Chemotherapy	
VAL-083 <i>(Eagan 1979)</i>	8.4 months	16.8 months	8.4 months
Temozolomide (Temodar®) <i>(Stupp 2005)</i>	12.1 months	14.6 months	2.5 months
Lomustine (CCNU) <i>(Walker 1976)</i>	11.8 months	13 months	1.2 months
Carmustine (BCNU) <i>(Reagan 1976)</i>	10 months	12.5 months	2.5 months
Semustine (ACNU) <i>(Walker 1976)</i>		8.8 months	Not reported
Bevacizumab (Avastin®) <i>(Genentech, Inc)</i>	n.a.	No survival benefit per Avastin® label	

Additional support for the differentiated profile of VAL-083 and TMZ comes from the results of studies with GBM cancer stem cells (“CSCs”). GBM CSCs display strong resistance to TMZ, even where MGMT expression is low. However, our data demonstrates that GBM CSCs are susceptible to VAL-083 independent of MGMT expression.

Based on historical data and our own research, we believe that VAL-083 has the potential to offer physicians and patients a new paradigm in the treatment of GBM that will address significant unmet medical needs. In addition, the profile of VAL-083 offers the potential of additive or synergistic benefit as a future combination therapy with existing chemotherapeutic agents or novel vaccines or immunotherapy approaches currently under investigation.

Phase 1-2 Results in Refractory GBM

We filed an investigational new drug (“IND”) application with the FDA and initiated human clinical trials with VAL-083 as a potential treatment for refractory GBM. Details of the study are available at <http://www.clinicaltrials.gov/ct2/show/NCT01478178?term=VAL-083&rank=1>

The Phase 1-2 trial was an open-label, single arm dose-escalation study designed to evaluate the safety, tolerability, pharmacokinetics and anti-cancer activity of VAL-083 in patients with refractory GBM. To be eligible for our clinical trial, patients must have been previously treated for GBM with surgery and/or radiation, if appropriate, and must have failed both bevacizumab (Avastin®) and temozolomide (Temodar®), unless either or both are contra-indicated. Response to treatment with VAL-083 was measured prior to each treatment cycle.

The overall goal of our Phase 1-2 clinical trial was to determine a modernized dosing regimen for advancement into a registration directed clinical trial. The Phase 1 portion of the study involved dose escalation cohorts until a maximum tolerated dose (“MTD”) was established in the context of modern care. A further 14-patient Phase 2 expansion was then enrolled at the MTD to gather further safety data at our chosen therapeutic dose and to further explore the outcomes in this patient population.

Forty-eight (48) GBM patients were enrolled in our Phase 1-2 clinical trial at five centers: the Mayo Clinic in Rochester, Minnesota, the Brain Tumor Center at University of California, San Francisco, the Sarah Cannon Cancer Research Center in Nashville, Tennessee, Denver, Colorado, and the SCRI affiliate site at the Florida Cancer Specialist Research Institute in Sarasota, Florida.

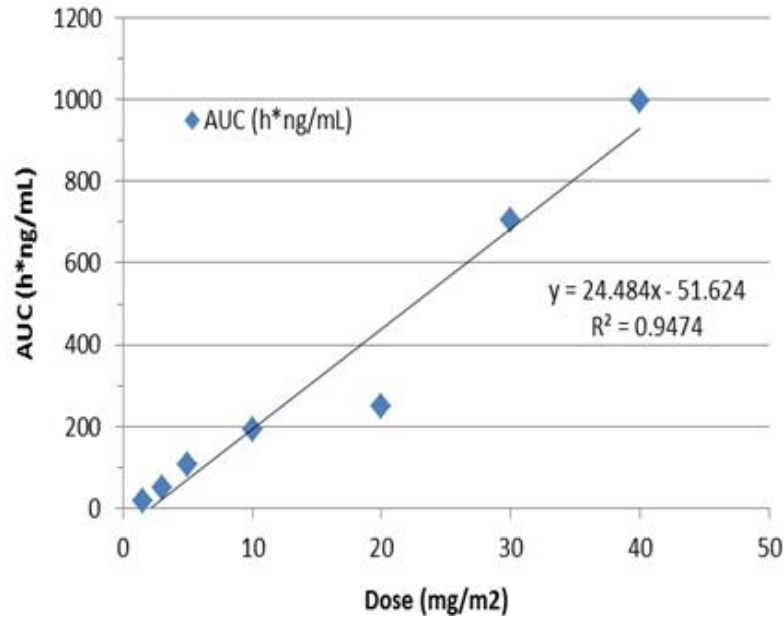
We reported the results of our Phase 1-2 clinical trial at the 2016 ASCO annual meeting. In summary, these data are as follows:

Pharmacokinetics

Pharmacokinetic (“PK”) analyses showed dose-dependent linear systemic exposure with a short (1-2h) plasma terminal half-life; average C_{max} at 40 mg/m²/day was 781 ng/mL (5.3μM). The observed PK profile is comparable to published literature. Prior NCI-sponsored studies demonstrated that VAL-083 readily crosses the blood brain barrier and has a long (>20 hour) half-life in the central nervous system (“CNS”).

We believe that this PK profile is optimal for the treatment of brain tumors: A long CNS half-life is expected to maximize exposure of the drug in the brain increasing the likelihood of successful treatment outcomes, while a short plasma half-life is desirable to minimize systemic side effects.

Observed pharmacokinetics from VAL-083 Phase 1 clinical trial dose vs. AUC



Based on observed and previously published pharmacokinetics, DelMar believes that therapeutic doses equal to, or above, 20 mg/m² daily on days 1, 2 and 3 of a 21-day cycle should deliver sufficient levels of VAL-083 to brain tumors to achieve a therapeutic benefit.

Safety and Tolerability

In the Phase 1 dose escalation regimen, no serious adverse events (“SAE”) related to VAL-083 were encountered at doses up to 40 mg/m²/day.

Increasing frequency of, and higher grade, hematologic toxicities were observed at doses above 40 mg/m²/day. Consistent with the published literature, the observed dose limiting toxicity for VAL-083 is primarily thrombocytopenia (low platelets). Observed platelet nadir occurred at approximately day 18, and recovery was rapid and spontaneous following treatment.

Based on Phase 1 observations, fourteen additional patients were enrolled in a Phase 2 expansion cohort at 40mg/m², which was established at the MTD. Consistent with Phase 1, the dose of VAL-083 of 40 mg/m² on days 1, 2 and 3 of a 21-day cycle was generally well tolerated in Phase 2. At this dose, one subject previously treated with CCNU, a nitrosourea agent, reported severe (Grade 4) thrombocytopenia. As a result of this observation, the protocol inclusion criterion for platelet count was increased from 100,000/μL to 150,000/μL for patients receiving prior nitrosoureas within 12 weeks preceding enrollment. No other dose limiting toxicities were observed in Phase 2.

VAL-083 Safety Observations From Phase 1-2 Clinical Trial

Hematologic parameter and CTCAE grade	dose	$\leq 30 \text{ mg/m}^2$		40 mg/m^2		45 mg/m^2		50 mg/m^2	
	n =	20		17		4		7	
Anemia	$\leq G2$	11	55%	2	12%	2	50%	6	86%
	G3	2	10%	-	0%	-	0%	-	0%
	G4	-	0%	-	0%	-	0%	-	0%
Leukopenia	$\leq G2$	5	25%	2	12%	-	0%	5	71%
	G3	1	5%	-	0%	-	0%	3	43%
	G4	-	0%	-	0%	2	50%	-	0%
Neutropenia	$\leq G2$	4	20%	-	0%	-	0%	-	0%
	G3	-	0%	-	0%	-	0%	3	43%
	G4	-	0%	-	0%	2	50%	1	14%
Thrombocytopenia	$\leq G2$	9	45%	3	18%	-	0%	3	43%
	G3	-	0%	-	0%	1	25%	3	43%
	G4	-	0%	1	6%	2	50%	1	14%
DLT Observed			nil		1		2		2

Based on these data, we believe that the 40mg dose is the optimal dose to advance into registration-directed Phase 3 clinical trials as it maximizes the amount of drug that can be delivered to the tumor while minimizing untoward toxicity.

