Un-audited Condensed Consolidated Interim Financial Statements of

InMed Pharmaceuticals Inc.

For the Three and Nine Months Ended March 31, 2018

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InMed Pharmaceuticals Inc.
(Expressed in Canadian Dollars)
March 31, 2018

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Financial Statements

InMed Pharmaceuticals Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (un-audited)

As at March 31, 2018 and June 30, 2017

Expressed in Canadian Dollars

	Note	March 31 2018	June 30 2017
ASSETS			
Current			
Cash and cash equivalents		$ 11,549,971	$ 6,707,796
Short-term investments	4	2,331,655	-
Taxes recoverable	5	50,505	59,148
Prepaids and advances		41,561	177,577
Total current assets		13,973,692	6,944,521
Non-Current			
Property and equipment	6	63,793	27,049
Intangible assets	7	1,296,330	1,364,558
Total Assets		$ 15,333,815	$ 8,336,128
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade payables	8	636,152	369,674
SHAREHOLDERS' EQUITY			
Share capital	9	54,311,635	43,153,871
Contributed surplus	9, 10	8,671,900	7,606,735
Accumulated deficit		(48,285,872)	(42,794,152)
		14,697,663	7,966,454
		$ 15,333,815	$ 8,336,128

Commitments (Note 18)

Approved on behalf of the Board of Directors by:

/s/ Eric A. Adams
Eric A. Adams, Director

/s/ Adam Cutler
Adam Cutler, Director

InMed Pharmaceuticals Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (un-audited)

For the three and nine months ended March 31, 2018 and March 31, 2017

Expressed in Canadian Dollars

		Three Months Ended March 31		Nine Months Ended March 31	
	Note	2018	2017	2018	2017
Expenses					
General and administrative	11	$ 814,982	$ 881,061	$ 2,391,617	$ 1,566,831
Research and development	12	554,750	174,856	1,350,182	367,913
Amortization and depreciation	6, 7	30,088	29,135	87,123	74,194
Foreign exchange (gain) loss		2,846	1,521	5,842	(1,829)
Share-based payments	10	758,350	154,375	1,691,722	591,086
Total expenses		2,161,016	1,240,948	5,526,486	2,598,195
Interest income		33,059	-	34,766	-
Total comprehensive loss for the period		$ (2,127,957)	$ (1,240,948)	$ (5,491,720)	$ (2,598,195)
Basic and diluted loss per share for the period	14	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.03)

InMed Pharmaceuticals Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (un-audited)

For the nine months ended March 31, 2018 and March 31, 2017

Expressed in Canadian Dollars

	Note	Share Capital	Obligation to issue Shares	Shares Subscribed	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2016		$32,777,875	$70,000	$131,400	$6,402,550	($38,320,303)	$1,061,522
Loss for the period		-	-	-	-	(2,598,195)	(2,598,195)
Share-based payments for services	9	206,646	-	-	-	-	206,646
Share-based payments	10	-	-	-	591,086	-	591,086
Shares for debt	9	108,169	-	-	-	-	108,169
Shares issed for cash	9	5,032,283	-	(131,400)	-	-	4,900,883
Fair value of agents' warrants	9	-	-	-	57,058	-	57,058
Share issue costs	9	(209,257)	-	-	-	-	(209,257)
Balance March 31, 2017		$37,915,716	$70,000	$0	$7,050,694	($40,918,498)	$4,117,912

	Note	Share Capital	Obligation to issue Shares	Shares & Warrants Subscribed	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2017		$43,153,871	$0	$0	$7,606,735	($42,794,152)	$7,966,454
Loss for the period		-	-	-	-	(5,491,720)	(5,491,720)
Shares issued for cash	9	9,400,000	-	-	-	-	9,400,000
Share issue costs	9	(1,505,022)	-	-	-	-	(1,505,022)
Share-based payments for services	9	41,790	-	-	-	-	41,790
Share-based payments	10	-	-	-	1,691,722	-	1,691,722
Shares issued on exercise of warrants	9	612,931	-	-	-	-	612,931
Fair value of agents' warrants	9	-	-	-	694,558	-	694,558
Fair value of agents' warrants exercised	9	91,760	-	-	(91,760)	-	-
Shares issued on exercise of stock options	10	2,516,305	-	-	(1,229,355)	-	1,286,950
Balance March 31, 2018		**$54,311,635**	**$0**	**$0**	**$8,671,900**	**($48,285,872)**	**$14,697,663**

InMed Pharmaceuticals Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (un-audited)

