



**Un-audited Condensed Consolidated Interim Financial Statements of  
InMed Pharmaceuticals Inc.**

**For the Three Months Ended September 30, 2018**



**InMed Pharmaceuticals Inc.**  
(Expressed in Canadian Dollars)  
September 30, 2018

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

**InMed Pharmaceuticals Inc.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (un-audited)**

As at September 30, 2018 and June 30, 2018

Expressed in Canadian Dollars

	Note	September 30 2018	June 30 2018
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 17,392,246	\$ 24,134,277
Short-term investments	15	7,384,854	2,342,615
Taxes recoverable		20,321	53,373
Prepays and advances		210,994	203,477
<b>Total current assets</b>		<b>25,008,415</b>	<b>26,733,742</b>
<b>Non-Current</b>			
Property and equipment	4	50,450	55,732
Intangible assets	5	1,250,760	1,273,670
<b>Total Assets</b>		<b>\$ 26,309,625</b>	<b>\$ 28,063,144</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Trade payables		590,424	937,759
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	68,079,139	68,058,698
Contributed surplus	6, 7	11,796,358	10,381,759
Accumulated deficit		(54,156,296)	(51,315,072)
		25,719,201	27,125,385
		\$ 26,309,625	\$ 28,063,144
Commitments (Note 15)			

Approved on behalf of the Board of Directors by:

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

/s/ Adam Cutler  
Adam Cutler, Director

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

**InMed Pharmaceuticals Inc.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (un-audited)**

For the three months ended September 30, 2018 and September 30, 2017

Expressed in Canadian Dollars

	Note	2018	2017
<b>Expenses</b>			
General and administrative	8	\$ 813,036	\$ 841,340
Research and development	9	627,094	377,116
Amortization and depreciation	4, 5	31,041	26,626
Foreign exchange loss		56,836	4,524
Share-based payments	7	1,423,790	570,548
Total expenses		2,951,797	1,820,154
<b>Interest income</b>		110,573	-
<b>Total comprehensive loss for the period</b>		\$ (2,841,224)	\$ (1,820,154)
<b>Basic and diluted loss per share for the period</b>	11	\$ (0.02)	\$ (0.01)

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

**InMed Pharmaceuticals Inc.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (un-audited)**

For the three months ended September 30, 2018 and September 30, 2017

Expressed in Canadian Dollars

	Note	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2017		\$43,153,871	\$7,606,736	(\$42,794,152)	\$7,966,455
Loss for the period		-	-	(1,820,154)	(1,820,154)
Share-based payments	7	-	570,548	-	570,548
Shares issued on exercise of warrants	6	456,000	-	-	456,000
Shares issued on exercise of stock options	6	437,584	(214,584)	-	223,000
<b>Balance September 30, 2017</b>		<b>\$44,047,455</b>	<b>\$7,962,700</b>	<b>(\$44,614,306)</b>	<b>\$7,395,849</b>
	Note	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2018		\$68,058,698	\$10,381,759	(\$51,315,072)	\$27,125,385
Loss for the period		-	-	(2,841,224)	(2,841,224)
Share-based payments	7	-	1,423,790	-	1,423,790
Shares issued on exercise of stock options	6	20,441	(9,191)	-	11,250
<b>Balance September 30, 2018</b>		<b>\$68,079,139</b>	<b>\$11,796,358</b>	<b>(\$54,156,296)</b>	<b>\$25,719,201</b>

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

**InMed Pharmaceuticals Inc.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (un-audited)**

For the three months ended September 30, 2018 and September 30, 2017

Expressed in Canadian Dollars

	Note	2018	2017
<b>OPERATING ACTIVITIES</b>			
<b>Cash flows from operating activities</b>			
Loss for the year		\$ (2,841,224)	\$ (1,820,154)
Adjustments to reconcile loss to net cash used in operating activities			
Amortization and depreciation	4, 5	31,041	26,626
Share-based payments	7	1,423,790	570,548
Accrued interest income on short-term investments		(13,487)	-
Changes in non-cash working capital balances:			
Prepays and advances		(7,517)	40,943
Taxes recoverable		33,052	35,180
Trade payables		(347,335)	(202,750)
<b>Total cash outflows from operating activities</b>		<b>(1,721,680)</b>	<b>(1,349,607)</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of short-term investments		(5,028,752)	-
Purchase of property and equipment	4	(2,849)	(4,427)
<b>Total cash outflows from investing activities</b>		<b>(5,031,601)</b>	<b>(4,427)</b>
<b>Cash Flows From Financing Activities</b>			
Shares issued for cash	6	11,250	679,000
<b>Cash provided by financing activities</b>		<b>11,250</b>	<b>679,000</b>
Decrease in cash during the period		(6,742,031)	(675,034)
<b>Cash and cash equivalents beginning of the period</b>		<b>24,134,277</b>	<b>6,707,796</b>
<b>Cash and cash equivalents end of the period</b>		<b>\$ 17,392,246</b>	<b>\$ 6,032,762</b>