Doses Achieved

We confirmed that we achieved doses of VAL-083 that are substantially higher than were utilized in the original published NCI-sponsored clinical trials. A summary in comparison to the NCI's historical regimen is as follows:

Dosing Regimen & Study	Single Dose	Acute Regimen (single cycle)	Comparative Cumulative Dose (@ 35 days)	Dose Intensity (dose per week)
NCI GBM historical regimen (Eagan et al) daily x 5 q 5wks (cycle = 35 days)	25 mg/m^2	x5 days = 125 mg/m^2	125 mg/m^2	$25\text{mg/m}^2/\text{wk}$
DelMar VAL-083 optimized regimen daily x 3 q 3wks (cycle = 21 days)	40 mg/m^2	x3 days = 120 mg/m^2	240 mg/m^2	$40\text{mg/m}^2/\text{wk}$

Daily x 5 q 5wks refers to a dosing regimen of once per day for five consecutive days every five weeks (35-day cycle); while daily x 3 q 3wks refers to a dosing regimen of once per day for three consecutive days every three weeks (21-day cycle).

Our optimized dosing regimen increases the amount of VAL-083 delivered to the CNS by 60% over historical regimens without increased toxicity. Thus, the DelMar regimen achieves both a higher maximum concentration and higher overall exposure, which we believe may increase the likelihood of successful treatment outcomes in glioblastoma and other brain tumors.

Tumor Response and Outcomes

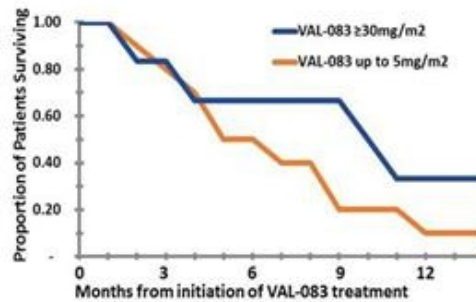
GBM patients in our Phase 1-2 clinical trial were not re-resected prior to treatment with VAL-083 and therefore had a growing recurrent GBM tumor at the time of enrollment. Patients were monitored for tumor response by MRI.

Consistent with un-resected refractory GBM, median progression free survival (“PFS”) was short at 1.2 months (range: 0.2 – 20.1 months). Five GBM patients treated with VAL-083 were reported to have stable disease as their best response following treatment; the remainder reported progressive disease.

Disease progression is typical in a refractory GBM population with non-resected tumors. However, we believe that slowed progression may provide meaningful clinical benefit in this patient population through prolonged overall survival and improved quality of life.

Ad-hoc subgroup analysis of the Phase 1 dose-escalation data indicated a dose response trend. Increased survival was observed following initiation of treatment in a high dose (30 and 40mg/m²) sub-group vs. a low dose (≤5mg/m²) sub-group.

Observed Survival Based on Sub-Group Analysis



According to published literature, GBM patients failing bevacizumab have a poor prognosis with expected survival under five months. To date, more than half of patients receiving an assumed therapeutic dose of VAL-083 (≥20mg/m²) have survived more than six months following bevacizumab failure; more than 40% have survived for nine months or are currently alive, and more than 20% have survived for twelve months or are currently alive with median survival of 8.35 months following bevacizumab failure.

ASCO 2016: VAL-083 compared to published literature

Reference	Post Avastin Salvage Therapy	Median Survival from Bevacizumab Failure
Rahman (2014)	nitrosourea	4.3 months
Mikkelsen (2011)	TMZ + irinotecan	4.5 months
Lu (2011)	dasatinib	2.6 months
Reardon (2011)	etoposide	4.7 months
Reardon (2011)	TMZ	2.9 months
Iwamoto (2009)	various	5.1 months
DLM-10-001	VAL-083 (n=22)	8.35 months

While recognizing that our data are representative of a relatively small, non-controlled Phase 1-2 clinical trial, we believe these outcomes support the potential of VAL-083 to offer meaningful clinical benefit to GBM patients who have failed bevacizumab, compared to currently available therapy. We plan to further investigate these results in a randomized pivotal Phase 3 clinical trial.

MGMT & IDH1

High expression of DNA repair protein MGMT and wild-type form of the enzyme isocitrate dehydrogenase (“IDH1”) have been correlated with poor outcomes in GBM.

The methylation status of the MGMT promoter was characterized by PCR and/or ELISA for nineteen GBM patients enrolled in DelMar’s trial: IDH1 status was reported in eleven patients; both MGMT and IDH1 status were reported in four patients. Of patients tested, 84% exhibited high MGMT and 90% were wild-type IDH1. All patients whose samples were tested for both markers were MGMT unmethylated by PCR and wild-type IDH1, a genotype that is correlated with particularly poor prognosis.

MGMT and IDH-1 have been previously shown to be diagnostic markers that correlate with resistance to currently available chemotherapies (e.g. temozolomide or nitrosourea) in the treatment of GBM and poor patient outcomes. Measurement of these biomarkers has become routine in clinical practice. While the science behind their importance in the disease pathway and their ultimate predictive value are still being explored, we believe we will ultimately be able to use such biomarkers in a prognostic fashion to select the patients most likely to respond to treatment as we expand the clinical development of VAL-083.

Notably, we have previously demonstrated that VAL-083’s anti-tumor mechanism is active independent from the MGMT status in vitro. We can therefore utilize the measurement of MGMT to identify newly diagnosed GBM patients who are least likely to respond to temozolomide. We believe that employing this strategy will allow us to focus our development and commercialization efforts on GBM patients with the greatest unmet medical need.

Additional Planned Clinical Trials in GBM

VAL-083 STAR-3 GBM Trial: A Pivotal Randomized, Controlled Phase 3 Trial of VAL-083 in patients with recurrent glioblastoma who have failed standard temozolomide/radiation therapy and bevacizumab

In May 2016, we held an end of Phase 2 meeting with the FDA where design of a registration-directed clinical program for VAL-083 in refractory GBM was discussed. Based on the input we received from the FDA, the agency confirmed that it would consider the totality of data available, including data obtained from DelMar’s other planned clinical trials in related GBM populations, when assessing the New Drug Application (“NDA”). The FDA also noted that DelMar can rely on prior NCI studies and historical literature to support non-clinical data required for an NDA filing and that DelMar will have the option to file under a 505(b)(2) strategy which allows a sponsor to rely on already established safety and efficacy data in support of an NDA.

DelMar’s VAL-083 STAR-3 GBM trial is a single, randomized, multi-center pivotal Phase 3 study measuring survival outcomes compared to a “physicians’ choice” control, which, if successful, would serve as the basis for an NDA submission for VAL-083. The study will enroll approximately 180 patients with histologically confirmed recurrent GBM who have failed both standard chemo-radiation and bevacizumab and will be randomized in a 2:1 fashion to receive either VAL-083 or a commonly used salvage chemotherapy. The control arm will consist of a limited number of salvage chemotherapies currently utilized in the treatment of Avastin®-failed GBM. The proposed statistical design between the two arms of the study is 90% power, and is proposed to include an interim analysis at 50% events for futility with O’Brien-Fleming superiority boundary and non-binding, gamma (-5) futility boundary. The estimated length of the proposed study is less than two years from initiation.

Based on historical development of other products in GBM, we believe that VAL-083 may be eligible for accelerated regulatory treatment from the FDA via programs such as Breakthrough Therapy, Fast Track, Accelerated Approval and/or Priority Review status to VAL-083 for the treatment of refractory GBM. Breakthrough Therapy, Fast Track, Accelerated Approval and Priority Review are expedited drug development designations established by the FDA that are intended to make therapeutically important drugs available at an earlier time. Receiving such a designation would not only highlight the importance of VAL-083 to GBM patients but could also optimize its regulatory timeline and commercial availability.

Data from our planned registration-directed Phase 3 trial will form the basis of our application for FDA approval. Based on the proceeds received from our recent public offering, we have sufficient funds to proceed with initiation of the trial. We have retained the services of a contract research organization (“CRO”) to manage the Phase 3 clinical trial and a proposed protocol has been submitted to FDA. Subject to guidance from the FDA we plan to initiate this trial as soon as practicable.