For the nine months ended March 31, 2018 and March 31, 2017

Expressed in Canadian Dollars

	Note	2018	2017
OPERATING ACTIVITIES			
Cash flows from operating activities			
Loss for the period		$ (5,491,720)	$ (2,598,195)
Adjustments to reconcile loss to net cash used in operating activities			
Amortization and depreciation	6, 7	87,123	74,194
Share-based payments	10	1,691,722	591,086
Shares issued for services	9	-	206,646
Accrued interest income on short-term investments		(2,905)	-
Changes in non-cash working capital balances:			
Prepaids and advances		136,015	(135,062)
Taxes recoverable	5	8,643	(41,544)
Trade payables	8	266,480	(152,227)
Total cash outflows from operating activities		(3,304,642)	(2,055,102)
Cash Flows From Investing Activities			
Purchase of short-term investments		(2,328,750)	-
Purchase of property and equipment	6	(55,639)	(15,159)
Total cash outflows from investing activities		(2,384,389)	(15,159)
Cash Flows From Financing Activities			
Subscriptions received	9	-	(131,400)
Shares issued for cash	9	11,299,881	5,032,283
Share issue costs	9	(768,675)	(152,200)
Cash provided by financing activities		10,531,206	4,748,683
Increase in cash during the period		4,842,175	2,678,422
Cash and cash equivalents beginning of the period		6,707,796	54,241
Cash and cash equivalents end of the period		$ 11,549,971	$ 2,732,663

See note 17 for Non-Cash Transactions

1. CORPORATION INFORMATION

InMed Pharmaceuticals Inc. ("InMed" or the "Company") was incorporated in the Province of British Columbia on May 19, 1981 under the *Business Corporations Act* of British Columbia.

The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "IN", and under the trading symbol "IMLFF" on the OTCQB. Prior to March 26, 2018, the Company's shares were listed on the Canadian Securities Exchange ("CSE").

InMed is a pre-clinical stage biopharmaceutical company specializing in the research and development of novel, cannabinoid-based therapies combined with innovative drug delivery systems.

InMed's corporate office and principal place of business is located at #340 – 200 Granville Street, Vancouver, B.C., Canada, V6C 1S4.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements for the three and nine month periods ended March 31, 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's June 30, 2017 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee.

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2017 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from July 1, 2017.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 10, 2018.

These condensed consolidated interim financial statements have been prepared on the historical cost basis as modified, when applicable, by the revaluation of available-for-sale financial assets.

These condensed consolidated interim financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Basis of Consolidation

These consolidated financial statements include the accounts of the inactive subsidiaries: Biogen Sciences Inc. ("BSI"), Meridex Network Corporation, Savicon Inc., Meridex USA and Sweetnam Consulting Inc.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Consolidation (cont'd)

A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements.

Continuing Operations

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities. The Company has a history of operating losses and negative cash flows from operations. The Company's ability to continue its operations on a going concern basis is dependent upon receiving continued support from its suppliers, its ability to raise additional financing through issuing equity or debt, and ultimately achieving profitable operations. There is no assurance that the Company will be successful in these efforts. These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company was unable to continue as a going concern and such adjustments could be material.

Future Accounting Pronouncements

The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company is currently assessing the impact of the standards on the consolidated financial statements.

IFRS 9 Financial Instruments

Issued by IASB July, 2014
Effective for annual periods beginning on or after January 1, 2018

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- Classification and measurement of financial liabilities:
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Future Accounting Pronouncements (cont'd)

IFRS 9 Financial Instruments (cont'd)

- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).
- *Derecognition:*
  The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 16 Leases

Issued by IASB January, 2016
Effective for annual periods beginning on or after January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:
- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial period are discussed below:

Estimate of useful life of intangible assets

In the determination of the estimated useful life for intangible assets, which include the Company's Bioinformatics Assessment Tool and certain patents, management assesses a variety of internal and external factors such as the expected usage of the intangible assets by the Company, technical or commercial obsolescence and expected actions by competitors or potential competitors.

Application of going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period.

Assets' impairment

In the determination of potential impairment charges, management looks at the higher of value in use or fair value less costs to sell in the case of assets and at significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Share-based payments and warrants

Management determines costs for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

4. SHORT-TERM INVESTMENTS

Short-term investments consists of guaranteed investment certificates with maturities of greater than three months and less than one year and earn interest at floating and fixed rates based on daily deposit rates. A short-term investment of $28,750 is pledged as security for a corporate credit card.

(Expressed in Canadian Dollars)

5. RECEIVABLES

		March 31 2018		June 30 2017
Taxes recoverable	$	50,505	$	59,148
	$	50,505	$	59,148

Taxes recoverable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

Management considers that the fair values of these receivables, which are expected to be recovered quarterly, are not materially different from their carrying amounts because these amounts have short maturity periods on inception.