See note 14 for Non-Cash Transactions

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

## **INMED PHARMACEUTICALS INC.**

### **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017 (Expressed in Canadian Dollars)**

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#### **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 OTCQX® Best Market. Prior to March 26, 2018, the Company’s shares were listed on the Canadian Securities Exchange (“CSE”). Prior to May 4, 2018, the Company’s shares traded on the OTCQB® Venture Market.

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 month period ended September 30, 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, 2018 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 2018 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from July 1, 2018 and income tax expense which is expected for the full financial year.

These consolidated financial statements were authorized for issue by the Board of Directors on November 9, 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”) and Sweetnam Consulting Inc.

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

## **INMED PHARMACEUTICALS INC.**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017  
(Expressed in Canadian Dollars)

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

#### **Basis of Consolidation (cont'd)**

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.

#### **New Standards Applicable in the Reporting Period**

IFRS 9, Financial Instruments ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The adoption of this policy did not have a material impact on the financial results as the Company's financial assets are cash and cash equivalents and short-term investments which are measured at amortized cost. The Company does not enter into any hedging activities.

#### **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 16 Leases**

Issued by IASB - January, 2016

Effective for annual periods beginning on or after January 1, 2019, which corresponds to the Company's fiscal year ending June 30, 2020.

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.



**INMED PHARMACEUTICALS INC.**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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(Expressed in Canadian Dollars)

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

**Future Accounting Pronouncements (cont'd)**

IFRS 16 Leases (cont'd)

- 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. The Company has not yet evaluated the impact of IFRS 16.

**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.

**INMED PHARMACEUTICALS INC.**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)**

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.

Research and development costs

Research and development costs is a critical accounting estimate due to the magnitude of and the assumptions that are required to calculate third-party accrued and prepaid research and development expenses. Research and development costs are charged to expense as incurred and include, but are not limited to, personnel compensation, including salaries and benefits, services provided by contract research organizations that conduct preclinical studies, costs of filing and prosecuting patent applications, and lab supplies.

The amount of expenses recognized in a period related to service agreements is based on estimates of the work performed using an accrual basis of accounting. These estimates are based on services provided and goods delivered, contractual terms and experience with similar contracts. We monitor these factors and adjust our estimates accordingly.

**INMED PHARMACEUTICALS INC.**
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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 (Expressed in Canadian Dollars)**
**4. PROPERTY AND EQUIPMENT**

	Equipment	Leasehold Improvements	Total
<b>Cost</b>			
Balance at June 30, 2017	\$ 34,723	\$ —	\$ 34,723
Assets acquired	19,078	36,561	55,639
Balance at June 30, 2018	\$ 53,801	\$ 36,561	\$ 90,362
Assets acquired	2,850	—	2,850
<b>Balance September 30, 2018</b>	<b>\$ 56,651</b>	<b>\$ 36,561</b>	<b>\$ 93,212</b>
<b>Depreciation and impairment losses</b>			
Balance at June 30, 2017	\$ 7,674	\$ —	\$ 7,674
Depreciation for the period	12,093	14,863	26,956
Balance at June 30, 2018	\$ 19,767	\$ 14,863	\$ 34,630
Depreciation for the period	3,482	4,650	8,132
<b>Balance September 30, 2018</b>	<b>\$ 23,249</b>	<b>\$ 19,513</b>	<b>\$ 42,762</b>
<b>Carrying amounts</b>			
Carrying value at June 30, 2018	\$ 34,034	\$ 21,698	\$ 55,732
<b>Carrying value at September 30, 2018</b>	<b>\$ 33,402</b>	<b>\$ 17,048</b>	<b>\$ 50,450</b>