Phase 2 Study in Recurrent MGMT-unmethylated GBM in Collaboration with University of Texas MD Anderson Cancer Center

In January 2017, we announced we had initiated our proposed Phase 2 study with MD Anderson. (clinicaltrials.gov identifier NCT02717962). The intent of our collaboration with MD Anderson is to accelerate the clinical development of VAL-083 for the treatment of MGMT-unmethylated GBM. We plan to enroll 48 MGMT-unmethylated, recurrent, bevacizumab-naïve GBM patients in this trial. MGMT promoter methylation status will be used as a validated biomarker for enrollment and tumors must exhibit an un-methylated MGMT promoter for patients to be eligible for the trial and patients eligible for the study will have recurrent GBM characterized by a high expression of MGMT.

The first patient was treated under this protocol in February 2017. As of March 20, 2017, seven patients have been identified for screening. The primary endpoint of this trial will be overall survival in comparison to historical data.

Phase 2 Trial in Newly Diagnosed MGMT-unmethylated GBM

Based on our data supporting a unique cytotoxic mechanism for VAL-083, we believe that this agent may be a potentially superior alternative to currently approved chemotherapies used in the treatment of newly diagnosed GBM patients whose tumors express features, such as high expression of MGMT, which make them unlikely to respond to currently available chemotherapy such as temozolomide.

We plan to conduct a single arm open-label Phase 2 study in newly diagnosed GBM patients whose tumors exhibit high-expression of MGMT. In this study, VAL-083 will be combined with radiotherapy as a potential replacement for temozolomide in patients with high expression of MGMT. The main goal of the trial will be to confirm the safety of DelMar's optimized dosing regimen in combination with radiotherapy and to investigate outcomes of the combination therapy in GBM patients with high expression of MGMT. The trial will be conducted at Sun Yat Sen University in Guangzhou China in collaboration with our partner in China, Guangxi Wuzhou Pharmaceutical Group Co. Ltd. (Guangxi Wuzhou Pharma), who is responsible for funding the trial in accordance with the terms of our collaboration agreement. The protocol has been approved by the scientific review and ethics committees of Sun Yat Sen University. We have submitted an application to the Chinese Office of Human Genetic Resources Administration ("OHGRA") as the final step prior to the trial initiation. We plan to initiate the study pending receipt of OHGRA approval. We have retained the services of Kun Tuo Medical Research and Development, a division of Quintiles, to assist in management of the trial and an application for human genetic research testing has been submitted to provincial authorities. We plan to initiate this trial as soon as practicable.

Accurexa Collaboration

The Company has entered into a collaboration agreement with Accurexa, Inc. ("Accurexa"). Accurexa is a biotechnology company focused on developing novel neurological therapies to be directly delivered to specific regions of the brain. Under the terms of the agreement, the Company and Accurexa will undertake collaborative research activities for the purpose of evaluating formulations of VAL-083 and one or more of temozolomide and BCNU for local delivery. Under the terms of the agreement, DelMar will supply VAL-083 and Accurexa will conduct experiments related to the development and validation of a novel formulation for the combined local delivery of VAL-083 and temozolomide. DelMar has been granted an exclusive right to license or acquire any product candidates and related intellectual property that results from research conducted under the agreement for further development and commercialization on an exclusive worldwide basis, or other terms that may be agreed upon between DelMar and Accurexa. The initial financial commitment by DelMar is not significant.

Duke University Collaboration

In April 2017, the Company has entered into a three-year collaboration with Duke University to evaluate VAL-083 as a front-line treatment for newly diagnosed patients with GBM. Under the terms of the collaboration, DelMar will fund a series of preclinical studies to be conducted by Duke University's Glioblastoma Drug Discovery Group to identify molecular characteristics of GBM tumors that are more likely to respond to VAL-083, and not the standard of care, temozolomide, as a front-line treatment or through combination therapies.

Other Indications for VAL-083

Central Nervous System Metastases of Solid Tumors

In June 2013, we announced a plan to split our Phase 1-2 clinical trial protocol into two separate studies: one focusing solely on refractory GBM and the other focusing on secondary brain cancers caused by other tumors that have spread to the brain. The successful management of systemic tumors by modern targeted therapies has led to increased incidence of mortality due to CNS metastases of lung cancer and other solid tumors.

Based on historical clinical activity and our own research, we believe that VAL-083 may be suitable for the treatment of patients with CNS metastases who currently have limited treatment options. Subject to the availability of financial and operating resources, we plan to develop a separate protocol for the continued exploration of VAL-083 in patients with secondary brain cancer caused by a solid tumor spreading to the brain.

VAL-083 in Lung Cancer

The activity of VAL-083 against solid tumors, including lung cancer, has been established in both pre-clinical and human clinical trials conducted by the NCI. VAL-083 is approved for the treatment of lung cancer in China; however, sales of VAL-083 in China have been limited by a lack of modern data, poor distribution, and preference for targeted therapies such as tyrosine kinase inhibitors (“TKIs”) in the modern era. DelMar has developed new non-clinical data to support the utility of VAL-083 in the modern treatment of lung cancer.

Lung cancer is a leading cause of cancer-related mortality around the world and effective treatment for lung cancer remains a significant global unmet need despite advances in therapy. In general, prognosis for lung cancer patients remains poor, with a 5-year survival rate of less than 14% among males and less than 18% among females in most countries.

Incidence of lung cancer in the United States is approximately 59 per 100,000 with the majority (52:100,000) being NSCLC. World Health Organization projects that the incidence of lung cancer in China is expected to exceed one million (1,000,000) new cases per year by 2025. Globally, the market for lung cancer treatment may exceed \$24 billion by 2033 according to a report published by Evaluate Pharma.

Non-small cell lung cancer (“NSCLC”) is the most common type of lung cancer. There are three common forms of NSCLC: adenocarcinomas are often found in an outer area of the lung; squamous cell carcinomas are usually found in the center of the lung next to an air tube (bronchus); and large cell carcinomas, which can occur in any part of the lung and tend to grow and spread faster than adenocarcinoma. NSCLC accounts for 85% of all lung cancer cases in the United States and approximately 90% of lung cancer cases diagnosed in China.

The current standard of care for newly diagnosed NSCLC is platinum-based combination therapy or TKI therapy for patients whose cancer exhibits epidermal growth factor receptor (“EGFR”) mutations.

Many NSCLC patients exhibit resistance to platinum-based chemotherapy due to mutations in the p53 gene. The p53 gene plays a central role in the protection of the human body from cancer and is responsible for initiating the process of programmed cell death, or apoptosis, which directs a cell to commit suicide if it becomes damaged or cancerous. The p53 pathway is also integral to the activity of many chemotherapy drugs. p53 is frequently mutated in NSCLC and p53 mutations are highly correlated with resistance to chemotherapy and poor patient outcomes in NSCLC.

Patients exhibiting EGFR mutations have shown an initial response rate to TKIs which exceeds the response rate for conventional chemotherapy. However, TKI resistance has emerged as an important unmet medical need. In 2015, two new immunotherapy drugs, nivolumab (Opdivo[®]) and pembrolizumab (Keytruda[®]) were approved by the FDA for the treatment of lung cancer and have shown benefit in a subset of patients with recurrent NSCLC whose tumors exhibit immunogenic targets such as PD-L1.

We believe VAL-083's unique bi-functional alkylating mechanism of action could make it a valuable drug of choice in NSCLC patients who are or become resistant to platinum-based chemotherapy and TKI therapy. In addition, VAL-083 readily crosses the blood brain barrier suggesting that it may be possible for VAL-083 to treat patients whose lung cancer has spread to the brain.

