



**Unaudited Condensed Consolidated Interim Financial Statements of
InMed Pharmaceuticals Inc.**

For the Three and Six Months Ended December 31, 2019



InMed Pharmaceuticals Inc.
(Expressed in Canadian Dollars)
December 31, 2019

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InMed Pharmaceuticals Inc.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (unaudited)**

As at December 31, 2019 and June 30, 2019

Expressed in Canadian Dollars

	Note	December 31, 2019	June 30, 2019
ASSETS			
Current			
Cash and cash equivalents		\$ 11,947,330	\$ 12,873,961
Short-term investments	15	58,173	5,165,093
Accounts receivable		84,987	84,987
Prepays and advances	15	282,893	424,275
Total current assets		12,373,383	18,548,316
Non-Current			
Property and equipment	4	613,560	55,829
Intangible assets	5	1,136,962	1,184,720
Total Assets		\$ 14,123,905	\$ 19,788,865
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payables and accrued liabilities		\$ 1,563,220	\$ 1,562,865
Current portion of lease obligations	12	94,205	-
Total current liabilities		1,657,425	1,562,865
Non-current			
Lease obligations	12	386,213	-
		2,043,638	1,562,865
SHAREHOLDERS' EQUITY			
Share capital	6	68,579,890	68,579,890
Contributed surplus	6, 7	14,807,749	14,216,224
Accumulated deficit		(71,307,372)	(64,570,114)
		12,080,267	18,226,000
		\$ 14,123,905	\$ 19,788,865

Commitments and Contingencies (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.

The Company adopted IFRS 16 Leases as described in Note 2. Under this adoption, the comparative information is not restated.

InMed Pharmaceuticals Inc.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (unaudited)**

For the three and six months ended December 31, 2019 and 2018

Expressed in Canadian Dollars

	Note	Three Months Ended December 31		Six Months Ended December 31	
		2019	2018	2019	2018
Operating Expenses					
Research and development	8	\$ 1,932,080	\$ 946,848	\$ 4,263,868	\$ 1,573,942
General and administrative	9	936,380	921,597	1,894,711	1,734,633
Amortization and depreciation	4, 5	59,599	31,688	102,883	62,729
Share-based payments	7	439,958	1,023,269	591,525	2,447,059
Total operating expenses		3,368,017	2,923,402	6,852,987	5,818,363
Other Income (Loss)					
Interest income		53,454	121,993	130,573	232,566
Foreign exchange gain (loss)		(35,880)	147,838	(14,844)	91,002
Total net and comprehensive loss for the period		\$ (3,350,443)	\$ (2,653,571)	\$ (6,737,258)	\$ (5,494,795)
Basic and diluted loss per share for the period	11	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.03)

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

The Company adopted IFRS 16 Leases as described in Note 2. Under this adoption, the comparative information is not restated.

InMed Pharmaceuticals Inc.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (unaudited)**

For the six months ended December 31, 2019 and 2018

Expressed in Canadian Dollars

	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		-	-	(5,494,795)	(5,494,795)
Share-based payments	7	-	2,447,059	-	2,447,059
Shares issued on exercise of stock options	6	20,441	(9,191)	-	11,250
Balance December 31, 2018		\$68,079,139	\$12,819,627	(\$56,809,867)	\$24,088,899

	Note	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2019		\$68,579,890	\$14,216,224	(\$64,570,114)	\$18,226,000
Net loss for the period		-	-	(6,737,258)	(6,737,258)
Share-based payments	7	-	591,525	-	591,525
Balance December 31, 2019		\$68,579,890	\$14,807,749	(\$71,307,372)	\$12,080,267

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The Company adopted IFRS 16 Leases as described in Note 2. Under this adoption, the comparative information is not restated.

InMed Pharmaceuticals Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (unaudited)

For the six months ended December 31, 2019 and 2018

Expressed in Canadian Dollars

	Note	2019	2018
OPERATING ACTIVITIES			
Cash flows from operating activities			
Net loss for the period		\$ (6,737,258)	\$ (5,494,795)
Adjustments to reconcile loss to net cash used in operating activities			
Amortization and depreciation	4, 5	102,883	62,729
Share-based payments	7	591,525	2,447,059
Loss on sale of assets		1,070	-
Interest accretion on lease obligations		8,952	-
Changes in non-cash working capital balances:			
Prepays and advances		76,467	(154,759)
Interest income accrued on short-term investments		106,920	(55,944)
Accounts receivable		-	7,034
Accounts payable and accrued liabilities		355	(387,583)
Total cash outflows from operating activities		(5,849,087)	(3,576,259)
Cash Flows From Investing Activities			
Proceeds (purchase) of short-term investments		5,000,000	(5,028,750)
Purchase of property and equipment	4	(45,812)	(12,847)
Proceeds on disposal of property and equipment		726	-
Total cash provided by (outflows) from investing activities		4,954,914	(5,041,597)
Cash Flows From Financing Activities			
Payments on lease obligations	12	(32,458)	-
Shares issued for cash	6	-	11,250
Total cash provided by financing activities		(32,458)	11,250
Decrease in cash during the period		(926,631)	(8,606,606)
Cash and cash equivalents beginning of the period		12,873,961	24,134,277
Cash and cash equivalents end of the period		\$ 11,947,330	\$ 15,527,671

