

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, 2020

or

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

For the transition period from _____ to _____

Commission file number: 001-37823

DelMar Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

<u>Nevada</u> (State or other jurisdiction of incorporation or organization)	<u>99-0360497</u> (I.R.S. Employer Identification No.)
<u>12707 High Bluff Dr., Suite 200 San Diego, CA</u> (Address of principal executive offices)	<u>92130</u> (zip code)

(858) 350-4364
(Registrant's telephone number, including area code)

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

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

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

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

Number of shares of common stock outstanding as of May 12, 2020 was 11,429,228.

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PART 1. - FINANCIAL INFORMATION

Item 1. Financial Statements.

DelMar Pharmaceuticals, Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the nine months ended March 31, 2020

(expressed in US dollars unless otherwise noted)

DelMar Pharmaceuticals, Inc.
Condensed Consolidated Interim Balance Sheets

(expressed in US dollars unless otherwise noted)

	<u>Note</u>	<u>March 31, 2020 \$</u> (unaudited)	<u>June 30, 2019 \$</u>
Assets			
Current assets			
Cash and cash equivalents		4,973,378	3,718,758
Prepaid expenses and deposits		114,865	280,248
Interest, taxes and other receivables		<u>10,339</u>	<u>26,187</u>
		5,098,582	4,025,193
Intangible assets - net		<u>3,659</u>	<u>12,062</u>
Total assets		<u><u>5,102,241</u></u>	<u><u>4,037,255</u></u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,085,571	1,744,517
Related party payables	3	<u>296,184</u>	<u>325,208</u>
Total liabilities		<u><u>1,381,755</u></u>	<u><u>2,069,725</u></u>
Stockholders' equity			
Preferred stock			
Authorized			
5,000,000 shares, \$0.001 par value			
Issued and outstanding			
278,530 Series A shares at March 31, 2020 (June 30, 2019 – 278,530)	3,5	278,530	278,530
648,613 Series B shares at March 31, 2020 (June 30, 2019 – 673,613)	5	4,524,897	4,699,304
1 special voting share at March 31, 2020 (June 30, 2019 – 1)		-	-
Common stock			
Authorized			
95,000,000 shares at March 31, 2020 and June 30, 2019, \$0.001 par value			
11,427,132 issued at March 31, 2020 (June 30, 2019 – 3,839,358)	5	11,427	3,839
Additional paid-in capital	5	56,395,453	50,954,741
Warrants	5	8,382,588	6,588,283
Accumulated deficit		(65,893,587)	(60,578,345)
Accumulated other comprehensive income		<u>21,178</u>	<u>21,178</u>
Total stockholders' equity		<u><u>3,720,486</u></u>	<u><u>1,967,530</u></u>
Total liabilities and stockholders' equity		<u><u>5,102,241</u></u>	<u><u>4,037,255</u></u>

Nature of operations, corporate history, and going concern (note 1)
Subsequent events (note 8)

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

DelMar Pharmaceuticals, Inc.
Condensed Consolidated Interim Statements of Operations
(Unaudited)

(expressed in US dollars unless otherwise noted)

	Note	Three months ended March 31, 2020 \$	Three months ended March 31, 2019 \$	Nine months ended March 31, 2020 \$	Nine months ended March 31, 2019 \$
Expenses					
Research and development	5	898,720	735,844	2,332,388	2,702,213
General and administrative	5	1,077,642	935,530	3,045,017	2,796,884
		<u>1,976,362</u>	<u>1,671,374</u>	<u>5,377,405</u>	<u>5,499,097</u>
Other (income) loss					
Change in fair value of derivative liability	4	-	189	-	(852)
Foreign exchange (gain) loss		(2,416)	5,819	(536)	16,754
Interest income		(16,964)	(13,397)	(73,965)	(49,513)
		<u>(19,380)</u>	<u>(7,389)</u>	<u>(74,501)</u>	<u>(33,611)</u>
Net loss for the period		<u>1,956,982</u>	<u>1,663,985</u>	<u>5,302,904</u>	<u>5,465,486</u>
Computation of basic loss per share					
Net loss for the period		1,956,982	1,663,985	5,302,904	5,465,486
Series B Preferred stock dividend	5	1,473	23,202	6,071	75,477
Net loss for the period attributable to common stockholders		<u>1,958,455</u>	<u>1,687,187</u>	<u>5,308,975</u>	<u>5,540,963</u>
Basic and fully diluted loss per share		<u>0.17</u>	<u>0.67</u>	<u>0.52</u>	<u>2.27</u>
Basic and fully diluted number of shares		<u>11,417,456</u>	<u>2,518,452</u>	<u>10,116,541</u>	<u>2,444,065</u>

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

DelMar Pharmaceuticals, Inc.
Condensed Consolidated Interim Statements of Stockholders' Equity
(Unaudited)

(expressed in US dollars unless otherwise noted)

For the three and nine months ended March 31, 2020

	Number of shares	Common stock \$	Additional paid-in capital \$	Accumulated other comprehensive income \$	Preferred stock \$	Warrants \$	Accumulated deficit \$	Stockholders' equity \$
Balance - June 30, 2019	3,839,358	3,839	50,954,741	21,178	4,977,834	6,588,283	(60,578,345)	1,967,530
Issuance of shares and warrants - net of issue costs	4,895,000	4,895	2,489,251	-	-	4,088,820	-	6,582,966
Exercise of warrants for cash	2,655,000	2,655	2,421,830	-	-	(2,397,935)	-	26,550
Conversion of Series B preferred stock to common stock	6,250	6	174,401	-	(174,407)	-	-	-
Shares issued for services	6,925	7	4,836	-	-	-	-	4,843
Stock option expense	-	-	50,985	-	-	-	-	50,985
Series A preferred cash dividend	-	-	-	-	-	-	(2,089)	(2,089)
Series B preferred stock dividend	3,700	4	2,042	-	-	-	(2,046)	-
Loss for the period	-	-	-	-	-	-	(1,605,871)	(1,605,871)
Balance - September 30, 2019	11,406,233	11,406	56,098,086	21,178	4,803,427	8,279,168	(62,188,351)	7,024,914
Warrants issued for services	-	-	-	-	-	34,672	-	34,672
Shares issued for services	4,747	5	3,339	-	-	-	-	3,344
Stock option expense	-	-	159,852	-	-	-	-	159,852
Series A preferred cash dividend	-	-	-	-	-	-	(2,089)	(2,089)
Series B preferred stock dividend	3,700	4	2,548	-	-	-	(2,552)	-
Loss for the period	-	-	-	-	-	-	(1,740,051)	(1,740,051)
Balance - December 31, 2019	11,414,680	11,415	56,263,825	21,178	4,803,427	8,313,840	(63,933,043)	5,480,642
Warrants issued for services	-	-	-	-	-	98,625	-	98,625
Shares issued for services	8,752	8	4,091	-	-	-	-	4,099
Warrants expired	-	-	29,877	-	-	(29,877)	-	-
Stock option expense	-	-	96,191	-	-	-	-	96,191
Series A preferred cash dividend	-	-	-	-	-	-	(2,089)	(2,089)
Series B preferred stock dividend	3,700	4	1,469	-	-	-	(1,473)	-
Loss for the period	-	-	-	-	-	-	(1,956,982)	(1,956,982)
Balance - March 31, 2020	11,427,132	11,427	56,395,453	21,178	4,803,427	8,382,588	(65,893,587)	3,720,486

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

DelMar Pharmaceuticals, Inc.

 Condensed Consolidated Interim Statements of Stockholders' Equity ...continued
 (Unaudited)

(expressed in US dollars unless otherwise noted)

For the three and nine months ended March 31, 2019

	Number of shares	Common stock \$	Additional paid-in capital \$	Accumulated other comprehensive income \$	Preferred stock \$	Warrants \$	Accumulated deficit \$	Stockholders' equity \$
Balance - June 30, 2018	2,296,667	2,297	43,198,193	21,178	6,425,410	8,229,482	(52,441,337)	5,435,223
Warrants issued for services	-	-	-	-	-	30,661	-	30,661
Shares issued for services	706	1	4,138	-	-	-	-	4,139
Performance stock unit expense	-	-	61,514	-	-	-	-	61,514
Stock option expense	-	-	132,902	-	-	-	-	132,902
Series A preferred cash dividend	-	-	-	-	-	-	(2,089)	(2,089)
Series B preferred stock dividend	4,960	4	36,081	-	-	-	(36,085)	-
Loss for the period	-	-	-	-	-	-	(1,991,804)	(1,991,804)
Balance - September 30, 2018	2,302,333	2,302	43,432,828	21,178	6,425,410	8,260,143	(54,471,315)	3,670,546
Exercise and exchange of warrants	296,667	297	2,936,881	-	-	(2,210,697)	-	726,481
Conversion of Series B preferred stock to common stock	10,000	10	279,041	-	(279,051)	-	-	-
Warrants issued for services	-	-	-	-	-	(2,859)	-	(2,859)
Shares issued for services	607	-	2,617	-	-	-	-	2,617
Performance stock unit expense	-	-	61,514	-	-	-	-	61,514
Stock option expense	-	-	122,751	-	-	-	-	122,751
Series A preferred cash dividend	-	-	-	-	-	-	(2,089)	(2,089)
Series B preferred stock dividend	4,735	5	16,185	-	-	-	(16,190)	-
Loss for the period	-	-	-	-	-	-	(1,809,697)	(1,809,697)
Balance - December 31, 2018	2,614,342	2,614	46,851,817	21,178	6,146,359	6,046,587	(56,299,291)	2,769,264
Exercise and exchange of warrants – issue costs	-	-	(16,186)	-	-	-	-	(16,186)
Warrants issued for services	-	-	-	-	-	8,732	-	8,732
Shares issued for services	956	1	3,512	-	-	-	-	3,513
Performance stock unit expense	-	-	60,177	-	-	-	-	60,177
Stock option expense	-	-	99,735	-	-	-	-	99,735
Series A preferred cash dividend	-	-	-	-	-	-	(2,089)	(2,089)
Series B preferred stock dividend	4,735	5	23,197	-	-	-	(23,202)	-
Loss for the period	-	-	-	-	-	-	(1,663,985)	(1,663,985)
Balance - March 31, 2019	2,620,033	2,620	47,022,252	21,178	6,146,359	6,055,319	(57,988,567)	1,259,161