**5. INTANGIBLE ASSETS**

	Intellectual Property
<b>Costs</b>	
Balance at June 30, 2017	\$1,636,000
Balance at June 30, 2018	\$1,636,000
<b>Balance at September 30, 2018</b>	<b>\$1,636,000</b>
<b>Accumulated amortization and impairment losses</b>	
Balance at June 30, 2017	\$271,442
Amortization	90,888
Balance at June 30, 2018	\$362,330
Amortization	22,910
<b>Balance at September 30, 2018</b>	<b>\$385,240</b>
<b>Carrying amounts</b>	
Carrying value at June 30, 2018	\$1,273,670
<b>Carrying value at September 30, 2018</b>	<b>\$1,250,760</b>

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.

**INMED PHARMACEUTICALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017  
(Expressed in Canadian Dollars)****6. SHARE CAPITAL AND RESERVES****a) Authorized**

As at September 30, 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**

	<b>Number</b>	<b>Issue Price</b>	<b>Total</b>
Balance at June 30, 2017	127,649,466		\$43,153,871
Issued for private placement	13,428,571	\$0.70	9,400,000
Issued for public placement	16,611,244	\$0.90	14,950,120
Share issue costs	—	—	(3,501,023)
Issued for services	35,718	\$1.17	41,790
Issued for exercise of warrants	5,895,775	\$0.15 - \$0.65	721,395
Grant date fair value of agents' warrants exercised	—	—	135,385
Issued for exercise of stock options	7,230,295	\$0.11 - \$0.45	1,622,950
Grant date fair value of stock options exercised	—	—	1,534,210
Balance at June 30, 2018	170,851,069		\$68,058,698
Issued for exercise of warrants	7,564	\$0.65	—
Issued for exercise of stock options	25,000	\$0.45	11,250
Grant date fair value of stock options exercised	—	—	9,191
<b>Balance at September 30, 2018</b>	<b>170,883,633</b>		<b>\$68,079,139</b>

During the three months ended September 30, 2018, the Company completed the following:

- i) The Company issued an aggregate 7,564 common shares pursuant to the exercise of 35,000 share purchase warrants at a weighted average exercise price of \$0.65 per share. Included in the total number of share purchase warrants exercised were 35,000 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 TSX ending on the date immediately preceding the date of exercise. The exercise of these 35,000 share purchase warrants resulted in the issuance of 7,564 common shares but, as they were exercised on a net cashless basis, no cash was received.
- ii) The Company issued an aggregate 25,000 common shares pursuant to the exercise of 25,000 stock options at a weighted average exercise price of \$0.45 per share.

**INMED PHARMACEUTICALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017  
(Expressed in Canadian Dollars)**

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**6. SHARE CAPITAL AND RESERVES (cont'd)****b) Common Shares (cont'd)**

During the year ended June 30, 2018, the Company completed the following:

- iii) On June 21, 2018, the Company completed a public placement (“June-2018 Financing”) of 16,611,244 units (“June-2018 Units”), at a price of \$0.90 per June-2018 Unit for gross proceeds of \$14,950,120. Each June-2018 Unit consists of one common share and one share purchase warrant (a “June-2018 Warrant”), or an aggregate of 16,611,244 full June-2018 Warrants. Each full June-2018 Warrant is exercisable by the holder to acquire one additional common share at a price of \$1.25 for a period of twenty-four (24) months expiring on June 21, 2020. The June-2018 Warrants trade on the TSX under the symbol “IN.WT”.

Share issue costs from the sale of June-2018 Units of \$1,996,001 is comprised of \$995,758 in underwriter’s commission, the non-cash fair value of \$553,199 for 1,106,397 warrants (“June-2018 Agent Warrants”) issued to the underwriter and \$447,044 of other transaction costs. Each June-2018 Agent Warrant is exercisable in whole or in part at an exercise price of \$1.05 for a period of twenty-four (24) months expiring on June 21, 2020.

- iv) 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.

Share issue costs from the sale of Jan-2018 Units of \$1,505,022 is comprised of \$621,687 in finders’ fees, the non-cash fair value of \$694,557 for 433,556 warrants (“January-2018 Agent Warrants”) issued to finders and \$188,778 of other transaction costs. The January-2018 Agent Warrants have identical terms as the January-2018 Warrants described above. Of the \$621,687 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.