We have announced results of pre-clinical studies designed to evaluate the activity of VAL-083 in models of drug-resistant NSCLC in comparison to cisplatin. In an established murine xenograft model of NSCLC, the activity of VAL-083 was compared to standard platinum-based therapy with cisplatin against human NSCLC cell lines A549 (TKI-sensitive) and H1975 (TKI-resistant). In the study, VAL-083 demonstrated superior efficacy and safety in the treatment of TKI-susceptible (A549) tumors and in TKI-resistant (H1975) tumors. Specifically,

- Treatment of TKI-sensitive (A549) NSCLC with 3 mg/kg of VAL-083 resulted in tumor growth delay of 26 days compared to untreated controls. Cisplatin (5 mg/kg) resulted in tumor growth delay of just four days. In addition, mean tumor volume on day 68 was significantly reduced in animals treated with 3 mg/kg VAL-083 ($p=0.001$) compared to untreated controls;
- Treatment of TKI-resistant (H1975) NSCLC with 4 mg/kg of VAL-083 resulted in a statistically significant reduction in tumor volume ($p=0.01$) versus untreated control after 27 days. In the same model, treatment with 5 mg/kg of cisplatin failed to achieve statistically significant reduction in tumor volume ($p=0.23$) versus untreated control after 27 days. Longer-term safety assessments are ongoing in this model; and
- The combination of VAL-083 with either cisplatin or oxaliplatin demonstrated a superadditive (synergistic) effect against NSCLC cell lines, including those resistant to TKI therapy *in vitro*.

In April 2016, we presented new non-clinical data at the AACR annual meeting. We reported that VAL-083:

- induced apoptosis independent of p53 status, and appeared to have a distinct mode of action from platinum-based chemotherapies widely used in the treatment of NSCLC and ovarian cancer;
- demonstrated an ability to circumvent cisplatin-resistance in all ovarian cell lines tested;
- was active against NSCLC tumors harboring T790M, p53 and/or KRAS mutations, known to confer resistance to currently available therapies; and
- demonstrated super-additivity or synergy in combination with platinum-based chemotherapy.

These data demonstrate that VAL-083's mechanism is distinct from platinum-based chemotherapy, presented provide support for VAL-083 as a viable treatment option for NSCLC patients who fail to respond to standard-of-care platinum-based therapy or TKI therapy, and support potential therapeutic benefits of a VAL-083 along with platinum combination regimens in newly diagnosed patients. In November 2015 at the AACR-NCI-EORTC International Conference on Molecular Targets and Cancer Therapeutics we presented data on the benefit of VAL-083 in combination with platinum-based chemotherapy regimens in the treatment of NSCLC.

We plan to work with leading oncologists to develop clinical trial designs which will demonstrate the clinical utility of VAL-083 in NSCLC patients who are resistant to current standards of care. We believe this strategy will result in sales growth for VAL-083 in China where we have acquired certain exclusive rights, and generate future revenue for the Company through sales and marketing partnerships as well as position VAL-083 for global development in lung cancer.

We plan to conduct initial NSCLC trials in collaboration with Guangxi Wuzhou Pharmaceutical Group Co. Ltd. (Guangxi Wuzhou Pharma). Under the terms of our collaboration agreement with Guangxi Wuzhou Pharma, we are responsible for establishing protocols for and conducting clinical trials and Guangxi Wuzhou Pharma is responsible for the costs associated with clinical trials conducted in China. Our goal is to initiate this clinical trial as soon as practicable with the aim of developing new data to support product growth in China and to establish clinical proof of concept to expand our drug development efforts with VAL-083.

Conducting this clinical trial in China under our collaboration agreement with Guangxi Wuzhou Pharma will allow us to enhance the potential value of VAL-083 without significantly increasing our own planned cash expenditures. We also believe that these new data will support the potential to establish global partnerships and collaborations with larger pharmaceutical companies who have the resources and commercial infrastructure to effectively develop and commercialize VAL-083 as a treatment for NSCLC on a worldwide basis.

VAL-083 in Ovarian Cancer

The activity of VAL-083 against gynecologic cancers was established in both pre-clinical and human clinical trials conducted by the NCI.

Ovarian cancer is the fifth most common cancer in women and the most lethal gynecological cancer. The global market for the treatment of ovarian cancer is expected to exceed \$4.8 billion in 2022.

Platinum-based chemotherapy is the standard treatment for ovarian cancer. PARP inhibitors have recently provided a new treatment option for a subset of patients with platinum-sensitive recurrent ovarian cancer. Ovarian cancer patients with platinum-resistant/refractory disease have a very poor prognosis. The development of new treatments to overcome platinum resistance in ovarian cancer is a significant unmet medical need.

In October 2015 at the AACR's Advances in Ovarian Cancer Research: Exploiting Vulnerabilities Conference and in September 2016, we presented additional data at the 11th Biennial Ovarian Cancer Research Symposium on this collaboration.

In summary, DelMar's research demonstrates that:

- VAL-083 is able to overcome platinum resistance *in vitro* suggesting that it may offer a superior alternative to platinum-based chemotherapy for a majority of ovarian cancer patients;
- VAL-083 shows synergistic activity with platinum-based chemotherapy, suggesting VAL-083 as a component of platinum-doublet therapy; and
- VAL-083 also demonstrates synergistic activity with the PARP inhibitor olaparib *in vitro*, suggesting VAL-083 may have utility in the treatment of ovarian cancer in combination with PARP inhibitors.

We believe that these data demonstrate the potential of VAL-083 to treat platinum-resistant ovarian cancers as a single-agent against platinum-resistant tumors, combination with platinum-based chemotherapeutic regimens or in combination with PARP inhibitors.

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

We plan to work with our advisors to develop a strategy to advance VAL-083 into clinical trials for the treatment of ovarian cancer, either as a single-agent or in combination with other approved agents.

VAL-083 in Pediatric Brain Cancers

The activity of VAL-083 against childhood and adolescent brain tumors has been established in both pre-clinical and human clinical trials conducted by the NCI. In November 2015 at AACR's - Advances in Pediatric Research: From Mechanisms and Models to Treatment and Survivorship we presented data indicating that VAL-083 offers potential therapeutic alternatives for the treatment of pediatric brain tumors. In March, 2016 the FDA granted orphan drug designation for the use of VAL-083 in the treatment of medulloblastoma.

Additional Indications

In historical studies sponsored by the NCI in the United States, VAL-083 exhibited clinical activity against a range of tumor types including central nervous system tumors, solid tumors and hematologic malignancies. We have established new non-clinical data supporting the activity of VAL-083 in different types of cancer that are resistant to modern targeted therapies and we believe that the unique cytotoxic mechanism of VAL-083 may provide benefit to patients in a range of indications. We intend to continue to research these opportunities, and if appropriate, expand our clinical development efforts to include additional indications.

Corporate History

We are a Nevada corporation formed on September 24, 2009 under the name Berry Only, Inc. Prior to a reverse acquisition undertaken on January 25, 2013 Berry did not have any significant assets or operations. The Company is the parent company of Del Mar Pharmaceuticals (BC) Ltd. (“DelMar (BC)”), a British Columbia, Canada corporation incorporated on April 6, 2010, that is focused on the development of drugs for the treatment of cancer. The Company is 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.

References to the Company, “we”, “us”, and “our” refer to the Company and its wholly-owned subsidiaries, DelMar (BC), Callco and Exchangeco.

Reverse Stock Split

On May 16, 2016, the Company filed a Certificate of Change with the Secretary of State of Nevada that effected a 1-for-4 reverse stock split of its common stock. The reverse split became effective on May 20, 2016. All warrants, stock options, conversion ratios, and per share information in this report and the consolidated condensed financial statements and management discussion and analysis give retroactive effect to this 1-for-4 reverse stock split. The Company’s authorized and issued preferred stock was not affected by the split. However, the conversion price for the conversion of the Company’s Series B preferred stock into common stock was adjusted as a result of the reverse stock split.

Outstanding Securities

As of May 12, 2017, the Company has 13,461,645 shares of common stock issued and outstanding, 982,761 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 6,628,905 shares of common stock, 887,363 outstanding shares of Series B Preferred Stock that are convertible into 2,218,417 shares of common stock, and outstanding options to purchase 1,120,850 shares of common stock. All Exchangeable Shares, warrants, and options 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

The Company acquired its initial patents and technology rights from Valent Technologies, LLC, (“Valent”), an entity owned by Dr. Dennis Brown, the Company’s Chief Scientific Officer and Director. As a result Valent is a related party to the Company.