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

DelMar Pharmaceuticals, Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
March 31, 2020

(expressed in US dollars unless otherwise noted)

	Note	Nine months ended March 31,	
		2020	2019
		\$	\$
Cash flows from operating activities			
Loss for the period		(5,302,904)	(5,465,486)
Adjustments to reconcile net loss to net cash used in operating activities			
Amortization of intangible assets		8,403	13,548
Change in fair value of derivative liability	4	-	(852)
Warrants issued for services		133,297	36,534
Shares issued for services		12,286	10,269
Performance stock unit expense		-	183,205
Stock option expense	5	307,028	355,388
Changes in operating assets and liabilities			
Prepaid expenses and deposits		165,383	794,859
Interest, taxes and other receivables		15,848	30,433
Accounts payable and accrued liabilities		(658,946)	(425,383)
Related party payables		(29,024)	(47,189)
Net cash used in operating activities		(5,348,629)	(4,514,674)
Cash flows from financing activities			
Net proceeds from the issuance of shares and warrants	5	6,582,966	-
Net proceeds from the exercise of warrants	5	26,550	726,179
Series A preferred stock dividend	3	(6,267)	(6,267)
Deferred financing costs		-	(25,000)
Net cash provided by financing activities		6,603,249	694,912
Increase (decrease) in cash and cash equivalents		1,254,620	(3,819,762)
Cash and cash equivalents - beginning of period		3,718,758	5,971,995
Cash and cash equivalents - end of period		4,973,378	2,152,233

Supplementary information (note 7)

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

DelMar Pharmaceuticals, Inc.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

March 31, 2020

(expressed in US dollars unless otherwise noted)

1 Nature of operations, corporate history, and going concern**Nature of operations**

DelMar Pharmaceuticals, Inc. (the “Company”) is a clinical stage drug development company with a focus on the treatment of solid tumor cancers. The Company is currently conducting two phase 2 clinical trials in the United States and China with its product candidate, VAL-083, as a potential new treatment for glioblastoma multiforme, the most common and aggressive form of brain cancer. Historical research indicates that VAL-083 is also active in other solid tumor cancers such as ovarian, lung, pediatric brain cancer, as well as other solid tumors of the central nervous system. The Company may pursue opportunities in these cancers in the future. In order to accelerate the Company’s development timelines, it leverages existing preclinical and clinical data from a wide range of sources. The Company may seek marketing partnerships in order to potentially offset clinical costs and to generate future royalty revenue from approved indications of its product candidate.

Corporate history

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

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

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

Going concern

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

For the nine months ended March 31, 2020, the Company reported a loss of \$5,302,904, and a negative cash flow from operations of \$5,348,629. The Company had an accumulated deficit of \$65,893,587 and had cash and cash equivalents of \$4,973,378 as of March 31, 2020. The Company is in the development stage and has not generated any revenues to-date. The Company does not have the prospect of achieving revenues until such time that its product candidate is commercialized, or partnered, which may not ever occur. In the near future, the Company will require additional funding to maintain its clinical trials, research and development projects, and for general operations. These circumstances indicate substantial doubt exists about the Company’s ability to continue as a going concern within one year from the date of filing of these condensed consolidated financial statements.

DelMar Pharmaceuticals, Inc.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

March 31, 2020

(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. However, the coronavirus ("COVID-19") pandemic has created significant economic uncertainty and volatility in the credit and capital markets. Management plans to secure the necessary financing through the issue of new equity and/or the entering into of strategic partnership arrangements but the ultimate impact of the COVID-19 pandemic on the Company's ability to raise additional capital is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak and any new information which may emerge concerning the severity of the COVID-19 pandemic. The Company may not be able to raise sufficient additional capital and may tailor its drug candidate development program based on the amount of funding the Company is able to raise in the future. Nevertheless, there is no assurance that these initiatives will be successful.

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

2 Significant accounting policies

Reverse stock split

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

Amended articles of incorporation

On June 26, 2019, the Company amended its articles of incorporation to increase the number of authorized shares of common stock from 7,000,000 to 95,000,000 shares.

Basis of presentation

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

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

(expressed in US dollars unless otherwise noted)

Unaudited interim financial data

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and the notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Company as of, and for the fiscal year ended, June 30, 2019 included in the Form 10-K filed with the SEC on September 9, 2019. In the opinion of management, the unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation. The results for three and nine months ended March 31, 2020 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2020, or for any other future annual or interim period.

Use of estimates

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

Accruals for research and development expenses and clinical trials

As part of the process of preparing its financial statements, the Company is required to estimate its expenses resulting from its obligations under contracts with vendors, clinical research organizations and consultants, and under clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations, which vary from contract to contract and may result in payment terms that do not match the periods over which materials or services are provided under such contracts. The Company’s objective is to reflect the appropriate expenses in its financial statements by matching those expenses with the period in which services are performed and efforts are expended. The Company accounts for these expenses according to the timing of various aspects of the expenses. The Company determines accrual estimates by taking into account discussion with applicable personnel and outside service providers as to the progress of clinical trials, or the services completed. During the course of a clinical trial, the Company adjusts its clinical expense recognition if actual results differ from its estimates. The Company makes estimates of its accrued expenses as of each balance sheet date based on the facts and circumstances known to it at that time. The Company’s clinical trial accruals are dependent upon the timely and accurate reporting of contract research organizations and other third-party vendors. Although the Company does not expect its estimates to be materially different from amounts actually incurred, its understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in it reporting amounts that are too high or too low for any particular period. For the three and nine months ended March 31, 2020 and 2019, there were no material adjustments to the Company’s prior period estimates of accrued expenses for clinical trials.

Loss per share

Income or loss per share is calculated based on the weighted average number of common shares outstanding. For the three and nine month periods ended March 31, 2020 and 2019 diluted loss per share does not differ from basic loss per share since the effect of the Company’s warrants, stock options, performance stock units, and convertible preferred shares is anti-dilutive. As of March 31, 2020, potential common shares of 10,209,456 (2019 – 862,502) related to outstanding warrants, 778,750 (2019 – 292,683) relating to stock options, nil (2019 – 120,000) relating to performance stock units, and 162,177 (2019 – 210,279) relating to outstanding Series B convertible preferred shares were excluded from the calculation of net loss per common share.

(expressed in US dollars unless otherwise noted)

Recent accounting pronouncements

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

Recently adopted

Accounting Standard Update (“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 adoption of ASU 2016-02 did not have a material impact on the Company’s results of operations or financial results.

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

The amendments in this update are intended to reduce cost and complexity and to improve financial reporting for share-based payments issued to nonemployees. The ASU expands the scope of Topic 718, Compensation — Stock Compensation, which currently only includes share-based payments issued to employees, to also include share-based payments issued to nonemployees for goods and services. The existing guidance on nonemployee share-based payments is significantly different from current guidance for employee share-based payments. This ASU expands the scope of the employee share-based payments guidance to include share-based payments issued to nonemployees. By doing so, the FASB improves the accounting of nonemployee share-based payments issued to acquire goods and services used in its own operations. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The adoption of ASU 2018-07 did not have a material impact on the Company’s results of operations or financial results.

Not yet adopted

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

DelMar Pharmaceuticals, Inc.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

March 31, 2020

(expressed in US dollars unless otherwise noted)

The amendments in this update are intended to reduce the complexity associated with the accounting for certain financial instruments with characteristics of liabilities and equity. Specifically, a down round feature would no longer cause a freestanding equity-linked financial instrument (or an embedded conversion option) to be accounted for as a derivative liability at fair value with changes in fair value recognized in current earnings. In addition, the indefinite deferral of certain provisions of Topic 480 have been re-characterized to a scope exception. The re-characterization has no accounting effect. ASU 2017-11 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company has not yet evaluated the impact of adoption of this ASU on its condensed consolidated interim financial statements and related disclosures.