See note 14 for Non-Cash Transactions

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

The Company adopted IFRS 16 Leases as described in Note 2. Under this adoption, the comparative information is not restated.

INMED PHARMACEUTICALS INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

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. InMed is a clinical stage biopharmaceutical company specializing in the research and development of novel, cannabinoid-based therapies and a biosynthesis system for the manufacturing of pharmaceutical-grade cannabinoids.

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.

InMed’s corporate office and principal place of business is located at #310 – 815 West Hastings Street, Vancouver, B.C., Canada, V6C 1B4.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements for the three and six month periods ended December 31, 2019 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, 2019 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 2019 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from July 1, 2019.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 12, 2020.

These condensed consolidated interim financial statements have been prepared on the historical cost basis as modified, when applicable, by the revaluation of financial assets recorded at fair value, if any.

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 these condensed consolidated interim financial statements are disclosed in Note 3.

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the inactive subsidiaries: InMed Pharmaceutical Ltd., Biogen Sciences Inc., 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 expenses arising from intercompany transactions are eliminated in preparing these condensed consolidated interim 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 and has no current sources of revenue. The Company's ability to continue its operations on a going concern basis is dependent upon its ability to source additional capital and ultimately achieving profitable operations. There is no assurance that the Company will be successful in these efforts. The Company has the ability to slow down or delay research and development program spending and reduce certain general and administrative expenditures in order to ensure its cash will extend past the end of calendar 2020. 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

On January 13, 2016, the IASB published a new standard, IFRS 16 Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The mandatory effective date of the new standard is applicable for annual periods beginning on or after January 1, 2019. The Company has adopted IFRS 16 Leases as of July 1, 2019 using the modified retrospective approach. Under this approach, there is no restatement of prior period financial information and any accumulated deficit at the date of initial application. As of July 1, 2019, the Company recognized right-of-use assets of \$568,840 and lease obligations of \$503,924 in an operating lease arrangement for which the Company is considered the lessee with lease terms of more than 12 months. There was no impact to opening accumulated deficit. Please refer to "Changes in significant accounting policies" below and Note 12 for more information.

Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended June 30, 2019.

The changes in accounting policies are also expected to be reflected in the Company's condensed consolidated interim financial statements and consolidated financial statements in the subsequent periods for the remainder of the year ended June 30, 2020.

Effective July 1, 2019, the Company adopted IFRS 16 Leases, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

The Company's accounting policy under IFRS 16 Leases is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

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The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured as the present value of future lease payments excluding payments made at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. The Company applied the definition of a lease under IFRS 16 Leases to contracts effective for periods on or after July 1, 2019.

The Company has elected to apply the practical expedient to exclude initial direct costs such as annual operating costs from the measurement of the right-of-use asset at the date of initial application.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

On adoption of the new standard on July 1, 2019, the Company recognized right-of-use assets of \$568,840, a reduction of prepaids and advances of \$64,916 and a lease liability of \$503,924. The impact of the adoption of this new standard is non-cash in nature and, as such, the Company does not anticipate a material impact on cash flows. Please refer to Note 12 for more information.

The following table lists the Company's operating lease obligations recognized on initial application of IFRS 16 Leases at July 1, 2019.

Operating lease commitment disclosed as of June 30, 2019	\$1,064,120
Estimated variable lease payments not included in lease obligations	(\$392,570)
Prepaid portion of lease obligation	(\$64,916)
Discounted using the incremental borrowing rate at July 1, 2019	<u>(\$102,710)</u>
Lease obligations recognized as at July 1, 2019	<u>\$503,924</u>

When measuring lease liabilities for leases classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at July 1, 2019 of 8%.

IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount of expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Company adopted IFRIC Interpretation 23 in its consolidated financial statements for the fiscal year beginning on July 1, 2019. Based on an analysis of the Company's historic tax filing positions as of July 1, 2019, the Interpretation did not have an impact on the consolidated financial statements.