The following related party transactions and balances have been entered into by the Company:

Pursuant to employment and consulting agreements with the Company’s officers the Company recognized a total of \$162,500 (2016 - \$120,000) for the three months ended March 31, 2017 and \$557,500 (2016 - \$360,000) in expenses for the nine months ended March 31, 2017. Amounts owed to related parties are non-interest bearing and payable on demand.

The Company incurred \$44,500 (2016 – \$42,583) in directors’ fees during the three months ended March 31, 2017 and \$126,500 (2016 – \$127,583) in directors’ fees during the nine months ended March 31, 2017.

As part of the Series B preferred stock dividend the Company issued 1,511 (2016 – 0) shares of common stock to officers and directors of the Company and recognized \$6,346 (2016 - 0) as a direct increase to deficit for the three months ended March 31, 2017. For the nine months ended March 31, 2017, the Company issued 4,533 (2016 – 0) shares of common stock and recognized \$20,306 (2016 – 0) as a direct increase to the deficit in relation to the Series B preferred stock dividend.

The Company recorded \$2,089 (2016 - \$2,089) in dividends related to the Series A preferred stock issued to Valent for the three months ended March 31, 2017 and \$6,267 (2016 - \$6,267) for the nine months ended March 31, 2017.

During the three and nine months ended March 31, 2017 Valent exercised 125,000 common stock purchase warrants at \$1.54 per share (CDN \$2.00) for total proceeds of \$192,075.

During the three and nine months ended March 31, 2017 the Company issued 224,600 (2016 – nil) stock options to officers of the Company at an exercise price of \$4.95. The stock options vest pro rata on a monthly basis over 36 months and expire on February 17, 2027.

On February 9, 2017, the Company entered into an amendment to a consulting agreement with Dr. Dennis Brown, the Company's chief scientific officer. Pursuant to the amendment, Dr. Brown will continue to serve as the Company's chief scientific officer until December 31, 2017, which period may be extended in accordance with the terms of the agreement. The Company will pay Dr. Brown an annual consulting fee of \$200,000 during 2017. The Company may also pay to Dr. Brown a bonus and incentive compensation as determined at the discretion of the board of directors.

On February 9, 2017, the Company entered into an employment agreement with Jeffrey Bacha, the Company's chief executive officer. Pursuant to the employment agreement, Mr. Bacha will continue to serve as the Company's chief executive officer for an indefinite period until termination of the employment agreement in accordance with its terms. The Company will pay Mr. Bacha an annual base salary of \$250,000 (which may be adjusted on an annual basis in the discretion of the board of directors) and Mr. Bacha will also be eligible to participate in any bonus plan and long term incentive plan established by the Company for senior executives. For the 2016/2017 fiscal year Mr. Bacha will be eligible for a target bonus of up to 30% of the base salary based on milestones to be set by the board of directors in consultation with Mr. Bacha, and long term incentive compensation valued using Black-Scholes at \$250,000. The employment agreement may be terminated by the Company with or without cause (as defined therein). In the event the Company terminates the employment agreement without cause, the Company will be required to pay Mr. Bacha, any accrued and unpaid base salary, plus an amount equal to 12 months of Mr. Bacha's base salary plus one additional month's base salary for each completed year of service, up to 18 months' base salary.

On February 9, 2017, the Company entered into an employment agreement with Scott Praille, the Company's chief financial officer. Pursuant to the employment agreement, Mr. Praille will continue to serve as the Company's chief financial officer for an indefinite period until termination of the employment agreement in accordance with its terms. The Company will pay Mr. Praille an annual base salary of \$200,000 (which may be adjusted on an annual basis in the discretion of the board of directors) and Mr. Praille will also be eligible to participate in any bonus plan and long term incentive plan established by the Company for senior executives. For the 2016/2017 fiscal year Mr. Praille will be eligible for a target bonus of up to 25% of the base salary based on milestones to be set by the board of directors in consultation with Mr. Praille, and long term incentive compensation valued using Black-Scholes at \$100,000. The employment agreement may be terminated by the Company with or without cause (as defined therein). In the event the Company terminates the employment agreement without cause, the Company will be required to pay Mr. Praille, any accrued and unpaid base salary, plus an amount equal to 12 months of Mr. Praille's base salary plus one additional month's base salary for each completed year of service, up to 18 months' base salary.

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 statement of loss and comprehensive loss.

2013 Investor Warrants

During the quarter ended March 31, 2013 the Company issued an aggregate of 3,281,250 units at a purchase price of \$3.20 per unit, for aggregate gross proceeds of \$10,500,000 (the "Private Offering"). Each unit consisted of one share of common stock and one five-year warrant (the "2013 Investor Warrants") to purchase one share of common stock at an initial exercise price of \$3.20. The exercise price of the 2013 Investor Warrants is subject to adjustment in the event that the Company issues common stock at a price lower than the exercise price, subject to certain exceptions. The 2013 Investor Warrants are redeemable by the Company at a price of \$0.004 per 2013 Investor Warrant at any time subject to the conditions that (i) the Company's common stock has traded for twenty (20) consecutive trading days with a closing price of at least \$6.40 per share with an average trading volume of 50,000 shares per day, and (ii) the underlying shares of common stock are registered for resale.

As a result of the financing completed by the Company during the nine months ended March 31, 2016 the exercise price of the 2013 Investor Warrants was reduced from \$3.20 to \$3.144.

2013 Investor Warrant exercises

During the nine months ended March 31, 2017, 65,095 (2016 – 128,875) of the 2013 Investor Warrants were exercised at an exercise price of \$3.144 per share. The Company received proceeds of \$204,659 (2016 - \$405,183) from these exercises. The warrants that have been exercised were revalued at their respective exercise dates and then the reclassification to equity was recorded resulting in \$238,474 (2016 - \$247,440) of the derivative liability being reclassified to equity.

There were no exercises of 2013 Investor Warrants during the three months ended March 31, 2017 and 2016.

2013 Investor Warrant amendments

During the nine months ended March 31, 2017 pursuant to the 2013 Investor Warrant Amendments, 15,944 of the 2013 Investor Warrants were amended. As a result, the Company has reclassified \$53,006 from the derivative liability to equity. The 2013 Investor Warrants were revalued to their respective amendment dates and were then reclassified to equity.

During the three months ended March 31, 2017 there were no amendments to the 2013 Investor Warrants

During the three and nine months ended March 31, 2016, the Company entered into amendments (the "2013 Investor Warrant Amendments") with the holders of certain 2013 Investor Warrants to extend the expiration date to March 31, 2019 and remove the provision requiring an adjustment of the warrant exercise price in the event the Company sells common stock at a purchase price lower than the current warrant exercise price. During the three and nine months ended March 31, 2016, 62,500 of the 2013 Investor Warrants were amended resulting in the recognition of a loss of \$7,000 and a reclassification of \$65,750 from the derivative liability to equity.

2013 Placement Agent Warrants

On December 30, 2015, the Company entered into amendments (the "2013 Placement Agent Warrant Amendments") with the holders of warrants issued to the placement agent for the Private Offering (the "2013 Placement Agent Warrants"). Pursuant to the 2013 Placement Agent Warrant Amendments, 1,262,500 of the 2013 Placement Agent Warrants were amended to extend the expiration date to June 30, 2019 and remove the provision requiring an adjustment of the exercise price in the event the Company sells common stock at a purchase price lower than the current warrant exercise price. As a result of the 2013 Placement Agent Warrant Amendments, the Company has recognized a loss of \$242,400 and has reclassified \$2,277,550 from the derivative liability to equity. The 2013 Placement Agent Warrants were revalued to the date of the amendment and were then reclassified to equity.