During the nine months ended March 31, 2020, other than ASU 2017-11, there have been no new, or existing recently issued, accounting pronouncements that are of significance, or potential significance, that impact the Company's condensed consolidated interim financial statements.

3 Related party transactions

The Series A Preferred Stock is held by Valent Technologies, LLC ("Valent"), an entity owned by Dr. Dennis Brown, the Company's Chief Scientific Officer. Therefore, Valent is a related party to the Company. For the three months ended March 31, 2020 and 2019 respectively, the Company recorded \$2,089 related to the dividend payable to Valent on the Series A Preferred Stock and for the nine months ended March 31, 2020 and 2019 respectively, the Company recorded \$6,267 related to the dividend (note 5). The dividends have been recorded as a direct increase in accumulated deficit.

4 Derivative liability

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

The derivative liabilities balance was zero at March 31, 2020 and June 30, 2019. The derivative liabilities balance consisted of 2,180 agent warrants at March 31, 2020 and June 30, 2019.

Changes in the Company's derivative liability are summarized as follows:

	Three months ended	
	March 31,	
	2020	2019
	\$	\$
Opening balance	-	76
Change in fair value of warrants	-	189
Closing balance	-	265
Less current portion	-	-
Long term portion	-	265

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	Nine months ended March 31,	
	2020	2019
	\$	\$
Opening balance	-	1,117
Change in fair value of warrants	-	(852)
Closing balance	-	265
Less current portion	-	-
Long term portion	-	265

5 Stockholders' equity

Series B Preferred stock

	Series B Preferred Stock 2020	
	Number of shares	\$
Balance – June 30, 2019	673,613	4,699,304
Conversion of Series B Preferred stock to common stock	(25,000)	(174,407)
Balance – March 31, 2020	648,613	4,524,897

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

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The Series B Preferred Stock shall with respect to distributions of assets and rights upon the occurrence of a liquidation, rank (i) senior to the Company's common stock and (ii) senior to the Special Voting Preferred Stock and (iii) senior to any other class or series of capital stock of the Company hereafter created which does not expressly rank pari passu with, or senior to, the Series B Preferred Stock. The Series B Preferred Stock shall be pari passu in liquidation to the Company's Series A Preferred Stock. The liquidation value of the Series B Preferred Stock at March 31, 2020 is the stated value of \$5,188,904 (June 30, 2019 - \$5,388,904).

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, 2020, the Company issued 3,700 (2019 - 4,735) shares of common stock for an amount of \$1,473 (2019 - \$23,202) and during the nine months ended March 31, 2020, the Company issued 11,100 (2019 - 14,430) shares of common stock for an amount of \$6,071 (2019 - \$75,477). These dividends have been recognized as a direct increase in accumulated deficit.

A total of 648,613 (2019 - 841,113) shares of Series B Preferred Stock are outstanding as of March 31, 2020, such that a total of 162,177 (2019 - 210,279) shares of common stock are issuable upon conversion of the Series B Preferred Stock as at March 31, 2020. Converted shares are rounded up to the nearest whole share.

Series A Preferred Stock

Effective September 30, 2014, 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. The Series A Preferred Stock is held by Valent (note 3).

The Series A Preferred Stock shall with respect to distributions of assets and rights upon the occurrence of a liquidation, rank (i) senior to the Company's common stock, and (ii) senior to the Company's Special Voting Preferred Stock and (iii) senior to any other class or series of capital stock of the Company hereafter created which does not expressly rank pari passu with, or senior to, the Series A Preferred Stock. The Series A Preferred Stock shall be pari passu in liquidation to the Company's Series B Preferred Stock. The liquidation value of the Series A Preferred stock at March 31, 2020 and June 30, 2019 is the stated value of \$278,530.

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There was no change to the Series A Preferred stock for the three or nine month periods ended March 31, 2020 or 2019.

Common stock

Stock Issuances

Nine months ended March 31, 2020

Underwritten public offering

On August 16, 2019, the Company closed on the sale of (i) 4,895,000 shares of its common stock, par value \$0.001 per share (the “Common Stock”), (ii) pre-funded warrants (“PFW”) to purchase an aggregate of 2,655,000 shares of Common Stock and (iii) common warrants to purchase an aggregate of 7,762,500 shares of Common Stock (“2020 Investor Warrants”), including 800,000 shares of Common Stock and 2020 Investor Warrants to purchase an aggregate of 1,012,500 shares of Common Stock sold pursuant to a partial exercise by the underwriters of the underwriters’ option to purchase additional securities, in the Company’s underwritten public offering (the “Offering”). Each share of Common Stock or PFW, as applicable, was sold together with a 2020 Investor Warrant to purchase one share of Common Stock at a combined effective price to the public of \$1.00 per share of Common Stock and accompanying 2020 Investor Warrant.

The net proceeds from the Offering, including from the partial exercise of the underwriters’ option to purchase additional securities, were \$6,582,966, after deducting underwriting discounts and commissions, and other offering expenses.

The 2020 Investor Warrants are exercisable at \$1.00 per share until their expiry on August 16, 2024 and the PFW are exercisable at \$0.01 per share at any time after August 16, 2019. The Company also issued 377,500 warrants to the underwriters of the Offering. The underwriter warrants are exercisable at \$1.15 per share commencing February 10, 2020 until their expiry on August 14, 2022.

During the nine months ended March 31, 2020, all of the 2,655,000 PFW were exercised at \$0.01 per PFW for proceeds of \$26,550.

2017 Omnibus Incentive Plan

As approved by the Company’s stockholders at the annual meeting of stockholders held on April 11, 2018, on July 7, 2017, as amended on February 1, 2018, the Company’s board of directors approved adoption of the Company’s 2017 Omnibus Equity Incentive Plan (the “2017 Plan”). The board of directors also approved a form of Performance Stock Unit Award Agreement to be used in connection with grants of performance stock units (“PSUs”) under the 2017 Plan. Under the 2017 Plan, 780,000 shares of Company common stock are reserved for issuance, less the number of shares of common stock issued under the Del Mar (BC) 2013 Amended and Restated Stock Option Plan (the “Legacy Plan”) or that are subject to grants of stock options made, or that may be made, under the Legacy Plan. A total of 164,235 shares of common stock have been issued under the Legacy Plan and/or are subject to outstanding stock options granted under the Legacy Plan, and a total of 614,515 shares of common stock have been issued under the 2017 Plan and/or are subject to outstanding stock options granted under the 2017 Plan leaving 1,250 shares of common stock available at March 31, 2020 for issuance under the 2017 Plan if all such options under the Legacy Plan were exercised.

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The maximum number of shares of Company common stock with respect to which any one participant may be granted awards during any calendar year is 8% of the Company's fully diluted shares of common stock on the date of grant (excluding the number of shares of common stock issued under the 2017 Plan and/or the Legacy Plan or subject to outstanding awards granted under the 2017 Plan and/or the Legacy Plan). No award will be granted under the 2017 Plan on or after July 7, 2027, but awards granted prior to that date may extend beyond that date.

During the nine months ended March 31, 2020, and subject to approval by the Company's stockholders, the Company's board of directors approved an increase in the number of shares of common stock available to be issued under the 2017 Plan by 1,500,000. The increase brings the total number of shares available under the 2017 Plan to 2,280,000.

During the nine months ended March 31, 2020, the Company's board of directors approved an aggregate 1,041,016 stock options to officers and directors of the Company. Of the total grant, 549,199 stock options are subject to stockholder approval of the 2017 Plan share increase. The total grant date aggregate fair value of the remaining 491,817 stock options granted was \$238,760. All of these stock options granted to officers and directors have an exercise price of \$0.61 and expire on September 5, 2029. Of the 1,041,016 stock options approved by the board of directors, 375,000 vest pro rata monthly over one year from the date of approval by the board of directors and 666,016 vest as to one-sixth on the six-month anniversary of the date of approval by the board of directors with the remaining five-sixths vesting pro rate monthly over 30 months commencing on the seven-month anniversary of the board of directors' approval date.

In addition, during the nine months ended March 31, 2020, the Company granted 250,000 stock options to an officer of the Company, subject to stockholder approval of the share increase to the 2017 Plan. The options have an exercise price of \$0.735 and expire November 12, 2029. The options vest upon the achievement of certain clinical development milestones.

Stock Options

Stock option disclosure in the tables below excludes 799,199 stock option grants approved by the board of directors that are subject to approval by the Company's stockholders of the share reserve increase under the 2017 Plan. Of these options, 549,199 are exercisable at \$0.61 per share until September 5, 2029 and 250,000 are exercisable at \$0.735 until November 12, 2029.