- v) The Company issued an aggregate 5,895,775 common shares pursuant to the exercise of 8,232,095 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 3,710,984 share purchase warrants, with a weighted average exercise price of \$0.19 each, that were exercised for cash and 4,521,111 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 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 4,521,111 share purchase warrants resulted in the issuance of 2,184,791 common shares but, as they were exercised on a net cashless basis, no cash was received.
- vi) The Company issued an aggregate 7,230,295 common shares pursuant to the exercise of 7,345,000 stock options at a weighted average exercise price of \$0.23 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.

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(Expressed in Canadian Dollars)

**6. SHARE CAPITAL AND RESERVES (cont'd)**

**c) Share Purchase Warrants**

The following is a summary of changes in share purchase warrants from July 1, 2017 to September 30, 2018:

	Number	Weighted Average Share Price
Balance as at June 30, 2017	9,434,000	\$0.49
Granted	30,039,815	\$1.25
Exercised	(7,561,111)	\$0.45
Balance as at June 30, 2018	31,912,704	\$1.21
Exercised	(35,000)	\$0.65
<b>Balance as at September 30, 2018</b>	<b>31,877,704</b>	<b>\$1.22</b>

Included in the total number of share purchase warrants exercised were 35,000 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 TSX ending on the date immediately preceding the date of exercise. The exercise of these 35,000 share purchase warrants resulted in the issuance of 7,564 common shares but, as they were exercised on a net cashless basis, no cash was received.

At September 30, 2018, 31,877,704 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Issuance Date	Number	Exercise	
		Price	Expiry Date
May 31, 2017	1,837,889	\$0.65	May 31-19
January 3, 2018	13,428,571	\$1.25	July 3-19
June 21, 2018	16,611,244	\$1.25	June 21-20
<b>Balance as at September 30, 2018</b>	<b>31,877,704</b>		

The weighted average remaining contractual life of the share purchase warrants at September 30, 2018 was 1.26 years.

**d) Agents' Warrants**

The following is a summary of changes in agents' warrants from July 1, 2017 to September 30, 2018:

	Number	Weighted Average Share Price
Balance as at June 30, 2017	670,984	\$0.40
Granted	1,539,953	\$1.11
Exercised	(670,984)	\$0.40
Balance as at June 30, 2018	1,539,953	\$1.11
<b>Balance as at September 30, 2018</b>	<b>1,539,953</b>	<b>\$1.11</b>

**INMED PHARMACEUTICALS INC.**

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(Expressed in Canadian Dollars)

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**6. SHARE CAPITAL AND RESERVES (cont'd)****d) Agents' Warrants (cont'd)**

At September 30, 2018, 1,539,953 Agents' Warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Issuance Date	Number	Exercise Price	Expiry Date
January 3, 2018	433,556	\$1.25	July 3-19
June 21, 2018	1,106,397	\$1.05	June 21-20
<b>Balance as at September 30, 2018</b>	<b>1,539,953</b>		

The weighted average remaining contractual life of the Agents' Warrants at September 30, 2018 was 1.45 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.



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**7. 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 September 30, 2018, there was 17,186,727 (June 30, 2018 – 17,075,214) options available for future allocation pursuant to the terms of the Plan. 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.



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**7. SHARE-BASED PAYMENTS (cont'd)**
**a) Option Plan Details (cont'd)**