6. PROPERTY AND EQUIPMENT

		Equipment		Leasehold Improvements		Total
Cost						
Balance at June 30, 2016	$	9,330	$	—	$	9,330
Assets acquired		25,393		—		25,393
Balance at June 30, 2017	$	34,723	$	—	$	34,723
Assets acquired		19,078		36,561		55,639
Balance March 31, 2018	**$**	**53,801**	**$**	**36,561**	**$**	**90,362**
Depreciation and impairment losses						
Balance at June 30, 2016	$	4,604	$	—	$	4,604
Depreciation for the period		3,070		—		3,070
Balance at June 30, 2017	$	7,674	$	—	$	7,674
Depreciation for the period		8,681		10,214		18,895
Balance March 31, 2018	**$**	**16,355**	**$**	**10,214**	**$**	**26,569**
Carrying amounts						
Carrying value at June 30, 2017	$	27,049	$	—	$	27,049
Carrying value at March 31, 2018	**$**	**37,446**	**$**	**26,347**	**$**	**63,793**

(Expressed in Canadian Dollars)

7. INTANGIBLE ASSETS

	Intellectual Property
Costs	
Balance at June 30, 2016	$1,636,000
Balance at June 30, 2017	$1,636,000
Balance at March 31, 2018	**$1,636,000**
Accumulated amortization and impairment losses	
Balance at June 30, 2016	$176,689
Amortization	94,753
Balance at June 30, 2017	$271,442
Amortization	68,228
Balance at March 31, 2018	**$339,670**
Carrying amounts	
Carrying value at June 30, 2017	$1,364,558
Carrying value at March 31, 2018	**$1,296,330**

The acquired intellectual property, which consists of the Company's Bioinformatics Assessment Tool and certain patents, is recorded at cost and is amortized on a straight line basis over an estimated useful life of 18 years net of any accumulated impairment losses.

Acquisitions

On October 28, 2015, the Company entered into a purchase agreement with Dr. Sazzad Hossain, the Company's Chief Scientific Officer, to acquire certain patents from Dr. Hossain, in return for the obligation of the Company to issue 1,000,000 common shares to Dr. Hossain. The 1,000,000 common shares have an aggregate recorded value at $140,000, or $0.14 per share, as determined by the closing price of the shares on the CSE on October 28, 2015. As at June 30, 2016, 500,000 of such common shares had been issued to Dr. Hossain; accordingly, the Company had an obligation to issue a further 500,000 common shares valued at $70,000 to Dr. Hossain under the terms of the purchase agreement between the parties dated October 28, 2015. These 500,000 common shares were issued on May 5, 2017 (Note 9).

On May 10, 2014, the Company entered into a Share Purchase Agreement ("SPA") to acquire Biogen Sciences Inc. ("BSI"), a privately held British Columbia biopharmaceutical company focused on drug discovery and development of the therapeutic science of cannabinoids.

On May 21, 2014, pursuant to the terms of the SPA the Company acquired 100% of the outstanding common shares of BSI. The aggregate purchase price included the issuance of 4,000,000 common shares of the Company to the vendors with a recorded value of $1,360,000 (issue price of $0.34, as determined by the closing price of the shares on the CSE on May 21, 2014) and the issuance of 400,000 common shares of the Company as finders' fees with a recorded value of $136,000 (issue price of $0.34, as determined by the closing price of the shares on the CSE on May 21, 2014).

The Company determined the acquisition of BSI did not meet the definition of a business pursuant to IFRS and accordingly the purchase has been accounted for as an asset acquisition, with the primary assets acquired being the intellectual property which includes the Bioinformatics Assessment Tool and a pending patent application. Pursuant to the completion of the acquisition, BSI became a wholly owned subsidiary of InMed.

(Expressed in Canadian Dollars)

8. TRADE PAYABLES

	March 31 2018	June 30 2017
Trade payables	$ 636,152	$ 369,674
Total	$ 636,152	$ 369,674

9. SHARE CAPITAL AND RESERVES

a) Authorized

As at March 31, 2018, the Company's authorized share structure consisted of: (i) an unlimited number of common shares without par value; and (ii) unlimited number of preferred shares without par value.

b) Common Shares

	Number	Issue Price	Total
Balance at June 30, 2016	68,232,862		$32,777,875
Issued shares for debt	983,355	$0.11	108,169
Issued for private placement	31,383,334	$0.07 - $0.18	3,295,500
Issued for public placement	12,788,000	$0.45	5,754,599
Issued for intangible assets	500,000	$0.14	70,000
Issued for services	641,165	$0.17 - $0.415	206,646
Issued for exercise of warrants	12,325,750	$0.13 - $0.30	1,678,458
Grant date fair value of agents' warrants exercised	—	—	111,288
Issued for exercise of stock options	875,000	$0.14 - $0.345	152,625
Grant date fair value of stock options exercised	—	—	137,633
Cancellation of escrow shares	(80,000)	—	—
Share issue costs			(1,138,922)
Balance at June 30, 2017	127,649,466	—	$43,153,871
Issued for private placement	13,428,571	$0.70	9,400,000
Share issue costs	—	—	(1,505,022)
Issued for services	35,718	$1.17	41,790
Issued for exercise of warrants	5,648,947	$0.15 - $0.65	612,931
Grant date fair value of agents' warrants exercised	—	—	91,760
Issued for exercise of stock options	6,030,295	$0.11 - $0.45	1,286,950
Grant date fair value of stock options exercised	—	—	1,229,355
Balance at March 31, 2018	**152,792,997**	—	**$54,311,635**

During the nine months ended March 31, 2018, the Company completed the following:

i) On January 3, 2018, the Company completed a non-brokered private placement ("Jan-2018 Financing") for 13,428,571 units ("Jan-2018 Units"), at a price of $0.70 per Jan-2018 Unit for gross proceeds of $9,400,000. Each Unit consists of one common share and one non-transferable share purchase warrant (a "Jan-2018 Warrant"). Each Jan-2018 Warrant is exercisable by the holder to acquire one additional common share at a price of $1.25 for a period of eighteen (18) months expiring on July 3, 2019.

9. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares (cont'd)

Share issue costs from the sale of Jan-2018 Units of $1,505,022 is comprised of $621,688 in finders' fees, the non-cash fair value of $694,558 for 433,556 warrants ("January-2018 Agent Warrants") issued to finders and $188,776 of other transaction costs. The January-2018 Agent Warrants have identical terms as the January-2018 Warrants described above. For the $621,688 in finders' fees, $41,790 was settled on February 9, 2018 via the issuance of 35,718 common shares at the $1.17 closing price on the date of issuance of these shares.

ii) The Company issued an aggregate 5,648,947 common shares pursuant to the exercise of 7,979,966 share purchase warrants at a weighted average exercise price of $0.44 per share. Included in the total number of share purchase warrants exercised were 3,469,955 share purchase warrants, with a weighted average exercise price of $0.18 each, that were exercised for cash and 4,510,011 share purchase warrants with an exercise price of $0.65 each that, pursuant to the terms of a May 31, 2017 financing, were exercised on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the CSE ending on the date immediately preceding the date of exercise. The exercise of these 4,510,011 share purchase warrants resulted in the issuance of 2,178,992 common shares but, as they were exercised on a net cashless basis, no cash was received.

iii) The Company issued an aggregate 6,030,295 common shares pursuant to the exercise of 6,145,000 stock options at a weighted average exercise price of $0.22 per share. Included in the total number of stock options exercised were 300,000 stock options with an exercise price of $0.195 per share that, pursuant to the terms of a settlement agreement with the stock option holder, were exercised on a net cashless basis, based on the $0.51 per common share closing price of the Company on the CSE on the date immediately preceding the date of exercise. The exercise of these 300,000 stock options resulted in the issuance of 185,295 common shares.

During the year ended June 30, 2017, the Company completed the following:

iv) On July 6, 2016, the Company issued an aggregate 983,355 common shares pursuant to the settlement of trade payable debt in the amount of $108,169 at an issue price of $0.11 per common share.

v) On July 28, 2016, the Company completed a non-brokered private placement ("July-2016 Financing") for 4,350,000 units ("July-2016 Units"), at a price of $0.07 per July-2016 Unit for gross proceeds of $304,500 (which includes subscriptions of $131,400 received as at June 30, 2016). Each July-2016 Unit consists of one common share and one non-transferable share purchase warrant (a "July-2016 Warrant"). Each July-2016 Warrant is exercisable by the holder to acquire one additional common share at a price of $0.15 for a period of twelve (12) months expiring on July 28, 2017.

Finders' fees of 7.0% on a portion of the gross proceeds received by the Company from the sale of Units sold pursuant to the July-2016 Financing included cash of $2,706, and 28,000 warrants ("July-2016 Agent Warrants"). Each July-2016 Agent Warrant is exercisable in whole or in part at an exercise price of $0.15 for a period of 12 months expiring on July 28, 2017.

9. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares (cont'd)

vi) On October 27, 2016, the Company completed a non-brokered private placement (the "October-2016 Financing") for 18,750,000 common shares, at a price of $0.08 per share for gross proceeds of $1,500,000.

Finders' fees of 7.5% on a portion of the gross proceeds received by the Company from the sale of Units sold pursuant to the October-16 Financing included cash of $637, and 237,500 compensation shares valued at $0.17 per share.

vii) On January 18, 2017, the Company completed a non-brokered private placement (the "January-2017 Financing") for 8,283,334 common shares, at a price of $0.18 per share for gross proceeds of $1,491,000.

Finders' fees of 7.5% on a portion of the gross proceeds received by the Company from the sale of Units sold pursuant to the January-2017 Financing included cash of $45,237, 153,665 compensation shares valued at $0.415 per share, and 170,364 warrants ("January-2017 Agent Warrants"). Each January-2017 Agent Warrant is exercisable in whole or in part at an exercise price of $0.18 for a period of 12 months expiring on January 18, 2018.

viii) Pursuant to a February 21, 2017 agreement with a consultant to the Company, on March 1, 2017 the Company issued 250,000 common shares at a value of $0.41 per common share, being the closing price of the shares on February 21, 2017 on the CSE, as partial payment for services.

ix) On May 1, 2017, the Company cancelled and returned to treasury 80,000 common shares of the Company which had been held in escrow since February 9, 2000 pursuant to an escrow agreement between the Company, Montreal Trust Company of Canada (now part of Computershare Investor Services Inc.), and two shareholders. These 80,000 common shares were originally issued upon the closing of a reverse takeover transaction on February 9, 2000 as performance shares and were placed into escrow on closing. Under the terms of the Escrow Agreement, any such performance shares not released by February 9, 2010 were to be cancelled. As none of the performance criteria were achieved, none of these common shares were ever released from escrow prior to their cancellation on May 1, 2017.