The following table sets forth the aggregate stock options outstanding under all plans as of March 31, 2020:

	Number of stock options outstanding	Weighted average exercise price \$
Balance – June 30, 2019	288,183	22.31
Granted	491,817	0.61
Expired	(1,250)	(40.00)
Balance – March 31, 2020	778,750	8.58

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The following table summarizes stock options outstanding and exercisable under all plans at March 31, 2020:

Exercise price \$	Number Outstanding at March 31, 2020	Weighted average remaining contractual life (years)	Number exercisable at March 31, 2020
0.61	491,817	9.43	288,168
6.10	30,000	8.60	24,445
7.00	5,451	8.23	3,180
8.70	12,000	7.59	12,000
9.83	83,647	8.14	51,117
10.60	3,600	8.03	2,400
11.70	30,000	2.91	30,000
14.11	2,500	2.17	2,500
20.00	13,125	1.52	13,125
21.10	14,400	7.27	12,000
29.60	4,500	4.84	4,500
37.60	4,500	5.86	4,500
41.00	4,000	6.61	4,000
42.00	41,250	2.81	41,250
44.80	3,000	5.86	3,000
49.50	22,460	4.31	22,460
53.20	8,000	6.10	8,000
61.60	1,500	3.00	1,500
92.00	3,000	3.17	3,000
	<u>778,750</u>		<u>531,145</u>

Included in the number of stock options outstanding are 2,500 stock options granted at an exercise price of CA \$20.00. The exercise price of these options shown in the above table have been converted to US \$14.11 using the period ending closing exchange rate. Stock options issued during the nine months ended March 31, 2020 have been valued using a Black-Scholes pricing model with the following assumptions:

	March 31, 2020
Dividend rate	0%
Volatility	99% to 102%
Risk-free rate	1.50%
Term – years	5.5 to 6.5

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The estimated volatility of the Company's common stock at the date of issuance of the stock options is based on the historical volatility of the Company. The risk-free interest rate is based on rates published by the government for bonds with a maturity similar to the expected remaining life of the stock options at the valuation date. The expected life of the stock options has been estimated using the plain vanilla method.

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

	Three months ended March 31,		Nine months ended March 31,	
	2020 \$	2019 \$	2020 \$	2019 \$
Research and development	22,754	12,889	55,058	64,466
General and administrative	73,437	86,846	251,970	290,922
	96,191	99,735	307,028	355,388

All of the stock option expense for the periods ended March 31, 2020 and 2019 has been recognized as additional paid in capital. The aggregate intrinsic value of stock options outstanding at March 31, 2020 was \$0 (2019 - \$0) and the aggregate intrinsic value of stock options exercisable at March 31, 2020 was \$0 (2019 - \$0). As of March 31, 2020, there was \$96,061 in unrecognized compensation expense that will be recognized over the next 2.43 years. No stock options granted under the Company's equity plans have been exercised during the nine months ended March 31, 2020. Upon the exercise of stock options new shares will be issued.

The following table sets forth unvested stock options under all plans at March 31, 2020:

	Number of Options	Weighted average exercise price \$	Weighted average grant date fair value \$
Unvested at June 30, 2019	84,990	11.35	5.82
Granted	491,817	0.61	0.40
Vested	(329,202)	2.15	1.18
Unvested at March 31, 2020	247,605	2.25	1.23

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Warrants

The following table summarizes changes in the Company's outstanding warrants as of March 31, 2020:

Description	Number
Balance – June 30, 2019	1,543,596
2020 Investor Warrants issued in underwritten offering	7,762,500
PFW issued in underwritten offering	2,655,000
2020 Underwriter Warrants	377,500
Exercise of PFW	(2,655,000)
Warrants issued for services (1)	530,000
Expiry of warrants for services (2)	(4,140)
Balance - March 31, 2020	10,209,456

(1) The Company issued 530,000 warrants for services during the nine months ended March 31, 2020. 280,000 warrants are exercisable at \$0.75 per share until November 18, 2023 and they vest pro rata monthly commencing December 18, 2019. 250,000 warrants are exercisable at \$0.64 per share until January 20, 2024 and they vest pro rata monthly commencing February 20, 2020. The total fair value of the warrants issued was \$233,176 with \$133,297 being recognized during the nine months ended March 31, 2020.

(2) On February 27, 2020, 4,140 warrants at an exercise price of \$59.30 expired.

The following table summarizes the Company's outstanding warrants as of March 31, 2020:

Description of warrants	Number	Exercise price \$	Expiry date
2020 Investor warrants	7,762,500	1.00	August 16, 2024
2019 Investor warrants	760,500	3.10	June 5, 2024
2018 Investor warrants	280,000	12.50	September 22, 2022
2017 Investor warrants	207,721	35.00	April 19, 2022
2015 Investor warrants	97,905	30.00	July 31, 2020
Warrants issued for services	250,000	0.64	January 20, 2024
Warrants issued for services	280,000	0.75	November 18, 2023
Warrants issued for services	26,500	30.00	July 1, 2020 to February 1, 2021
Warrants issued for services	6,000	17.80	January 25, 2023
Warrants issued for services	33,600	11.70	February 27, 2023
Warrants issued for services	12,000	9.00	September 15, 2023
Warrants issued for services	2,000	9.00	October 11, 2021
2020 Underwriter Warrants	377,500	1.15	August 14, 2022
2019 Agent warrants	46,800	3.875	June 3, 2024
2018 Agent warrants	40,000	12.50	September 20, 2022
2017 Agent warrants	13,848	40.60	April 12, 2022
2016 Agent warrants	10,402	40.00	May 12, 2021
2015 Agent warrants	2,180	30.00	July 15, 2020
	10,209,456		

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6 Financial instruments

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

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

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

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

Derivative liability

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

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a) Fair value of derivative liability

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

The fair value of derivative liabilities at March 31, 2020 and June 30, 2019 was \$0.

7 Supplementary statement of cash flows information

	Nine months ended	
	March 31,	
	2020	2019
	\$	\$
Series B Preferred share common stock dividend (note 5)	6,071	75,477
Income taxes paid	-	-
Interest paid	-	-

8 Subsequent events

The Company has evaluated its subsequent events from March 31, 2020 through the date these condensed consolidated financial statements were issued and has determined that there are no subsequent events requiring disclosure in these condensed consolidated financial statements other than the items noted below.

Subsequent to March 31, 2020, the Company issued 2,096 shares of common stock for services.

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

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

You should review the factors and risks we describe under "Risk Factors" in our report on Form 10-K for the year ended June 30, 2019 and in our other filings with the Securities and Exchange Commission, available at www.sec.gov. Actual results may differ materially from any forward-looking statement.

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

Impact of Coronavirus ("COVID-19") on our Operations, Financial Condition, Liquidity and Results of Operations

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China and on March 11, 2020 was declared a pandemic by the World Health Organization. The ultimate impact of the COVID-19 pandemic on our operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the duration and severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or us, may determine are needed.

To date, the COVID-19 pandemic has not caused significant disruption to our clinical studies. Each of our ongoing Phase 2 clinical studies is being conducted at a single site which has reduced the risk of disruption. Patient visits are currently taking place on schedule for both the MD Anderson Cancer Center ("MDACC") study being conducted in Houston, Texas and the Sun Yat-sen University Cancer Center ("SYSUCC") study being conducted in China. In addition, thus far, any disruptions to patient treatments have been within allowances under each study protocol. Access to the sites by our clinical monitors has been limited during the COVID-19 pandemic but the recording of study data in both studies and patient treatments at both study sites are being conducted per protocol at this time.

We have cash available to fund planned operations into the fourth quarter of calendar 2020. Consequently, management is pursuing various financing alternatives to fund our operations so we can continue as a going concern. However, the COVID-19 pandemic has created significant economic uncertainty and volatility in the credit and capital markets. Management plans to secure the necessary financing through the issue of new equity and/or the entering into of strategic partnership arrangements but the ultimate impact of the COVID-19 pandemic on our ability to raise additional capital is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak and new information which may emerge concerning the severity of the COVID-19 pandemic. We may not be able to raise sufficient additional capital and may tailor our drug candidate development program based on the amount of funding we are able to raise in the future. Nevertheless, there is no assurance that these initiatives will be successful.

Recent Highlights

- On May 5, 2020 we announced enrollment of our 22nd patient (study over 90% enrolled) in the adjuvant arm of our ongoing Phase 2 clinical study investigating adjuvant treatment (pre-temozolomide -- or TMZ – maintenance therapy) of MGMT-unmethylated glioblastoma multiforme ("GBM") with VAL-083. The adjuvant arm of the Phase 2 study of VAL-083 being conducted at the MDACC is designed to enroll up to 24 newly-diagnosed patients who have undergone surgery and chemoradiation with TMZ but will now receive VAL-083 in place of standard of care TMZ for adjuvant therapy. Additionally, in the recurrent arm of the study, which is also being conducted at MDACC, 72 patients out of a planned 83 patients have been enrolled as of May 5, 2020.
- On March 26, 2020 we received a listing extension from the Staff of the Listing Qualifications Department of The Nasdaq Capital Market LLC ("Nasdaq"). The extension granted us until September 21, 2020 to regain compliance with the \$1.00 Minimum Bid Price requirement for continued listing on Nasdaq. On April 20, 2020, we received a second notification letter from Nasdaq stating that in response to the current extraordinary market conditions, Nasdaq had filed a rule change with the Securities and Exchange Commission to suspend the compliance period for the minimum closing bid price requirement from April 16, 2020 through June 30, 2020. As a result, we have until December 7, 2020 to regain compliance. We can regain compliance if at any time during the suspension or during the remaining compliance period resuming after the suspension the closing bid price of our common stock is at least \$1.00 per share for a minimum of ten consecutive business days.
- On February 19, 2020 we announced we had enrolled the final patient in our ongoing Phase 2 clinical study investigating the first-line treatment of VAL-083 with radiation therapy in newly-diagnosed, MGMT-unmethylated GBM being conducted at SYSUCC.
- On January 29, 2020 we announced the publication of previously released interim clinical data in the February 2020 issue of peer-reviewed journal, Glioma. The article highlights results from the first 22 patients of our ongoing Phase 2 clinical study investigating the first-line treatment of VAL-083 with radiation therapy in newly-diagnosed, MGMT-unmethylated GBM being conducted at SYSUCC.