2015 Agent Warrants

As part of the Company's financing completed during the nine months ended December 31, 2015, the Company issued 23,477 warrants to certain placement agents ("2015 Agent Warrants") and recognized them as a derivative liability of \$29,594 at the time of issuance. The 2015 Agent Warrants are exercisable at a per share price equal to \$3.00 until July 15, 2020. During the nine months ended March 31, 2017, 680 (2016 – 0) of the 2015 Agent Warrants were exercised for cash proceeds of \$2,040 and 1,000 (2016 – 0) of the 2015 Agent Warrants were exercised on a cashless basis for 594 shares of common stock. The total reclassification to equity subsequent to revaluation at the respective exercise dates was \$9,935.

There were no 2015 Agent Warrant exercises during the three months ended March 31, 2017 and 2016.

The Company's derivative liability is summarized as follows:

	Three months ended	
	March 31, 2017	March 31, 2016
	\$	\$
Opening balance	171,211	1,352,584
Change in fair value of warrants	77,479	(276,584)
Change in fair value due to change in warrant terms	-	7,000
Reclassification to equity upon amendment of warrants	-	(65,750)
Closing balance	<u>248,690</u>	<u>1,017,250</u>
Less current portion	(157,145)	-
Long term portion	<u><u>91,454</u></u>	<u><u>1,017,250</u></u>

	Nine months ended	
	March 31, 2017	March 31, 2016
	\$	\$
Opening balance	693,700	2,364,381
Change in fair value of warrants	(143,595)	943,050
Change in fair value due to change in warrant terms	-	270,965
Reclassification to equity upon amendment of warrants	(53,006)	(2,343,300)
Issuance of 2015 Agent Warrants	-	29,594
Reclassification to equity upon exercise of warrants	(248,409)	(247,440)
Closing balance	<u>248,690</u>	<u>1,017,250</u>
Less current portion	(157,145)	-
Long term portion	<u><u>91,545</u></u>	<u><u>1,017,250</u></u>

Selected Quarterly Information

The financial information reported herein has been prepared in accordance with accounting principles generally accepted in the United States. The Company's functional currency at March 31, 2017 is the US\$. The following tables represent selected financial information for the Company for the periods presented.

Selected Balance Sheet Data

	March 31, 2017	June 30, 2016
	\$	\$
Cash and cash equivalents	2,100,406	6,157,264
Working capital	1,454,384	5,692,336
Total assets	2,340,891	6,355,799
Derivative liability	248,690	693,700
Total stockholders' equity	1,230,137	4,858,778

Selected Statement of operations data

For the three months ended:

	March 31, 2017	March 31, 2016
	\$	\$
Research and development	1,086,107	790,323
General and administrative	698,125	630,226
Change in fair value of stock option and derivative liabilities	77,479	(276,584)
Change in fair value of derivative liability due to change in warrant terms	-	7,000
Foreign exchange loss (gain)	6,897	(10,523)
Interest income	(148)	(41)
Net and comprehensive loss for the period	1,868,460	1,140,401
Series B preferred stock dividend	209,811	-
Net and comprehensive loss available to common stockholders	2,078,271	1,140,401
Basic weighted average number of shares outstanding	11,574,052	11,077,275
Basic loss per share	0.18	0.10

For the nine months ended:

	March 31, 2017	March 31, 2016
	\$	\$
Research and development	2,939,746	2,183,355
General and administrative	2,586,050	1,994,923
Change in fair value of stock option and derivative liabilities	(58,501)	943,050
Change in fair value of derivative liability due to change in warrant terms	-	270,965
Foreign exchange loss	13,726	16,257
Interest income	(249)	(71)
Net and comprehensive loss for the period	5,480,772	5,408,479
Series B Preferred stock dividend	676,865	-
Net and comprehensive loss available to common stockholders	6,157,637	5,408,479
Basic weighted average number of shares outstanding	11,432,376	10,896,887
Basic loss per share	0.54	0.50

Expenses net of share-based payments

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

Results of operations

For the three months ended:

	March 31, 2017	March 31, 2016
	\$	\$
Research and development	1,086,107	790,323
Share-based expenses included in research and development	(117,775)	(129,466)
Research and development net of non-cash	<u>968,332</u>	<u>660,857</u>
General and administrative	698,125	630,226
Share-based expenses included in general and administrative	(62,356)	(113,196)
General and administrative net of non-cash	<u>635,769</u>	<u>517,030</u>

For the nine months ended:

	March 31, 2017	March 31, 2016
	\$	\$
Research and development	2,939,746	2,183,355
Share-based expenses included in research and development	(107,885)	(178,107)
Research and development net of non-cash	<u>2,831,861</u>	<u>2,005,248</u>
General and administrative	2,586,050	1,994,923
Share-based expenses included in general and administrative	(643,107)	(441,393)
General and administrative net of non-cash	<u>1,942,943</u>	<u>1,553,530</u>

Comparison of the three months ended March 31, 2017 and March 31, 2016

	Three Months Ended		Change \$	Change %
	March 31, 2017	March 31, 2016		
	\$	\$		
Research and development	1,086,107	790,323	295,784	37
General and administrative	698,125	630,226	67,899	11
Change in fair value of stock option and derivative liabilities	77,479	(276,584)	354,063	128
Change in fair value of derivative liability due to change in warrant terms	-	7,000	(7,000)	(100)
Foreign exchange loss (gain)	6,897	(10,523)	17,420	165
Interest income	(148)	(41)	(107)	261
Net loss	<u>1,868,460</u>	<u>1,140,401</u>	<u>728,059</u>	

Research and Development

Research and development expenses increased to \$1,086,107 for the three months ended March 31, 2017 from \$790,323 for the three months ended March 31, 2016. The increase was largely attributable to an increase in clinical research, intellectual property, personnel, and travel, partially offset by a reduction in non-cash expenses during the three months ended March 31, 2017 compared to the three months ended March 31, 2016. Excluding the impact of non-cash expense, research and development expenses increased to \$968,332 during the three months ended March 31, 2017 from \$660,857 for the three months ended March 31, 2016. For the three months ended March 31, 2017 non-cash expense related to stock option expense while for the three months ended March 31, 2016, non-cash expense related to warrants issued for services and stock option expense.

The increase in clinical costs for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 was primarily due to protocol development and manufacturing costs for the pending Phase 3 study. Intellectual property costs increased in the current period compared to the prior period as the Company continued to expand and advance its patent portfolio. New patents filed in previous periods require on-going costs to advance those filings in the United States and in foreign jurisdictions. Patent costs can vary considerably depending on the filing of new patents, conversion of the provisional applications to PCT applications, foreign office actions, and actual filing costs. Personnel costs increased in the three months ended March 31, 2017 compared to the three months ended March 31, 2016 due to an increase in compensation for research and management staff. Travel costs were higher in the current quarter as the Company and its advisors travelled in relation to clinical activities and to attend conferences.

General and Administrative

General and administrative expenses were \$698,125 for the three months ended March 31, 2017 compared to \$630,226 for the three months ended March 31, 2016. The increase was primarily due to an increase in professional fees, personnel, and office and sundry costs partially offset by a reduction in non-cash expenses. In relation to general and administrative expenses during the three months ended March 31, 2017, the Company recognized stock option expense and warrants for services of \$62,356 while during the three months ended March 31, 2016 the Company incurred non-cash expenses relating to warrants issued for services and stock option expense of \$113,196.

Excluding the impact of non-cash expenses, general and administrative expenses increased in the three months ended March 31, 2017 to \$635,769 from \$517,030 for the three months ended March 31, 2016. Professional fees increased during the three months ended March 31, 2017 compared to the three months ended March 31, 2016 due to increased business development and partnering activities that were not incurred in the prior quarter. Personnel costs increased in the three months ended March 31, 2017 compared to the three months ended March 31, 2016 due to an increase in compensation for management staff. Office and sundry costs were higher during the three months ended March 31, 2017 compared to March 31, 2016 due in part to higher stock exchange listing fees as the Company's common stock is now listed on Nasdaq compared to the OTCQX in the prior period. In addition, the Company incurred costs to upgrade its web site and participated in additional promotional activities.