x) On May 5, 2017, the Company issued the remaining 500,000 common shares, valued at $70,000, due to the Company's Chief Scientific Officer, pursuant to an October 28, 2015 purchase agreement to acquire certain patents from Dr. Hossain.

xi) On May 31, 2017, the Company completed a public placement ("May-2017 Financing") of 12,788,000 units ("Units"), at a price of $0.45 per Unit for gross proceeds of $5,754,601. Each Unit consists of one common share and one-half non-transferable share purchase warrant (a "May-2017 Warrant"), or an aggregate of 6,394,000 full May-2017 Warrants. Each full May-2017 Warrant is exercisable by the holder to acquire one additional common share at a price of $0.65 for a period of twenty-four (24) months expiring on May 31, 2019. The May-2017 Warrants are only exercisable on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the CSE ending on the date immediately preceding the date of exercise.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares (cont'd)

Underwriters' commissions of up to 7.0% on the gross proceeds received by the Company from the sale of Units sold pursuant to the May-2017 Financing included cash of $370,132 and 535,620 warrants ("Agent Warrants"). Each Agent Warrant is exercisable in whole or in part at an exercise price of $0.45 for a period of 12 months expiring on May 31, 2018.

xii) During the year ending June 30, 2017, the Company issued an aggregate 12,325,750 common shares pursuant to the exercise of share purchase warrants at a weighted average exercise price of $0.14 per share.

xiii) During the year ending June 30, 2017, the Company issued an aggregate 875,000 common shares pursuant to the exercise of stock options at a weighted average exercise price of $0.17 per share.

c) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from July 1, 2016 to March 31, 2018:

	Number	Weighted Average Share Price
Balance as at June 30, 2016	11,504,998	$0.15
Granted	10,744,000	$0.45
Exercised	(11,715,000)	$0.14
Expired	(1,099,998)	$0.30
Balance as at June 30, 2017	9,434,000	$0.49
Granted	13,428,571	$1.25
Exercised	(7,550,011)	$0.45
Balance as at March 31, 2018	**15,312,560**	**$1.18**

Included in the total number of share purchase warrants exercised were 3,040,000 share purchase warrants, with a weighted average exercise price of $0.15 each, that were exercised for cash and 4,510,011 share purchase warrants that, pursuant to the terms of a May 31, 2017 financing, were exercised on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the stock exchange that the Company's shares were trading on at that time (either the TSX or CSE) ending on the date immediately preceding the date of exercise. The exercise of these 4,510,011 share purchase warrants resulted in the issuance of 2,178,992 common shares but, as they were exercised on a net cashless basis, no cash was received.

At March 31, 2018, 15,312,560 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

	Number	Exercise Price	Expiry Date
	1,883,989	$0.65	May 31-19
	13,428,571	$1.25	July 3-19
Balance as at March 31, 2018	**15,312,560**		

The weighted average remaining contractual life of the share purchase warrants at March 31, 2018 was 1.25 years.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd)

d) Agents Warrants

The following is a summary of changes in agents' warrants from July 1, 2016 to March 31, 2018:

	Number	Weighted Average Share Price
Balance as at June 30, 2016	581,450	$0.14
Granted	733,984	$0.38
Expired	(610,750)	$0.13
Exercised	(33,700)	$0.29
Balance as at June 30, 2017	670,984	$0.40
Granted	433,556	$1.25
Exercised	(429,955)	$0.36
Balance as at March 31, 2018	**674,585**	**$0.96**

At March 31, 2018, 674,585 Agent Warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

	Number	Exercise Price	Expiry Date
	241,029	$0.45	May 31-18
	433,556	$1.25	July 3-19
Balance as at March 31, 2018	**674,585**		

The weighted average remaining contractual life of the Agents' Warrants at March 31, 2018 was 0.87 years.

e) Contributed Surplus

Contributed surplus consists of the grant date fair value of stock options and agent warrants granted since inception, less amounts transferred to share capital for exercised stock options and agent warrants. If granted options vest and then subsequently expire or are forfeited, no reversal of contributed surplus is recognized.

f) Nature and Purpose of Equity Reserves

The reserves recorded in equity on the Company's Statement of Financial Position include 'Contributed Surplus' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and agents' warrants prior to exercise.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings (loss) from year to year.

10. SHARE-BASED PAYMENTS

a) Option Plan Details

On March 24, 2017, the Company held a special meeting of its shareholders at which the Company's shareholders approved: (i) the adoption of a new stock option plan (the "Plan") pursuant to which the board of directors may, from time to time, in its discretion and in accordance with the requirements of the TSX, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed twenty percent (20%) of the issued and outstanding common shares at the date the options are granted (on a non-diluted and rolling basis); (ii) the application of the new stock option plan to all outstanding stock options of the Company that were granted prior to March 24, 2017 under the terms of the Company's previous stock option plan.