VAL-083 Clinical Studies

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

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

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

- MGMT-unmethylated GBM, currently comprising two ongoing separate Phase 2 clinical studies for:
 - GBM patients in two study arms at MDACC:
 - as adjuvant therapy immediately following chemoradiation; and
 - in Avastin[®]-naïve recurrent GBM patients;
 - Newly diagnosed GBM patients (ongoing study at SYSUCC); and
- Potential future indications including ovarian cancer, non-small cell lung cancer ("NSCLC"), and other solid tumor indications.

Phase 2 Study in Newly-Diagnosed MGMT-unmethylated GBM

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

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

We have completed enrollment of this study with a total of 29 newly-diagnosed, MGMT-unmethylated GBM patients. The efficacy endpoints of the study include tumor response, as assessed by the Response Assessment in NeuroOncology ("RANO"), and progression-free survival ("PFS"), progression-free survival at six months ("PFS6"), and overall survival ("OS"), compared to historical results in the target population. The study is being conducted in two parts: (1) Dose-confirmation: VAL-083 in cohorts (20, 30 and 40 mg/m²/day IV daily x 3 every 21 days) to assess safety and activity when administered concurrently with x-ray therapy ("XRT") to confirm the maximum tolerated dose ("MTD"), and (2) Expansion: VAL-083 will be studied in up to 20 additional patients at the target dose, as determined by the dose-confirmation part of the study, administered concurrently with XRT. Assessments of safety and tolerability will be used to support further clinical development of VAL-083 in combination with radiotherapy. Pharmacokinetic assessments of VAL-083 in plasma and cerebral spinal fluid ("CSF") will be used to correlate drug exposure in the central nervous system with patient outcomes.

Dose-confirming cohorts studying 20, 30, and 40 mg/m²/day x three every 21 days have been completed. Based on the dose confirmation phase of the study, we have selected 30 mg/m²/day for combination with irradiation for the treatment of newly-diagnosed MGMT-unmethylated GBM patients.

This study is fully enrolled at 29 patients. We previously released data with 23 patients enrolled as of the data cut-off date of November 2, 2019. For the 22 patients who had completed at least one cycle of treatment as of that date, median PFS with VAL-083 was 9.9 months (CI 7.3-12.0 months). For the 18 patients initially receiving the intended treatment dose (30 mg/m²/day on days 1, 2 and 3 of a 21-day cycle) median PFS was 10.4 months (CI 6.0-12.0 months). While this is not a head-to-head study, historically, temozolomide (“TMZ”) has been demonstrated to have 6.9 months PFS in unmethylated GBM patients. Other doses were also examined as part of the dose escalation aspect of the study, and all but the 20 mg/m²/day dose also demonstrated superior PFS to the historical comparator. A median of eight cycles of treatment has been received by all patients who had either completed treatment, or remain in active treatment. Nine patients have received ten or more cycles.

Through our research, and that of the NCI, we have previously demonstrated that VAL-083 crosses the blood brain barrier. Preliminary data from the SYSUCC study indicate that the concentration of VAL-083 is generally as high in CSF as in plasma at two hours post-infusion.

Concentration of VAL-083 — Two Hours Post Dose

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

By comparison, temozolomide is typically 80% lower in the CSF than the plasma (Schreck et al. 2018, Oncology (Williston Park)). The accumulation of VAL-083 in the CSF further validates that VAL-083 crosses the blood-brain-barrier and demonstrates that therapeutic drug concentrations in the CSF are achievable for extended periods of time.

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

In February 2017, we initiated a biomarker driven, open-label, single-arm Phase 2 study in collaboration with MDACC. This biomarker-driven study (testing for MGMT methylation status) has been amended to enroll up to 83 patients (35 with a starting dose of 40 mg/m²/day and 48 with a starting dose of 30 mg/m²/day) to determine the potential of VAL-083 treatment to improve overall survival in GBM patients whose tumors have recurred following treatment with temozolomide. These patients will not have been treated previously with Avastin[®]. In addition, this study has been amended to add a new adjuvant patient arm. This arm will include 24 patients previously treated with TMZ in combination with radiation who, rather than being treated with additional cycles of TMZ, will begin treatment with VAL-083.

Recurrent Study Arm

The patients in the recurrent study arm are receiving second-line therapy with VAL-083 following TMZ failure. As of May 5, 2020, 72 patients (out of a planned 83) have been enrolled in the recurrent arm of this study.

Previously we released data when we had enrolled 62 patients. Of the 62 patients enrolled as of November 15, 2019, 35 patients (with no additional patients planned) had received an initial dose of 40 mg/m²/day and 27 (out of a planned 48) had received an initial dose of 30 mg/m²/day (on days 1, 2 and 3 of a 21-day cycle). mOS for the 60 patients who had completed at least one cycle of treatment was 7.5 months (CI 6.0-11.5 months). For the 25 of those patients who initially received the intended treatment dose of 30 mg/m²/day, mOS was 10.6 months (CI 5.8-10.6 months). While this is not a head-to-head study, historically lomustine, which is the most commonly used chemotherapy for these recurrent patients, has demonstrated a mOS of 7.2 months (EORTC 26101, MGMT-unmethylated lomustine arm).

The safety profile has been well within the existing safety monitoring guidelines described in the present study protocol. However, in consultation with the principal investigator at MDACC, we have amended the protocol for this clinical study to modify the starting dose of VAL-083 to 30 mg/m²/day on days 1, 2 and 3, of a 21-day cycle. This modification may improve tolerance in this patient population and thereby potentially increase overall exposure to VAL-083 by increasing the number of cycles of drug patients may be able to receive. We have modified the patient screening platelet count, from 100,000/μL to 125,000/μL, for the same reasons. Safety data from this study will become part of the overall safety dossier to support future filings with the FDA and other regulatory agencies.

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

A detailed description of this study can be found at clinicaltrials.gov, Identifier Number: NCT02717962.

Adjuvant Study Arm

On July 24, 2019, we announced the enrollment of the first patient in the adjuvant arm of the Phase 2 study being conducted at MDACC. The adjuvant arm will include up to 24 patients. These patients will have had initial cycles of temozolomide concomitant with radiation but will not have yet started subsequent cycles of TMZ (i.e. maintenance stage TMZ patients). Published data from Tanguturi et al (2017 *Nero-Oncology*) indicates that MGMT-unmethylated patients receiving current standard of care have a median progression-free survival of 6.9 months. As of May 5, 2020, 22 patients (out of a planned 24) have been enrolled and all patients remain alive on continued therapy.

As noted above, patients in the recurrent arm of the MDACC clinical study have been heavily pre-treated with temozolomide. Based on published data from our MDACC and SYSUCC clinical studies, we believe there is a significant opportunity to treat GBM patients in the pre-temozolomide maintenance stage (i.e., adjuvant). At the AACR's annual meeting in April 2019, we reported that myelosuppression (thrombocytopenia and neutropenia) is the most common adverse event associated with VAL-083. The higher potential for myelosuppression with the 40 mg/m²/day of VAL-083 in this study appears to be correlated with the number of cycles of prior TMZ maintenance therapy (> 5 cycles).

Safety Across Studies

Four subjects have experienced a serious adverse event ("SAE") possibly related to VAL-083 in the newly-diagnosed group as of the cut-off date of November 2, 2019. In addition, eleven subjects have experienced a possibly drug-related SAE in the recurrent group, and no patients have experienced a possibly drug-related SAE in the adjuvant group as of the relevant data cut-off date of November 15, 2019.

Fast Track Designation

The FDA has granted us Fast Track designation for VAL-083 in recurrent GBM.

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

MGMT-unmethylated GBM

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

Measurement of MGMT (O6-methyl guanine methyltransferase) methylation status has become routine in clinical practice as a biomarker that correlates with resistance to the standard-of-care chemotherapy with TMZ (Temodar[®]), and patient outcomes in GBM. Approximately two-thirds of GBM patients' tumors are characterized as "MGMT-unmethylated" and exhibit a high expression of MGMT, a naturally occurring DNA-repair enzyme, the activity of which nullifies the chemotherapeutic activity of TMZ. The lack of specific therapies for MGMT-unmethylated GBM is a significant unmet medical need. Importantly, the 2017 update to the NCCN guidelines states that the treatment benefit of TMZ is likely to be lower in GBM patients with an unmethylated MGMT promoter.

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

We believe that our research, in the context of the 2017 update to the NCCN guidelines, highlights this unmet need and the opportunity for VAL-083 as a potential new standard-of-care in the treatment of MGMT-unmethylated GBM.