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 the statement of operations and 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 consolidated 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

Management uses judgement to determine if there has been a triggering event, indicating a potential impairment of intangible assets. 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

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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, forfeiture 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.

4. PROPERTY AND EQUIPMENT

	Equipment	Leasehold Improvements	Right of Use Asset	Total
Cost				
Balance at June 30, 2018	\$ 53,801	\$ 36,561	\$ -	\$ 90,362
Assets acquired	20,584	14,907	-	35,491
Balance at June 30, 2019	74,385	51,468	-	125,853
Disposition of assets	(3,054)	(36,561)	-	(39,615)
Assets acquired	5,990	39,822	568,840	614,652
Balance, December 31, 2019	\$ 77,321	\$ 54,729	\$ 568,840	\$ 700,890
Depreciation and impairment losses				
Balance at June 30, 2018	\$ 19,767	\$ 14,863	\$ -	\$ 34,630
Depreciation for the period	16,797	18,597	-	35,394
Balance at June 30, 2019	36,564	33,460	-	70,024
Disposition of assets	(1,258)	(36,561)	-	(37,819)
Depreciation for the period	10,453	6,749	37,923	55,125
Balance, December 31, 2019	\$ 45,759	\$ 3,648	\$ 37,923	\$ 87,330
Carrying amounts				
Carrying value at June 30, 2019	\$ 37,821	\$ 18,008	\$ -	\$ 55,829
Carrying value at December 31, 2019	\$ 31,562	\$ 51,081	\$ 530,917	\$ 613,560

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5. INTANGIBLE ASSETS

Costs		Intellectual Property
Balance at June 30, 2018 and 2019	\$	1,636,000
Balance, December 31, 2019	\$	1,636,000
Accumulated amortization impairment losses		
Balance at June 30, 2018	\$	362,330
Amortization		88,950
Balance at June 30, 2019	\$	451,280
Amortization		47,758
Balance, December 31, 2019	\$	499,038
Carrying amounts		
Carrying value at June 30, 2019	\$	1,184,720
Carrying value at December 31, 2019	\$	1,136,962

The acquired intellectual property 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.

6. SHARE CAPITAL AND RESERVES

a) Authorized

As at December 31, 2019, 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, 2018	170,851,069		\$68,058,698
Issued for exercise of warrants (Note 14)	7,564	\$0.65	—
Issued for exercise of stock options	1,425,000	\$0.19	272,500
Fair value of stock options exercised	—	—	248,692
Balance at June 30, 2019 and December 31, 2019	172,283,633	—	\$68,579,890

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c) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from July 1, 2018 to December 31, 2019:

	Number	Weighted Average Share Price
Balance as at June 30, 2018	31,912,704	\$1.21
Exercised	(35,000)	\$0.65
Expired	(1,837,889)	\$0.65
Balance as at June 30, 2019	30,039,815	\$1.25
Expired	(13,428,571)	\$1.25
Balance as at December 31, 2019	16,611,244	\$1.25

At December 31, 2019, 16,611,244 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
June 21, 2018	16,611,244	\$1.25	June 21, 2020
Balance as at December 31, 2019	16,611,244		

The weighted average remaining contractual life of the share purchase warrants at December 31, 2019 was 0.47 year.

d) Agents' Warrants

The following is a summary of changes in agents' warrants from July 1, 2018 to December 31, 2019:

	Number	Weighted Average Share Price
Balance as at June 30, 2018 and 2019	1,539,953	\$1.11
Expired	(433,556)	\$1.25
Balance as at December 31, 2019	1,106,397	\$1.05

At December 31, 2019, 1,106,397 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
June 21, 2018	1,106,397	\$1.05	June 21, 2020
Balance as at December 31, 2019	1,106,397		

The weighted average remaining contractual life of the Agents' Warrants at December 31, 2019 was 0.47 years.

7. SHARE-BASED PAYMENTS

a) Option Plan Details

On March 24, 2017, 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); and (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 December 31, 2019, there was 15,096,727 (June 30, 2019 – 14,686,727) 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, either over time, typically 12 to 36 months, and/or upon the achievement of certain corporate milestones.