As at March 31, 2018, there was 15,053,599 (June 30, 2017 – 9,329,893) options available for future allocation. The option price under each option shall be not be less than the closing price on the day prior to the date of grant. All options vest upon terms as set by the Board of Directors. Starting in May 2016, the Board of Directors adopted a practice of having options vest over time, typically 18 to 24 months, and/or upon the achievement of certain corporate milestones.

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (cont'd)

a) Option Plan Details (cont'd)

The following is a summary of changes in options from July 1, 2017 to March 31, 2018:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Cancelled	Closing Balance	Vested and Exercisable	Unvested
4-Apr-14	4-Apr-19	$0.255	250,000	-	(250,000)	-	-	-	-
5-Jun-14	5-Jun-19	$0.18	50,000	-	(50,000)	-	-	-	-
31-Jul-14	31-Jul-19	$0.18	50,000	-	(50,000)	-	-	-	-
25-Nov-14	25-Nov-19	$0.180	50,000	-	(50,000)	-	-	-	-
2-Mar-15	2-Mar-20	$0.345	150,000	-	(150,000)	-	-	-	-
4-Mar-15	4-Mar-20	$0.360	200,000	-	-	-	200,000	200,000	-
25-Aug-15	25-Aug-20	$0.210	150,000	-	(100,000)	-	50,000	50,000	-
23-Nov-15	23-Nov-20	$0.145	200,000	-	-	-	200,000	200,000	-
27-Nov-15	27-Nov-20	$0.140	1,300,000	-	(750,000)	-	550,000	550,000	-
16-May-16	16-May-21	$0.080	2,000,000	-	-	-	2,000,000	2,000,000	-
10-Jun-16	10-Jun-21	$0.130	1,000,000	-	-	-	1,000,000	800,000	200,000
15-Jun-16	15-Jun-21	$0.110	2,000,000	-	-	-	2,000,000	2,000,000	-
26-Jul-16	26-Jul-21	$0.11	1,750,000	-	(1,000,000)	-	750,000	600,000	150,000
12-Sep-16	12-Sep-21	$0.11	1,000,000	-	-	-	1,000,000	800,000	200,000
28-Oct-16	28-Oct-21	$0.195	2,700,000	-	(1,650,000)	-	1,050,000	650,000	400,000
15-Nov-16	15-Nov-21	$0.165	750,000	-	-	-	750,000	500,000	250,000
12-Dec-16	12-Dec-21	$0.14	300,000	-	(140,000)	-	160,000	60,000	100,000
13-Jan-17	13-Jan-22	$0.25	1,000,000	-	-	-	1,000,000	600,000	400,000
20-Feb-17	20-Feb-22	$0.37	100,000	-	-	-	100,000	60,000	40,000
22-Feb-17	22-Feb-22	$0.41	50,000	-	-	-	50,000	50,000	-
2-Jun-17	2-Jun-22	$0.45	1,150,000	-	(60,000)	-	1,090,000	252,500	837,500
10-Jul-17	10-Jul-22	$0.33	-	400,000	(45,000)	-	355,000	55,000	300,000
14-Aug-17	14-Aug-22	$0.275	-	1,350,000	(1,350,000)	-	-	-	-
12-Sep-17	12-Sep-22	$0.425	-	1,000,000	(500,000)	-	500,000	500,000	-
3-Mar-18	3-Mar-23	$1.55	-	2,700,000	-	-	2,700,000	-	2,700,000
			16,200,000	5,450,000	(6,145,000)	-	15,505,000	9,927,500	5,577,500
Weighted Average Exercise Price			$0.17	$0.94	$0.22	-	$0.42	$0.16	$0.89
Weighted Average Life remaining			4.04	4.66	-	-	3.70	3.33	4.36

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (cont'd)

a) Option Plan Details (cont'd)