Current Treatments for Gliomas and Glioblastoma Multiforme

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

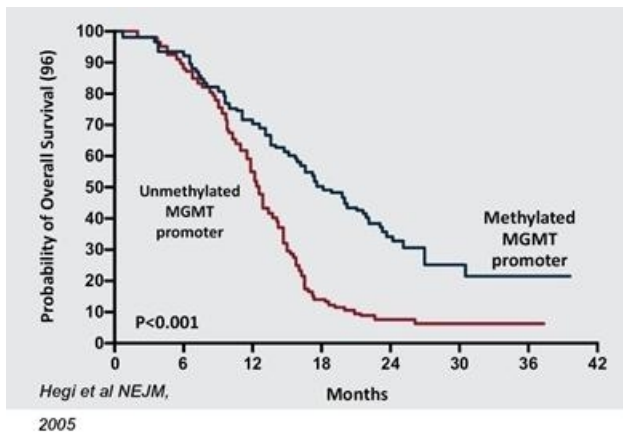
GBM is the most common and the most lethal form of glioma. According to the Central Brain Tumor Registry of The United States, GBM occurs with an incidence of 3.20 per 100,000 person-years. Approximately 13,000 new cases of GBM were diagnosed in the United States and 16,000 in Europe during 2017.

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

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

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

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



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

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

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

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

VAL-083 Mechanism of Action

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

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

Our research suggests that VAL-083 attacks cancer cells via a unique mechanism of action which is distinct from other chemotherapies used in the treatment of cancer. Our data indicate that VAL-083 forms inter-strand crosslinks at the 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. Published preclinical and clinical research demonstrate that VAL-083 is absorbed more readily in tumor cells than in normal cells.

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

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

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

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

Other Indications for VAL-083 — Potential Future Opportunities

Ovarian Cancer

Ovarian cancer is the fifth most common cancer in women and is the leading cause of death among women diagnosed with gynecological malignancies. In 2016, approximately 22,300 women in the US were diagnosed with ovarian cancer and 14,300 died from their disease.

VAL-083's activity against ovarian epithelial adenocarcinoma ("OEA") and squamous cell carcinoma of the cervix ("SCC") was reported in prior NCI-sponsored clinical studies. Importantly, NCI-researchers recommended VAL-083 for further advanced studies in the treatment of ovarian cancer.

We have presented data demonstrating that VAL-083's distinct mechanism of action allows activity in tumors that are resistant to other therapies. We have shown that cytotoxicity of VAL-083 against ovarian cancer is independent of sensitivity to cisplatin or p53 status *in vitro*. We have demonstrated that VAL-083 is active in Pt-resistant ovarian cells harboring a range of p53-mutations.

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

In September 2017, we filed an IND for the use of VAL-083 in ovarian cancer, along with a protocol for a Phase 1/2, open-label, multicenter, study of VAL-083 in patients with **R**ecurrent **P**latinum **R**esistant **O**varian Cancer (the REPROVe study).

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

Lung Cancer

Lung cancer is a leading cause of cancer death around the world and effective treatment for lung cancer remains a significant global unmet need despite advances in therapy. Incidence of lung cancer in the United States is approximately 47 per 100,000 with the majority (85%) being NSCLC, the most common type of lung cancer. Globally, the market for lung cancer treatment may exceed \$24 billion by 2033 according to a report published by Evaluate Pharma.

The activity of VAL-083 against solid tumors, including lung cancer, has been established in both preclinical and human clinical studies conducted by the NCI. DelMar has developed new nonclinical data to support the utility of VAL-083 in the modern treatment of lung cancer. 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.

Central Nervous System Metastases of Solid Tumors

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. In June 2013, we split our Phase 1/2 clinical study 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.

Based on historical clinical activity and our own research, we believe that VAL-083 may be suitable for the treatment of patients with central nervous system metastases who currently have limited treatment options. Subject to the availability of financial and operating resources, we may 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.

Pediatric Brain Tumors

Tumors of the brain and spine make up approximately 20% of all childhood cancers and they are the second most common form of childhood cancer after leukemia.

The activity of VAL-083 against childhood and adolescent brain tumors has been established in both preclinical and human clinical studies conducted by the NCI. We have presented data indicating that VAL-083 offers potential therapeutic alternatives for the treatment of pediatric brain tumors including SHH-p53 mutated medulloblastoma. In March 2016, the FDA granted orphan drug designation for the use of VAL-083 in the treatment of medulloblastoma. Subject to the availability of resources, we intend to collaborate with leading academic researchers for the continued exploration of VAL-083 as a potential treatment of childhood brain tumors.

Corporate History

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

Outstanding Securities

As of May 12 2020, we had 11,429,228 shares of common stock issued and outstanding, outstanding warrants to purchase 10,209,456 shares of common stock, 648,613 outstanding shares of Series B Preferred Stock that are convertible into 162,177 shares of common stock, and outstanding stock options to purchase 1,577,949 shares of common stock (of which 799,199 options are subject to stockholder approval of the increase in the number of shares authorized for issuance under the 2017 Plan at the next annual meeting of stockholders). All warrants, and stock options are convertible, or exercisable into, one share of common stock. Each Series B convertible preferred share is convertible into 0.25 shares of common stock.

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

On June 26, 2019, we amended our articles of incorporation, as amended, to increase the number of authorized shares of common stock from 7,000,000 to 95,000,000 shares.

Related Parties

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

Selected Quarterly Information

The financial information reported herein has been prepared in accordance with accounting principles generally accepted in the United States. Our functional currency at March 31, 2020 and June 30, 2019 is the US\$. The following tables represent selected financial information for us for the periods presented.

Selected Balance Sheet Data

	March 31, 2020	June 30, 2019
	\$	\$
Cash and cash equivalents	4,973,378	3,718,758
Working capital	3,716,827	1,955,468
Total assets	5,102,241	4,037,255
Total stockholders' equity	3,720,486	1,967,530

Selected Statement of Operations Data

Impact of COVID-19

The ultimate impact of the COVID-19 pandemic on our operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or us, may determine are required.

To date, the COVID-19 pandemic has not caused significant disruption to our clinical studies. Each of our ongoing Phase 2 clinical studies is being conducted at a single site which has reduced the risk of disruption. Patient visits are currently taking place on schedule for both the MDACC study being conducted in Houston, Texas and the SYSUCC study being conducted in China. In addition, thus far, any disruptions to patient treatments have been within allowances under each study protocol. Access to the sites by our clinical monitors has been limited during the COVID-19 pandemic but the recording of study data in both studies and patient treatments at both study sites are being conducted per protocol at this time.

For the three months ended:

	March 31, 2020	March 31, 2019
	\$	\$
Expenses		
Research and development	898,720	735,844
General and administrative	1,077,642	935,530
	<u>1,976,362</u>	<u>1,671,374</u>
Other (income) loss		
Change in fair value of derivative liability	-	189
Foreign exchange (gain) loss	(2,416)	5,819
Interest income	(16,964)	(13,397)
	<u>(19,380)</u>	<u>(7,389)</u>
Net loss for the period	1,956,982	1,663,985
Series B preferred stock dividend	1,473	23,202
Net loss attributable to common stockholders	<u>1,958,455</u>	<u>1,687,187</u>
Basic and fully diluted number of shares	11,417,456	2,518,452
Basic and fully diluted loss per share	0.17	0.67

For the nine months ended:

	March 31, 2020	March 31, 2019
	\$	\$
Expenses		
Research and development	2,332,388	2,702,213
General and administrative	3,045,017	2,796,884
	<u>5,377,405</u>	<u>5,499,097</u>
Other (income) loss		
Change in fair value of derivative liability	-	(852)
Foreign exchange (gain) loss	(536)	16,754
Interest income	(73,965)	(49,513)
	<u>(74,501)</u>	<u>(33,611)</u>
Net loss for the period	5,302,904	5,465,486
Series B Preferred stock dividend	6,071	75,477
Net loss attributable to common stockholders	<u>5,308,975</u>	<u>5,540,963</u>
Basic and fully diluted number of shares	10,116,541	2,444,065
Basic and fully diluted loss per share	0.52	2.27

Expenses net of non-cash, share-based compensation expense – non-GAAP

The following table discloses research and development, and general and administrative expenses net of non-cash, share-based compensation payment expense. The disclosure has been provided to reconcile the total operational expenses on a GAAP basis and the non-GAAP operational expenses net of non-cash, stock-based compensation in order to provide an estimate of cash used in research and development, and general and administrative expense. Management uses the cash basis of expenses for forecasting and budget purposes to determine the allocation of resources and to plan for future financing opportunities.