Change in fair value of derivative liability

Based on the terms of certain warrants issued by the Company, 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 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 three months ended March 31, 2017 and 2016 were primarily due to changes in the Company's common stock price between the date the warrants were last valued on December 31, 2016 and 2015 respectively which are the previous valuation dates used for the three month periods ended March 31.

The Company recognized a loss of \$77,479 from the change in fair value of the derivative liability for the three months ended March 31, 2017.

For the three months ended March 31, 2016 the Company recognized a gain of \$276,584 due to the change in fair value of the derivative liability. In addition, the Company recognized a loss due to change in warrant terms of \$7,000 which resulted from the change in fair value of the 2013 Investor Warrants when these warrants were amended during the quarter ended March 31, 2016.

Changes in the Company's common stock price can result in significant volatility in the Company's reported net loss due to its impact on the fair value of the derivative liability. As a result of revaluation gains and losses, the Company expects that its reported net income or loss will continue to fluctuate significantly.

Foreign Exchange Gain

The Company's functional currency at March 31, 2017 is the US\$ but the Company incurs a portion of its 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.

The Company recognized a foreign exchange loss of \$6,897 for the quarter ended March 31, 2017 compared to a gain of \$10,523 for the quarter ended March 31, 2016. The change was due to changes in the exchange rate between the CA\$ and the US\$ and to varying levels of CA\$ cash and accounts payable.

Preferred Stock Dividends

For each of the three months ended March 31, 2017 and 2016 the Company 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.

The Company issued 49,955 shares of common stock on March 31, 2017 as a dividend on the Series B preferred stock and recognized \$209,811 as a direct increase in accumulated deficit.

Comparison of the nine months ended March 31, 2017 and March 31, 2016

	Nine months ended		Change \$	Change %
	March 31, 2017 \$	March 31, 2016 \$		
Research and development	2,939,746	2,183,355	756,391	35
General and administrative	2,586,050	1,994,923	591,127	30
Change in fair value of stock option and derivative liabilities	(58,501)	943,050	(1,001,551)	(106)
Change in fair value of derivative liability due to change in warrant terms	-	270,965	(270,965)	(100)
Foreign exchange loss	13,726	16,257	(2,531)	(16)
Interest income	(249)	(71)	(178)	251
Net loss	5,480,772	5,408,479	72,293	

Research and Development

Research and development expenses increased to \$2,939,746 for the nine months ended March 31, 2017 from \$2,183,355 for the nine months ended March 31, 2016. The increase was largely attributable to an increase in clinical and preclinical research, intellectual property, personnel, and travel, partially offset by a reduction in non-cash expenses during the nine months ended March 31, 2017 compared to the nine months ended March 31, 2016. Excluding the impact of non-cash expense, research and development expenses increased to \$2,831,861 during the current period from \$2,005,248 for the prior period. For both the nine months ended March 31, 2017 and 2016 non-cash expenses related to warrants issued for services and stock option expense. The decrease in non-cash expenses for the nine months ended March 31, 2017 compared to the nine months ended March 31, 2016 was due to a decrease in recognition in warrants issued for services in the current period.

The increase in clinical costs for the nine months ended March 31, 2017 compared to the nine months ended March 31, 2016 was primarily due to protocol development and manufacturing costs for the pending Phase 3 study. Intellectual property costs increased in the nine months ended March 31, 2017 compared to the nine months ended March 31, 2016 as the Company continued to expand and advance its patent portfolio. New patents filed in previous periods require on-going costs to advance those filings in the United States and in foreign 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. Preclinical research increased primarily due to an increase in the ongoing mechanism of action research that the Company has undertaken in the current period. Personnel costs increased in the nine months ended March 31, 2017 compared to the nine months ended March 31, 2016 due to an increase in compensation for research and management staff. Travel costs were higher in the current quarter as the Company and its advisors travelled in relation to clinical activities and to attend conferences.

General and Administrative

General and administrative expenses were \$2,586,050 for the nine months ended March 31, 2017 compared to \$1,994,923 for the nine months ended March 31, 2016. The increase was primarily due to an increase in professional fees, office and sundry costs, personnel costs, and non-cash expenses partially offset by a decrease in travel. In relation to general and administrative expenses during the nine months ended March 31, 2017, the Company incurred non-cash expenses of \$643,107 related to shares and warrants issued for services and stock option expense while during the nine months ended March 31, 2016 the Company incurred non-cash expenses of \$441,393 relating to shares and warrants issued for services and stock option expense. The increase in the current period was due to timing of the issuance of shares and warrants for services resulting in a net increase in non-cash expense.

Excluding the impact of non-cash expenses, general and administrative expenses increased in the nine months ended March 31, 2017 to \$1,942,943 from \$1,553,530 for the nine months ended March 31, 2016. Professional fees increased during the nine months ended March 31, 2017 compared to the nine months ended March 31, 2016 due to costs related to preparing for the Company's uplisting of its common stock on the Nasdaq Stock Market as well as fees associated with one-time listing activities and filing three registration statements that were all declared effective in September 2016. In addition, business development and partnering activities are higher in the current period than in the prior period. Office and sundry costs have increased in part due to the initial fees to list our common stock on the Nasdaq Stock Market. Additional increases in office and sundry costs relate to expenses to maintain our digital communications channels for a full nine months in 2017 compared to a shorter period in 2016. Personnel costs have increased in the nine months ended March 31, 2017 compared to the nine months ended March 31, 2016 due to an increase in compensation for management staff. Travel decreased in the current period compared to the prior period as in the prior period the Company completed a financing which resulted in significant travel both during the financing as well as during the post-financing period.

Change in fair value of stock option and derivative liabilities

Based on the terms of certain warrants issued by the Company, 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 every reporting period with gains or losses on the changes in fair value recorded in the consolidated condensed statement of loss and comprehensive loss. The balances recognized during the nine months ended March 31, 2017 and 2016 were primarily due to changes in the Company's common stock price between the date the warrants were last valued on June 30, 2016 and 2015 respectively which are the previous valuation dates used for the periods ended March 31.

The Company recognized a gain of \$58,501 from the change in fair value of the stock option and derivative liabilities for the nine months ended March 31, 2017.

Certain of the Company's stock options have been issued in CA\$. Of these, a portion have been classified as a stock option liability which is revalued at each reporting date. During the nine months ended March 31, 2017, the Company recognized a revaluation loss \$85,094 relating to the revaluation of these stock options. During the nine months ended March 31, 2017, the Company amended 43,750 of these stock options held by five optionees such that the exercise price of the options was adjusted to be denominated in US\$. No other terms of the stock options were amended. As a result of the amendment, \$260,969 was reclassified to equity during the nine months ended March 31, 2017.

For the nine months ended March 31, 2016 the Company recognized a loss of \$943,050 due to the change in fair value of the derivative liability. In addition, the Company recognized a loss due to change in warrant terms of \$270,965 which resulted from the change in fair value of the 2013 Investor Warrants and the 2013 Placement Agent Warrants when their respective exercise prices decreased as a result of the Company issuing common stock below \$3.20 per share due to the financing the Company completed during the period ended March 31, 2016. Also impacting the loss due to change in warrant terms was the amendment of the 2013 Placement Agent Warrants and a portion of the 2013 Investor warrants.

Changes in the Company's common stock price can result in significant volatility in the Company's reported net loss due to its impact on the fair value of the derivative liability. As a result of revaluation gains and losses, the Company expects that its reported net income or loss will continue to fluctuate significantly.

Foreign Exchange Gain

The Company's functional currency at March 31, 2017 is the US\$ but the Company incurs a portion of its 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.

The Company recognized a foreign exchange loss of \$13,726 for the nine months ended March 31, 2017 compared to a loss of \$16,257 for the nine months ended March 31, 2016. The change was due to changes in the exchange rate between the CA\$ and the US\$ and to varying levels of CA\$ cash and accounts payable.

Preferred Share Dividends

For each of the nine months ended March 31, 2017 and 2016 the Company recorded \$6,267 related to the dividend payable to Valent on the Series A preferred stock. The dividend has been recorded as a direct increase in accumulated deficit for both periods.