The following is a summary of changes in options from July 1, 2016 to June 30, 2017:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Cancelled	Closing Balance	Vested and Exercisable	Unvested
4-Apr-14	4-Apr-19	$0.255	375,000	-	(125,000)	-	250,000	250,000	-
5-Jun-14	5-Jun-19	$0.18	50,000	-	-	-	50,000	50,000	-
31-Jul-14	31-Jul-19	$0.18	50,000	-	-	-	50,000	50,000	-
25-Nov-14	25-Nov-19	$0.180	100,000	-	(50,000)	-	50,000	50,000	-
2-Mar-15	2-Mar-20	$0.345	200,000	-	(50,000)	-	150,000	150,000	-
4-Mar-15	4-Mar-20	$0.360	200,000	-	-	-	200,000	200,000	-
15-Apr-15	15-Apr-20	$0.295	2,400,000	-	-	(2,400,000)	-	-	-
25-May-15	25-May-20	$0.235	400,000	-	-	(400,000)	-	-	-
25-Aug-15	25-Aug-20	$0.210	200,000	-	(50,000)	-	150,000	150,000	-
23-Nov-15	23-Nov-20	$0.145	200,000	-	-	-	200,000	200,000	-
27-Nov-15	27-Nov-20	$0.140	1,900,000	-	(600,000)	-	1,300,000	1,300,000	-
16-May-16	16-May-21	$0.080	2,000,000	-	-	-	2,000,000	1,100,000	900,000
10-Jun-16	10-Jun-21	$0.130	1,000,000	-	-	-	1,000,000	600,000	400,000
15-Jun-16	15-Jun-21	$0.110	2,000,000	-	-	-	2,000,000	2,000,000	-
26-Jul-16	26-Jul-21	$0.11		1,750,000	-	-	1,750,000	1,200,000	550,000
12-Sep-16	12-Sep-21	$0.11		1,000,000	-	-	1,000,000	400,000	600,000
28-Oct-16	28-Oct-21	$0.195		2,700,000	-	-	2,700,000	1,900,000	800,000
15-Nov-16	15-Nov-21	$0.165		750,000	-	-	750,000	250,000	500,000
12-Dec-16	12-Dec-21	$0.14		300,000	-	-	300,000	100,000	200,000
13-Jan-17	13-Jan-22	$0.25		1,000,000	-	-	1,000,000	200,000	800,000
20-Feb-17	20-Feb-22	$0.37		100,000	-	-	100,000	20,000	80,000
22-Feb-17	22-Feb-22	$0.41		50,000	-	-	50,000	50,000	-
2-Jun-17	2-Jun-22	$0.45		1,150,000	-	-	1,150,000	25,000	1,125,000
			11,075,000	8,800,000	(875,000)	(2,800,000)	16,200,000	10,245,000	5,955,000
Weighted Average Exercise Price			$0.17	$0.21	$0.17	$0.29	$0.17	$0.15	$0.21
Weighted Average Life remaining			4.38	4.38	-	-	4.04	3.86	4.35

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (cont'd)

b) Fair Value of Options Issued During the Period

i) The weighted average fair value at grant date of options granted during the nine month period ended March 31, 2018 was $0.91 per option (year ending June 30, 2017 - $0.16). Assumptions used for options granted during this period included a weighted average risk-free interest rate of 1.81% (year ending June 30, 2017 – 0.85%), weighted average expected life of 5 years (year ending June 30, 2017 – 5 years), weighted average volatility factor of 190.07% (year ending June 30, 2017 – 193.45%) and weighted average dividend yield of 0% (year ending June 30, 2017 – 0%) and a 5% forfeiture rate (year ending June 30, 2017 – 5%). The expected price volatility is based on historic volatility of the Company, based on the expected life of the options, adjusted for any expected changes to future volatility due to publicly available information.

ii) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the nine month period ended March 31, 2018 were $1,691,722 (March 31, 2017 - $591,086).

iii) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options at March 31, 2018 was 3.70 years (June 30, 2017 – 4.04 years).

11. ADMINISTRATIVE AND GENERAL EXPENSES

	Three Months Ended March 31		Nine Months Ended March 31	
	2018	2017	**2018**	2017
Administrative and General Expenses include:				
Accounting and legal	$ **186,787**	$ 202,395	$ **349,012**	$ 247,340
Consulting	**60,242**	35,019	**60,242**	120,142
Conferences	**2,050**	(1,268)	**2,588**	(1,268)
Corporate development	**62,500**	36,667	**170,069**	84,117
Investor relations, website development and marketing	**30,492**	415,058	**844,949**	709,764
Office and administration fees	**40,735**	24,863	**134,290**	48,032
Regulatory fees	**216,514**	6,690	**237,311**	19,352
Rent	**44,752**	19,221	**88,339**	31,106
Shareholder communcation	**610**	22,129	**37,103**	68,919
Transfer agent fees	**14,456**	5,648	**20,775**	18,333
Travel	**25,805**	49,008	**82,055**	70,573
Salaries and employee benefits	**130,039**	65,631	**364,884**	150,421
	$ **814,982**	$ 881,061	$ **2,391,617**	$ 1,566,831

12. RESEARCH AND DEVELOPEMENT EXPENSES

	Three Months Ended March 31		Nine Months Ended March 31	
	2018	2017	**2018**	2017
Research and Development Expenses include:				
R&D personnel compensation	$ **178,250**	92,059	$ **505,962**	$ 193,219
External contractors	**362,572**	53,968	**648,997**	131,668
Patents	**7,967**	28,829	**74,491**	41,936
Research supplies	**4,347**	-	**110,144**	-
Other	**1,614**	-	**10,588**	1,090
	$ **554,750**	$ 174,856	$ **1,350,182**	$ 367,913

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling our activities as a whole. We have determined that key management personnel consists of the members of the Board of Directors along with senior officers of the Company. The table below presents data for the nine month period ending March 31, 2018 as compared to the same period ending March 31, 2017.

	March 31 2018	March 31 2017
Key management personnel compensation comprised :		
Share based payments	$1,189,994	$316,763
Salaries and consulting fees:	$645,750	$469,072
	$1,835,744	$785,835

14. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period.