The following is a summary of changes in options from July 1, 2018 to September 30, 2018:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired/Cancelled	Closing Balance	Vested and Exercisable	Unvested
4-Mar-15	4-Mar-20	\$0.360	200,000	-	-	-	200,000	200,000	-
25-Aug-15	25-Aug-20	\$0.210	50,000	-	-	-	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	550,000	-	-	-	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	800,000	-	-	-	800,000	800,000	-
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	750,000	-	-	-	750,000	750,000	-
12-Sep-16	12-Sep-21	\$0.11	1,000,000	-	-	-	1,000,000	1,000,000	-
28-Oct-16	28-Oct-21	\$0.195	400,000	-	-	-	400,000	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	160,000	-	-	-	160,000	160,000	-
13-Jan-17	13-Jan-22	\$0.25	1,000,000	-	-	-	1,000,000	800,000	200,000
20-Feb-17	20-Feb-22	\$0.37	100,000	-	-	-	100,000	80,000	20,000
22-Feb-17	22-Feb-22	\$0.41	50,000	-	-	-	50,000	50,000	-
2-Jun-17	2-Jun-22	\$0.45	940,000	-	(25,000)	-	915,000	465,000	450,000
10-Jul-17	10-Jul-22	\$0.33	355,000	-	-	-	355,000	155,000	200,000
3-Mar-18	3-Mar-23	\$1.55	2,500,000	-	-	-	2,500,000	400,000	2,100,000
16-May-18	16-May-23	\$1.05	2,790,000	-	-	-	2,790,000	25,000	2,765,000
31-Aug-18	31-Aug-23	\$0.82	-	270,000	-	-	270,000	-	270,000
20-Sep-18	20-Sep-23	\$0.80	-	150,000	-	-	150,000	-	150,000
			16,595,000	420,000	(25,000)	-	16,990,000	10,585,000	6,405,000
Weighted Average Exercise Price			\$0.52	\$0.81	\$0.45	-	\$0.53	\$0.21	\$1.06
Weighted Average Life remaining			3.66	4.94	-	-	3.45	2.88	4.39

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**7. 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 June 30, 2018:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired/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	-	(200,000)	-	800,000	800,000	-
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	-	(2,150,000)	(150,000)	400,000	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	160,000	-
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)	(150,000)	940,000	490,000	450,000
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	(1,000,000)	-	-	-	-
3-Mar-18	3-Mar-23	\$1.55	-	2,700,000	-	(200,000)	2,500,000	100,000	2,400,000
16-May-18	16-May-23	\$1.05	-	2,790,000	-	-	2,790,000	25,000	2,765,000
			16,200,000	8,240,000	(7,345,000)	(500,000)	16,595,000	9,640,000	6,955,000
Weighted Average Exercise Price			\$0.17	\$0.97	\$0.23	\$0.81	\$0.52	\$0.17	\$1.01
Weighted Average Life remaining			4.04	4.57	-	-	3.66	3.06	4.49

The table above has been revised from the previously issued June 30, 2018 financial statements to reflect the forfeiture of 500,000 stock options that occurred in fiscal 2018.

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(Expressed in Canadian Dollars)****7. 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 three months ended September 30, 2018 was \$0.76 per option (year ending June 30, 2018 - \$0.93). Assumptions used for options granted during the three months ended September 30, 2018 included a weighted average risk-free interest rate of 2.22% (year ending June 30, 2018 - 1.98%), weighted average expected life of 5 years (year ending June 30, 2018 - 5 years), weighted average volatility factor of 163.43% (year ending June 30, 2018 - 186.86%), weighted average dividend yield of 0% (year ending June 30, 2018 - 0%) and a 5% forfeiture rate (year ending June 30, 2018 - 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 three months ended September 30, 2018 were \$1,423,790 (September 30, 2017 - \$570,548).

## iii) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options at September 30, 2018 was 3.45 years (June 30, 2018 - 3.66 years).

**8. ADMINISTRATIVE AND GENERAL EXPENSES**

	Three Months Ended Sept 30	
	2018	2017
<b>General and Administrative Expenses include:</b>		
Accounting and legal	\$ 120,393	\$ 60,615
Consulting	13,035	-
Corporate development	-	51,319
Investor relations, website development and marketing	155,443	512,169
Office and administration fees	40,284	50,573
Regulatory fees	39,144	13,876
Rent	49,626	16,543
Shareholder communication	7,117	3,474
Transfer agent fees	4,173	1,940
Travel	19,217	14,421
Salaries and employee benefits	364,604	116,410
<b>Total General and Administrative Expenses</b>	<b>\$ 813,036</b>	<b>\$ 841,340</b>

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	Three Months Ended Sept 30	
	2018	2017
<b>Research and Development Expenses include:</b>		
R&D personnel compensation	\$ 239,964	157,081
External contractors	275,732	128,083
Patents	71,231	48,934
Research supplies	37,671	39,955
Other	2,496	3,063
<b>Total Research and Development Expenses</b>	<b>\$ 627,094</b>	<b>\$ 377,116</b>

**10. 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 three month period ending September 30, 2018 as compared to the same period ending September 30, 2017.