For the three months ended:

	March 31, 2020	March 31, 2019
	\$	\$
Research and development - GAAP	898,720	735,844
Less: non-cash, share-based compensation expense	(26,853)	(16,401)
Research and development net of non-cash, share-based, compensation expense – Non-GAAP	<u>871,867</u>	<u>719,443</u>
General and administrative - GAAP	1,077,642	935,530
Less: non-cash, share-based compensation expense	(172,062)	(155,756)
General and administrative net of non-cash, share-based, compensation expense – Non-GAAP	<u>905,580</u>	<u>779,774</u>

For the nine months ended:

	March 31, 2020 \$	March 31, 2019 \$
Research and development - GAAP	2,332,388	2,702,213
Less: non-cash, share-based compensation expense	(67,344)	(74,735)
Research and development net of non-cash, share-based, compensation expense – Non-GAAP	<u>2,265,044</u>	<u>2,627,478</u>
General and administrative - GAAP	3,045,017	2,796,884
Less: non-cash, share-based compensation expense	(385,267)	(510,661)
General and administrative net of non-cash, share-based, compensation expense – Non-GAAP	<u>2,659,750</u>	<u>2,286,223</u>

Results of Operations

Comparison of the three months ended March 31, 2020 and March 31, 2019

	Three Months Ended		Change \$	Change %
	March 31, 2020 \$	March 31, 2019 \$		
Expenses				
Research and development	898,720	735,844	162,876	22
General and administrative	1,077,642	935,530	142,112	15
	<u>1,976,362</u>	<u>1,671,374</u>	<u>304,988</u>	
Other (income) loss				
Change in fair value of derivative liability	-	189	(189)	(100)
Foreign exchange (gain) loss	(2,416)	5,819	(8,235)	(142)
Interest income	(16,964)	(13,397)	(3,567)	27
	<u>(19,380)</u>	<u>(7,389)</u>	<u>(11,991)</u>	
Net loss for the period	<u>1,956,982</u>	<u>1,663,985</u>	<u>292,997</u>	

Research and Development

Research and development expenses increased to \$898,720 for the three months ended March 31, 2020 from \$735,844 for the three months ended March 31, 2019. The increase was primarily attributable to an increase in clinical development costs partially offset by lower preclinical research expenses.

The increase in clinical development costs for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was largely due to enrollment in our ongoing Phase 2 clinical studies. During the current period, we announced we had exceeded 50% enrollment in the adjuvant arm of our Phase 2 study at MDACC. This study began enrolling earlier this fiscal year and as result had no related expenses in the three months ended March 31, 2019. Preclinical research decreased in the three months ended March 31, 2020 compared to the three months ended March 31, 2019 due in part to us deferring certain studies as well as focusing our resources on our clinical studies in the current period.

General and Administrative

General and administrative expenses were \$1,077,642 for the three months ended March 31, 2020 compared to \$935,530 for the three months ended March 31, 2019. The increase was primarily due to an increase in professional fees with smaller increases due to higher office and sundry, as well as non-cash, share-based compensation expenses.

Professional fees increased during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 primarily due higher legal fees as well as increased investor relations costs. Office and sundry increased in the current period compared to the prior period due to higher insurance costs. Non-cash, share-based compensation expense increased during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 largely due to higher expenses recognized for warrants issued for services partially offset by lower stock option expense.

Preferred Share Dividends

For each of the three months ended March 31, 2020 and 2019 we recorded \$2,089 related to the dividend payable to Valent on the Series A preferred stock. The dividend has been recorded as a direct increase in accumulated deficit for both periods.

We issued 3,700 (2019 – 4,735) shares of common stock on March 31, 2020 as a dividend on the Series B Preferred stock and recognized \$1,473 (2019 - \$23,202) as a direct increase in accumulated deficit.

Comparison of the nine months ended March 31, 2020 and March 31, 2019

	Nine Months Ended		Change \$	Change %
	March 31, 2020 \$	March 31, 2019 \$		
Expenses				
Research and development	2,332,388	2,702,213	(369,825)	(14)
General and administrative	3,045,017	2,796,884	248,133	9
General and administrative	5,377,405	5,499,097	(121,692)	
Other (income) loss				
Change in fair value of derivative liability	-	(852)	852	(100)
Foreign exchange (gain) loss	(536)	16,754	(17,290)	(103)
Interest income	(73,965)	(49,513)	(24,452)	49
	(74,501)	(33,611)	(40,890)	
Net loss for the period	5,302,904	5,465,486	(162,582)	

Research and Development

Research and development expenses decreased to \$2,332,388 for the nine months ended March 31, 2020 from \$2,702,213 for the nine months ended March 31, 2019. The decrease was largely attributable to lower preclinical research, personnel, and intellectual property expenses in the current period compared to the prior period.

Preclinical research costs have decreased in the current period due to the completion, or deferral, of studies that were ongoing in the prior period as well as us focusing our resources on our clinical studies in the current period. Personnel costs have decreased in nine months ended March 31, 2020 compared to the nine months ended March 31, 2019 due a reduction in full-time employee head count in the current period compared to the prior period. Intellectual property costs decreased in the nine months ended March 31, 2020 compared to the nine months ended March 31, 2019 as we have refined our patent portfolio by focusing on our most important patent claims in the most strategic 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.

General and Administrative

General and administrative expenses were \$3,045,017 for the nine months ended March 31, 2020 compared to \$2,796,884 for the nine months ended March 31, 2019.

A significant portion of the increase was due to higher professional fees, office and sundry, and personnel expenses partially offset by lower non-cash, share-based compensation expense in the current period compared to the prior period.

Professional fees increased due to a variety of factors including accounting and legal fees and increased investor outreach expenses during the nine months ended March 31, 2020 compared to the nine months ended March 31, 2019. Office and sundry has increased in the nine months ended March 31, 2020 compared to the nine months ended March 31, 2019 due primarily to costs of higher directors' and officers' liability insurance.

In relation to general and administrative expenses during the nine months ended March 31, 2020, we incurred non-cash, share-based compensation expense relating to warrants issued for services and stock option expense while during the nine months ended March 31, 2019, we incurred non-cash, share-based compensation expense relating to performance share units, warrants issued for services, and stock option expense. All performance share units were canceled on April 30, 2019 so there was no related expense incurred during the nine months ended March 31, 2020.

Preferred Share Dividends

For each of the nine-month periods ended March 31, 2020 and 2019 we recorded \$6,267 related to the dividend payable to Valent on the Series A preferred stock. The dividend has been recorded as a direct increase in accumulated deficit for both periods.

During the nine months ended March 31, 2020, we issued 11,100 (2019 – 14,430) shares of common stock as a dividend on the Series B Preferred stock and recognized \$6,071 (2019 - \$75,477) as a direct increase in accumulated deficit.

Liquidity and Capital Resources

Nine months ended March 31, 2020 compared to the nine months ended March 31, 2019

	March 31, 2020	March 31, 2019	Change	Change
	\$	\$	\$	%
Cash flows from operating activities	(5,348,629)	(4,514,674)	(833,955)	18
Cash flows from financing activities	6,603,249	694,912	5,908,337	850

The COVID-19 pandemic has created significant economic uncertainty and volatility in the credit and capital markets. We have cash available to fund planned operations into the fourth quarter of calendar 2020. Consequently, management is pursuing various financing alternatives to fund our operations so we can continue as a going concern. However, the COVID-19 pandemic has created significant economic uncertainty and volatility in the credit and capital markets. Management plans to secure the necessary financing through the issue of new equity and/or the entering into of strategic partnership arrangements but the ultimate impact of the COVID-19 pandemic on our ability to raise additional capital is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak and new information which may emerge concerning the severity of the COVID-19 pandemic. We may not be able to raise sufficient additional capital and may tailor our drug candidate development program based on the amount of funding we are able to raise in the future. Nevertheless, there is no assurance that these initiatives will be successful.

Operating Activities

Net cash used in operating activities increased to \$5,348,629 for the nine months ended March 31, 2020 from \$4,514,674 for the nine months ended March 31, 2019. During the nine months ended March 31, 2020 and 2019 we reported net losses of \$5,302,904 and \$5,465,486, respectively. Non-cash items relating to amortization of intangible assets, warrants and shares issued for services, performance stock unit expense (2019 only), and stock option expense totaled \$461,014 (2019 - \$598,944) for the nine months ended March 31, 2020. The most significant changes in working capital for the nine months ended March 31, 2020 were from a use of cash from a reduction in accounts payable and accrued liabilities of \$658,946 and a source of cash from the reduction in prepaid expenses of \$165,383. The most significant change in working capital for the nine months ended March 31, 2019 was cash from a reduction in prepaid expenses and deposits of \$794,859 largely due to a partial refund of a clinical study deposit, and cash used in a decrease in accounts payable and accrued liabilities of \$425,383.

Financing Activities

During the nine months ended March 31, 2020 we received \$6,582,966 in net proceeds from the completion of an underwritten public offering by us of common stock, pre-funded warrants, and common stock purchase warrants. Additionally, we received \$26,550 pursuant to the exercise of warrants in the current period. During the nine months ended March 31, 2019, we received \$726,719 from the exercise of warrants.

Going Concern and Capital Expenditure Requirements

Going Concern

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

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

For the nine months ended March 31, 2020, we reported a loss of \$5,302,904 and negative cash flow from operations of \$5,348,629. As of March 31, 2020, we had an accumulated deficit of \$65,893,587 and cash and cash equivalents on hand of \$4,973,378. We are in the development stage and have not generated any revenues to date. We do not have the prospect of achieving revenues until such time that our product candidate is commercialized, or partnered, which may not ever occur. In the near future, we will require additional funding to maintain our clinical trials, research and development projects, and for general operations. These circumstances indicate substantial doubt exists about our ability to continue as a going concern.