	Three Months Ending		Nine Months Ending	
	March 31 2018	March 31 2017	March 31 2018	March 31 2017
Loss attributable to common shareholders	($2,127,957)	$ (1,240,948)	($5,491,720)	($2,598,195)
Weighted average number of common shares	151,537,571	108,287,447	138,236,475	89,452,627
Basic and diluted loss per share	($0.01)	($0.01)	($0.04)	($0.03)

15. INCOME TAXES

As at June 30, 2017, the Company has non-capital loss carry-forwards of approximately $21,533,718 (June 30, 2016 - $18,193,791) available to offset future taxable income in Canada. These non-capital loss carryforwards begin to expire in 2026.

The Company's tax position is calculated annually and readers are referred to the audited consolidated financial statements for the year ended June 30, 2017 for further details.

16. SEGMENTED INFORMATION

The Company operates in one segment, the biopharmaceutical research and development of novel, cannabinoid-based drug therapies.

17. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the nine month periods ended March 31, 2018 and March 31, 2017 the following transactions were excluded from the statements of cash flows:

i) In the nine months ending March 31, 2018, 4,510,011 share purchase warrants, with an exercise price of $0.65 each, were exercised. Pursuant to the terms of a May 31, 2017 financing, these share purchase warrants were exercised on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the stock exchange that the Company's shares were trading on at that time (either the TSX or CSE) ending on the date immediately preceding the date of exercise. The exercise of these 4,510,011 share purchase warrants resulted in the issuance of 2,178,992 common shares;
ii) Finders' fees of $41,790 for the Jan-2018 Financing were settled on February 9, 2018 via the issuance of 35,718 common shares at the $1.17 closing price on the date of issuance of these shares;
iii) Included in the total number of stock options exercised in the period ending March 31, 2018 were 300,000 stock options with an exercise price of $0.195 per share that, pursuant to the terms of a settlement agreement with the stock option holder, were exercised on a net cashless basis, based on the $0.51 per common share closing price of the Company on the CSE on the date immediately preceding the date of exercise. The exercise of these 300,000 stock options resulted in the issuance of 185,295 common shares;
iv) The grant of 433,556 (March 31, 2017 – 198,364) Agents Warrants for recorded value of $694,558 (March 31, 2017 – $57,058) – see Note 9; and
v) The issuance of 983,355 common shares pursuant to settlement of debt of $108,169 in the nine months ended March 31, 2017 (See Note 9).

18. COMMITMENTS

Pursuant to the terms of agreements with various contract research organizations, the Company is committed for contract research services at a cost of approximately $259,628. All of these expenditures are expected to occur in fiscal 2018.

Pursuant to the terms of a May 31, 2017 Technology Assignment Agreement between the Company and the University of British Columbia ("UBC"), the Company is committed to pay royalties to UBC on certain licensing and royalty revenues received by the Company for biosynthesis of certain drug products that are covered by the agreement.

On June 22, 2017, the Company finalized an agreement to sublet office space with a sub-landlord. Under this agreement, the Company will be leasing 3,868 square feet at an annual cost of approximately $77,500 plus operating costs. The term of the sublease is from September 1, 2017 to August 31, 2019.

Pursuant to the terms of an agreement with an employee, until July 10, 2019, if at any time its working capital is below $750,000, the Company is committed to place into escrow $125,000 to fund any potential severance amount due under that agreement.

19. CAPITAL MANAGEMENT

The Company considers all components of shareholders' equity as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development of the business. The Company is not exposed to any externally imposed capital requirements.

20. FINANCIAL RISK MANAGEMENT

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk. The Company does not currently have significant foreign exchange risk, commodity risk or equity price risk. In the future as the Company's expands its research and development activities outside of Canada there will be an increase in foreign exchange risk.

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at March 31, 2018, holdings of cash and cash equivalent of $8,784,314 are subject to floating interest rates. In addition, the Company held fixed rate guaranteed investment certificates, cashable within ninety days of purchase, with face value of $2,500,000. The balance of the Company's cash holdings are non-interest bearing.

As at March 31, 2018, the Company held short-term investments in the form of a fixed rate guaranteed investment certificate, with a 181 day term, with a face value of $2,300,000 and variable rate guaranteed investment certificates, with one year terms, with face value of $28,750.

The Company's current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

The Company, as at March 31, 2018, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents and short-term investments held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Credit Risk:

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and short-term investments. Cash and cash equivalents and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash and cash equivalents and short-term investments with high-credit quality financial institutions and management considers this risk to be minimal for all cash and cash equivalents and short-term investments assets based on changes that are reasonably possible at each reporting date.

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at March 31, 2018, the Company has cash and cash

equivalents and short-term investments of $13,881,626 (June 30, 2017 - $6,707,796), current liabilities of $636,152 (June 30, 2017 - $369,674) and a working capital surplus of $13,337,540 (June 30, 2017 - $6,574,847).