	September 30 2018	September 30 2017
<b>Key management personnel compensation comprised:</b>		
Share based payments	\$1,241,436	\$237,562
Salaries and consulting fees	\$501,823	\$205,000
	<b>\$1,743,259</b>	<b>\$442,562</b>

**11. 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 ordinary shares outstanding during the period.

	Three Months Ending	
	Sept 30 2018	Sept 30 2017
Loss attributable to common shareholders	(\$2,841,224)	(\$1,820,154)
Weighted average number of common shares	170,856,278	130,905,079
Basic and diluted loss per share	<b>(\$0.02)</b>	<b>(\$0.01)</b>

**12. INCOME TAXES**

As at June 30, 2018, the Company has non-capital loss carry-forwards of approximately \$27,775,178 (June 30, 2017 - \$21,533,718) 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, 2018 for further details.

## **INMED PHARMACEUTICALS INC.**

### **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017 (Expressed in Canadian Dollars)**

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#### **13. SEGMENTED INFORMATION**

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

#### **14. 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 three months ended September 30, 2018 and September 30, 2017 the following transactions were excluded from the statements of cash flows:

- i) In the three months ending September 30, 2018, 35,000 (September 30, 2017 – Nil) 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 TSX ending on the date immediately preceding the date of exercise. The exercise of these 35,000 share purchase warrants resulted in the issuance of 7,564 common shares (see Note 6); and
- ii) The purchase of equipment for \$Nil (September 30, 2017 – \$22,628) where the purchase price in the prior year was still payable at September 30, 2017.

#### **15. 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 \$358,992. A total of \$285,492 of these expenditures are expected to occur in fiscal 2019 and the balance of \$73,500 in fiscal 2020.

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 is leasing 3,868 square feet at an annual cost of approximately \$77,500 plus annual operating costs estimated at \$101,500. 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.

Short-term investments include guaranteed investment certificates with a face value of \$57,500 (June 30, 2018 - \$28,750) that are pledged as security for a corporate credit card.

#### **16. 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.

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**17. 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 commodity risk or equity price risk.

**Foreign Currency Risk:**

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to changes in foreign exchange rates. Portions of the Company's cash and cash equivalents and accounts payable and accrued liabilities are denominated in US dollars. Accordingly, the Company is exposed to fluctuations in the US and Canadian dollar exchange rates.

As at September 30, 2018, the Company had a net excess of US dollar denominated cash and cash equivalents in excess of US dollar denominated accounts payable and accrued liabilities of US\$1,990,801, which is equivalent to CDN\$2,577,092 at the September 30, 2018 exchange rate. The US dollar financial assets generally result from holding US dollar cash to settle anticipated near-term accounts payable and accrued liabilities denominated in US dollars. The US dollar financial liabilities generally result from purchases of supplies and services from suppliers from outside of Canada.

Each change of 1% in the the US dollar in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of \$25,771 based on the September 30, 2018 net US dollar assets (liabilities) position. During the quarter ended September 30, 2018, the Company recorded foreign exchange losses of \$56,836 (September 30, 2017 – \$4,524).

**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 September 30, 2018, holdings of cash and cash equivalent of \$10,078,220 (June 30, 2018 - \$21,549,764) are subject to floating interest rates. In addition, the Company held fixed rate guaranteed investment certificates, cashable within ninety days of purchase, with book value of \$7,114,836 (June 30, 2018 – 2,518,436). The balance of the Company's cash holdings of \$199,190 (June 30, 2018 - \$66,077) are non-interest bearing.

As at September 30, 2018, the Company held short-term investments in the form of a fixed rate guaranteed investment certificate, with terms of 6 to 12 months, with a face value of \$7,300,000 (June 30, 2018 - \$2,300,000) and variable rate guaranteed investment certificates, with one year terms, with face value of \$57,500 (June 30, 2018 - \$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 or credit unions with comparable credit ratings. The Company regularly monitors compliance to its cash management policy.

The Company, as at September 30, 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.

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**17. FINANCIAL RISK MANAGEMENT (cont'd)**

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 September 30, 2018, the Company has cash and cash equivalents and short-term investments of \$24,777,100 (June 30, 2018 - \$26,476,892), current liabilities of \$590,424 (June 30, 2018 - \$937,759) and a working capital surplus of \$24,417,991 (June 30, 2018 - \$25,795,983).