The Company issued 150,844 shares of common stock during the nine months ended March 31, 2017 as a dividend on the Series B Preferred stock and recognized \$676,865 as a direct increase in accumulated deficit.

Liquidity and Capital Resources

Nine months ended March 31, 2017 compared to the nine months ended March 31, 2016

	March 31, 2017	March 31, 2016	Change	Change
	\$	\$	\$	%
Cash flows from operating activities	(4,569,908)	(3,592,218)	(977,690)	27
Cash flows from investing activities	-	(16,762)	(16,762)	(100)
Cash flows from financing activities	513,050	2,791,902	(2,278,852)	(82)

Operating Activities

Net cash used in operating activities increased to \$4,569,908 for the nine months ended March 31, 2017 from \$3,592,218 for the nine months ended March 31, 2016. During the nine months ended March 31, 2017 and 2016 the Company reported net losses of \$5,480,772 and \$5,408,479 respectively. The Company recognized a gain of \$58,501 from the revaluation of the derivative and stock option liabilities for the nine months ended March 31, 2017 compared to a loss of \$943,050 for the nine months ended March 31, 2016. Excluding the impact of changes in the fair value of the derivative and stock option liabilities, non-cash items relating to amortization, warrants and shares issued for services, and stock option expense totaled \$762,566 for the nine months ended March 31, 2017. Non-cash items relating to the loss due to amortization, changes in warrant terms, warrants and shares issued for services and stock option expense totaled \$896,895 for the nine months ended March 31, 2016. The largest changes in non-cash working capital for the nine months ended March 31, 2017 were cash from an increase accounts payable and accrued liabilities of \$207,803, cash used in an increase in taxes and other receivables of \$52,174, cash from an increase in related party payables of \$26,815, and cash from a reduction in prepaid expenses of \$24,355. The largest changes in non-cash working capital for the nine months ended March 31, 2016 were cash used in a reduction of accounts payable and accrued liabilities of \$115,317, cash used in a reduction of related party payables of \$61,802, and cash from a decrease in prepaid expenses of \$159,746.

Investing Activities

There were no investing activities for the nine months ended March 31, 2017 while during the nine months ended March 31, 2016 the Company incurred \$16,762 in cash costs for the development of its web site.

Financing Activities

During the nine months ended March 31, 2017 and 2016 the Company received \$545,022 and \$405,183 respectively from the exercise of warrants. In addition, the Company recorded \$6,267 related to the dividend payable to Valent during each of the nine months ended March 31, 2017 and 2016 respectively.

During the nine months ended March 31, 2017, the Company incurred \$25,705 in deferred costs relating to the public offering completed subsequent to March 31, 2017. During the nine months ended March 31, 2016 the Company received \$2,453,633 in net proceeds from the completion of a public offering by the Company of common stock and common stock purchase warrants. Including deferred costs recorded by the Company at June 30, 2015, the total net cash proceeds of the offering were \$1,903,514.

Operating Capital and Capital Expenditure Requirements

Liquidity risk

For the three and nine months ended March 31, 2017, the Company reported losses of \$1,868,460 and \$5,480,772 respectively and the Company has an accumulated deficit of \$38,401,763 at that date. As at March 31, 2017, the Company had cash and cash equivalents on hand of \$2,100,406. The Company does not have the prospect of achieving revenues in the near future and the Company will require additional funding to maintain its research and development projects and for general operations. There is a great degree of uncertainty with respect to the expenses the Company will incur in executing its business plan. In addition, the Company has not begun to commercialize or generate revenues from its product candidate.

Consequently, management is pursuing various financing alternatives to fund the Company's operations so it can continue as a going concern in the medium to longer term. During the three months ended March 31, 2017, the Company received \$545,022 in proceeds from the exercise of share purchase warrants. Subsequent to March 31, 2017, the Company completed a registered public offering of an aggregate of 2,769,232 shares of common stock and warrants to purchase an aggregate of 2,076,924 shares of common stock at a price to the public of \$3.25 per share and related warrant for gross proceeds of \$9,000,004. We believe, based on our current estimates, that we will be able to fund our operations beyond the next twelve months.

There is no assurance that our cost estimates will prove to be accurate or that unforeseen events, problems or delays will not occur with respect thereto. The ability of the Company to meet its obligations and continue the research and development of its product candidate is dependent on its ability to continue to raise adequate financing. There can be no assurance that such financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. The Company may tailor its drug candidate development program based on the amount of funding the Company raises.

There is no assurance that our cost estimates will prove to be accurate or that unforeseen events, problems or delays will not occur with respect thereto. The ability of the Company to meet its obligations and continue the research and development of its product candidate is dependent on its ability to continue to raise adequate financing. There can be no assurance that such financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. The Company may tailor its drug candidate program based on the amount of funding the Company raises.

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; and
- the economic and other terms and timing of any collaboration, licensing or other arrangements into which we may enter.

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, debt financings or strategic collaborations. Although we are not reliant on institutional credit finance and therefore not subject to debt covenant compliance requirements or potential withdrawal of credit by banks, 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 the Company's significant accounting policies and the estimates derived there from is included in Note 2 to the Company's consolidated financial statements for the year ended June 30, 2016 contained in our Form 10-K filed with the SEC on September 13, 2016. While all of the significant accounting policies are important to the Company's consolidated financial statements, the following accounting policies and the estimates derived therefrom have been identified as being critical:

- Warrants and shares issued for services
- Stock options
- Derivative liability

Warrants and shares issued for services

Periodically, the Company has 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

The Company accounts for these awards under 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 the Company's share price, the anticipated exercise behavior of its grantee, interest rates, and dividend yields. These variables are projected based on the Company's historical data, experience, and other factors. Changes in any of these variables could result in material adjustments to the expense recognized for non-cash expenses. Such value is recognized as expense over the requisite service period, net of estimated forfeitures, using the straight-line attribution method. 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. The Company considers many factors when estimating expected forfeitures, including type of awards granted, employee class, and historical experience. Actual results and future estimates may differ substantially from current estimates.

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 warrants in its balance sheet as a derivative liability which is fair valued at each reporting period subsequent to the initial issuance. As quoted prices for the derivative liability are not available, the Company uses a simulated probability valuation model to value the warrants. Determining the appropriate fair-value model and calculating the fair value of warrants requires considerable judgment. Any change in the estimates 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 similar life sciences companies. 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.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for a smaller reporting company.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation (as required by Rule 13a-15 under the Exchange Act) of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report, due to the material weakness in internal control over financial reporting as discussed in the Company's Annual Report on Form 10-K for the year ended June 30, 2016, filed with the SEC on September 12, 2016.

Changes in internal controls

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2017 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.

Not required for a smaller reporting company.

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

During the three months ended March 31, 2017, we issued 125,000 shares of common stock at an exercise price of \$1.54 per share, 8,750 shares of common stock at an exercise price of \$3.00 per share, 6,250 shares of common stock upon conversion of 2,500 shares of Series B Preferred Stock, 49,955 shares of common stock as dividends on our outstanding shares of Series B Preferred Stock, and 31,250 shares upon exchange of Exchangeable Shares.

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

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: May 12, 2017

By: /s/ Jeffrey Bacha

Jeffrey Bacha
Chief Executive Officer
(Principal Executive Officer)

Date: May 12, 2017

By: /s/ Scott Prail

Scott Prail
Chief Financial Officer
(Principal Financial and Accounting Officer)

Certifications

I, Jeffrey Bacha, certify that:

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

Date: May 12, 2017

/s/ Jeffrey Bacha

Jeffrey Bacha

Chief Executive Officer (Principal Executive Officer)

Certifications

I, Scott Prail, certify that:

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

Date: May 12, 2017

/s/ Scott Prail

Scott Prail
Chief Financial Officer (Principal Financial Officer)

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

In connection with the Quarterly Report of DelMar Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey Bacha, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2017

/s/ Jeffrey Bacha

Jeffrey Bacha

Chief Executive Officer (Principal Executive Officer)

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

In connection with the Quarterly Report of DelMar Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott Prail, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2017

/s/ Scott Prail

Scott Prail

Chief Financial Officer (Principal Financial Officer)