Consequently, management is pursuing various financing alternatives to fund our operations so we can continue as a going concern. However, the COVID-19 pandemic has created significant economic uncertainty and volatility in the credit and capital markets. Management plans to secure the necessary financing through the issue of new equity and/or the entering into of strategic partnership arrangements but the ultimate impact of the COVID-19 pandemic on our ability to raise additional capital is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak and new information which may emerge concerning the severity of the COVID-19 pandemic. We may not be able to raise sufficient additional capital and may tailor our drug candidate development program based on the amount of funding we are able to raise in the future. Nevertheless, there is no assurance that these initiatives will be successful.

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

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

- the rate of progress and cost of our clinical trials, preclinical studies and other discovery and research and development activities;
- the costs associated with establishing manufacturing and commercialization capabilities;
- the costs of acquiring or investing in businesses, product candidates and technologies;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the costs and timing of seeking and obtaining FDA and other regulatory approvals;
- the effect of competing technological and market developments;
- the economic and other terms and timing of any collaboration, licensing or other arrangements into which we may enter; and
- the impact of us being a public entity.

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

Critical Accounting Policies

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

A detailed presentation of all of our significant accounting policies and the estimates derived therefrom is included in Note 2 to our consolidated financial statements for the year ended June 30, 2019 contained in our Form 10-K filed with the SEC on September 9, 2019. While all of the significant accounting policies are important to our condensed consolidated financial statements, the following accounting policies and the estimates derived therefrom are critical:

- Warrants and shares issued for services
- Stock options
- Accruals for research and development expenses and clinical trials

Warrants and shares issued for services

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

Stock options

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

Accruals for research and development expenses and clinical trials

As part of the process of preparing our financial statements, we are required to estimate our expenses resulting from our obligations under contracts with vendors, clinical research organizations and consultants, and under clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations, which vary from contract to contract and may result in payment terms that do not match the periods over which materials or services are provided under such contracts. Our objective is to reflect the appropriate expenses in our financial statements by matching those expenses with the period in which services are performed and efforts are expended. We account for these expenses according to the timing of various aspects of the expenses. We determine accrual estimates by taking into account discussion with applicable personnel and outside service providers as to the progress of clinical trials, or the services completed. During the course of a clinical trial, we adjust our clinical expense recognition if actual results differ from our estimates. We make estimates of our accrued expenses as of each balance sheet date based on the facts and circumstances known to us at that time. Our clinical trial accruals are dependent upon the timely and accurate reporting of contract research organizations and other third-party vendors. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in us reporting amounts that are too high or too low for any particular period. For the three and nine months ended March 31, 2020 and 2019, there were no material adjustments to our prior period estimates of accrued expenses for clinical trials.

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, 2019, filed with the SEC on September 9, 2019.

Changes in internal controls

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2020 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.

We face significant risks related to the COVID-19 pandemic, or the widespread outbreak of any other communicable disease, which could have material and adverse impacts on our business, financial condition, liquidity and results of operations.

We face risks related to health epidemics or outbreaks of communicable diseases, including the recent outbreak around the world of the highly transmissible and pathogenic coronavirus, COVID-19. The outbreak of such communicable diseases could result in a widespread health crisis that could adversely affect general commercial activity and the economies and financial markets of many countries.

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China and on March 11, 2020 was declared a pandemic by the World Health Organization. The ultimate impact of the COVID-19 pandemic on our operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or us, may determine are needed.

To date, many countries around the world have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of COVID-19 and have closed non-essential businesses. As local jurisdictions continue to put restrictions in place, our ability to continue to operate our business may also be limited. Such events may result in a period of business, supply and drug product manufacturing disruption, and in reduced operations, any of which could materially affect our business, financial condition and results of operations.

We are currently conducting our clinical studies in multiple countries where there has been a COVID-19 outbreak. Changes in circumstances surrounding COVID-19, such as additional travel limitations imposed by governmental authorities could result in new patients being unable to be enrolled in our studies, or existing patients being unable to continue to receive treatment, could impact the cost of our studies as we may have to enroll additional patients in order to obtain the data necessary to be able to conclude our studies. We cannot predict whether any of our clinical testing sites will withdraw from participation in any of our studies temporarily, or permanently. In addition, even if we are able to fully enroll and treat all patients in our studies, obtaining full data could be impacted by an inability to ship and analyze samples, or otherwise complete data assessment. Further, if the patients enrolled in our clinical studies become infected with COVID-19, we may have more adverse events and deaths in our clinical studies as a result. We may also face difficulties enrolling patients in our clinical studies if the patient populations that are eligible for our clinical studies are impacted by the coronavirus disease. Vulnerable patients, such as the cancer patients enrolled in our clinical studies, may be at a higher risk of contracting COVID-19 and may experience more severe symptoms from the disease, adversely affecting our chances for regulatory approval, or requiring further clinical studies. The continued spread of COVID-19 globally, and the resulting travel restrictions in place by governments to help stop the spread of COVID-19, could adversely impact our clinical study operations, including the ability of our principal investigators and site staff to travel to our clinical study sites, and our ability to recruit and retain principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19 if an outbreak occurs in their geography.

In addition, the continued impact resulting from the COVID-19 outbreak in areas where we have manufacturing operations for our clinical drug supply, or where our suppliers or distributors operate, or if the COVID-19 outbreak in these areas were to increase in severity, and the measures taken by the governments of countries affected, could adversely affect our business, financial condition, or results of operations by limiting our ability to manufacture or ship materials, or by forcing temporary closure of facilities that we rely upon.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common shares.

If we fail to comply with the continued minimum closing bid requirements of the Nasdaq Capital Market LLC (“Nasdaq”) by December 7, 2020 or other requirements for continued listing, including stockholder equity requirements, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.

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

On September 26, 2019, the Nasdaq Staff notified us that we did not comply with the minimum \$1.00 per share bid price requirement for continued listing, as set forth in Nasdaq Listing Rule 5550(a)(2), and we had 180 calendar days, or until March 24, 2020, to regain compliance. On March 25, 2020, we received a written notice from the Nasdaq Staff confirming the Company's eligibility for continued listing of its common stock on Nasdaq pursuant to an additional 180 calendar day extension through September 21, 2020. On April 20, 2020, we received a written notice from the Nasdaq Staff stating that, in response to the COVID-19 pandemic and related market conditions, Nasdaq had filed a rule change with the SEC to suspend the compliance period for the minimum closing bid price requirement from April 16, 2020 through June 30, 2020. As a result, we have until December 7, 2020 to regain compliance. The closing bid price of our securities must be at least \$1.00 per share for a minimum of ten consecutive business days to regain compliance, either during the suspension or during the compliance period resuming after the suspension.

If we are unable to regain compliance with the minimum closing bid price requirement by December 7, 2020, or if we fail to meet any of the other continued listing requirements, including stockholder equity requirements, our securities may be delisted from Nasdaq, which could reduce the liquidity of our common stock materially and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees and business development opportunities. Such a delisting likely would impair your ability to sell or purchase our common stock when you wish to do so. Further, if we were to be delisted from Nasdaq, our common stock may no longer be recognized as a "covered security" and we would be subject to regulation in each state in which we offer our securities. Thus, delisting from Nasdaq could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly impact the ability of investors to trade our securities and would negatively impact the value and liquidity of our common stock.

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

During the three months ended March 31, 2020, we issued 3,700 shares of common stock as dividends on our outstanding shares of Series B Preferred Stock and 8,752 shares of common stock in relation to services received by us.

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

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

No.	Description
31.1	Rule 13a-14(a)/ 15d-14(a) Certification of Chief Executive Officer*
31.2	Rule 13a-14(a)/ 15d-14(a) Certification of Chief Financial Officer*
32.1	Section 1350 Certification of Chief Executive Officer**
32.2	Section 1350 Certification of Chief Financial Officer**
EX-101.INS	XBRL INSTANCE DOCUMENT
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

* Filed herewith.

** Furnished herewith.

+ Indicates management contract or compensatory plan.

SIGNATURES

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

Date: May 13, 2020

DelMar Pharmaceuticals, Inc.

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

Date: May 13, 2020

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

Certifications

I, Saiid Zarrabian, certify that:

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

Date: May 13, 2020

/s/ Saiid Zarrabian

Saiid Zarrabian
Chief Executive Officer
(Principal Executive Officer)

Certifications

I, Scott Praill, 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 13, 2020

/s/ Scott Praill

Scott Praill
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of DeMar Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Saiid Zarrabian, Chief Executive Officer of the Company, certify to my knowledge and in my capacity, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: May 13, 2020

/s/ Saiid Zarrabian

Saiid Zarrabian

Chief Executive Officer

(Principal Executive Officer)

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

In connection with the Quarterly Report of DeMar Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott Prail, Chief Financial Officer of the Company, certify to my knowledge and in my capacity, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: May 13, 2020

/s/ Scott Prail

Scott Prail
Chief Financial Officer
(Principal Financial Officer)