The following is a summary of changes in outstanding options from July 1, 2018 to December 31, 2019:

	Number	Weighted Average Exercise Price
Balance as at June 30, 2018	16,595,000	\$0.52
Granted	4,800,000	\$0.50
Exercised	(1,425,000)	\$0.19
Expired/Forfeited	(200,000)	\$1.01
Balance as at June 30, 2019	19,770,000	\$0.53
Granted	1,400,000	\$0.27
Expired/Forfeited	(1,810,000)	\$1.25
Balance as at December 31, 2019	19,360,000	\$0.45

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The following is a summary of changes in options from July 1, 2019 to December 31, 2019:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired/ Forfeited	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	50,000	-	-	-	50,000	50,000	-
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	-
21-Jul-16	26-Jul-21	\$0.110	750,000	-	-	-	750,000	750,000	-
12-Sep-16	12-Sep-21	\$0.110	1,000,000	-	-	-	1,000,000	1,000,000	-
28-Oct-16	28-Oct-21	\$0.195	400,000	-	-	-	400,000	400,000	-
12-Dec-16	12-Dec-21	\$0.140	160,000	-	-	-	160,000	160,000	-
13-Jan-17	13-Jan-22	\$0.250	1,000,000	-	-	-	1,000,000	1,000,000	-
20-Feb-17	20-Feb-22	\$0.370	100,000	-	-	-	100,000	100,000	-
22-Feb-17	22-Feb-22	\$0.410	50,000	-	-	-	50,000	50,000	-
2-Jun-17	2-Jun-22	\$0.450	715,000	-	-	-	715,000	715,000	-
10-Jul-17	10-Jul-22	\$0.330	355,000	-	-	-	355,000	355,000	-
8-Mar-18	8-Mar-23	\$1.550	2,450,000	-	-	(1,250,000)	1,200,000	912,500	287,500
16-May-18	16-May-23	\$1.020	2,690,000	-	-	(125,000)	2,565,000	1,923,750	641,250
31-Aug-18	31-Aug-23	\$0.820	270,000	-	-	-	270,000	135,000	135,000
20-Sep-18	20-Sep-23	\$0.800	150,000	-	-	-	150,000	75,000	75,000
5-Dec-18	5-Dec-23	\$0.450	775,000	-	-	-	775,000	387,500	387,500
14-Jan-19	14-Jan-24	\$0.500	140,000	-	-	(35,000)	105,000	105,000	-
21-Jan-19	21-Jan-24	\$0.510	100,000	-	-	-	100,000	25,000	75,000
4-Feb-19	4-Feb-24	\$0.790	150,000	-	-	-	150,000	37,500	112,500
4-Mar-19	4-Mar-24	\$0.600	355,000	-	-	-	355,000	88,750	266,250
27-May-19	27-May-24	\$0.435	2,860,000	-	-	(400,000)	2,460,000	-	2,460,000
1-Jul-19	1-Jul-24	\$0.330	-	100,000	-	-	100,000	13,913	86,087
9-Aug-19	9-Aug-24	\$0.270	-	1,000,000	-	-	1,000,000	-	1,000,000
3-Dec-19	3-Dec-24	\$0.250	-	300,000	-	-	300,000	-	300,000
			19,770,000	1,400,000	-	(1,810,000)	19,360,000	13,533,913	5,826,087
Weighted Average Exercise Price			\$0.53	\$0.27	\$-	\$1.25	\$0.45	\$0.41	\$0.54
Weighted Average Life Remaining			3.19	4.67	-	-	2.76	2.13	4.22

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The following is a summary of changes in options from July 1, 2018 to June 30, 2019:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired/ Forfeited	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	-	(500,000)	-	50,000	50,000	-
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	\$0.110	750,000	-	-	-	750,000	750,000	-
12-Sep-16	12-Sep-21	\$0.110	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)	-	-	-	-
12-Dec-16	12-Dec-21	\$0.140	160,000	-	-	-	160,000	160,000	-
13-Jan-17	13-Jan-22	\$0.250	1,000,000	-	-	-	1,000,000	1,000,000	-
20-Feb-17	20-Feb-22	\$0.370	100,000	-	-	-	100,000	100,000	-
22-Feb-17	22-Feb-22	\$0.410	50,000	-	-	-	50,000	50,000	-
2-Jun-17	2-Jun-22	\$0.450	940,000	-	(175,000)	(50,000)	715,000	715,000	-
10-Jul-17	10-Jul-22	\$0.330	355,000	-	-	-	355,000	255,000	100,000
3-Mar-18	3-Mar-23	\$1.550	2,500,000	-	-	(50,000)	2,450,000	1,375,000	1,075,000
16-May-18	16-May-23	\$1.020	2,790,000	-	-	(100,000)	2,690,000	1,345,000	1,345,000
31-Aug-18	31-Aug-23	\$0.820	-	270,000	-	-	270,000	67,500	202,500
20-Sep-18	20-Sep-23	\$0.800	-	150,000	-	-	150,000	37,500	112,500
05-Dec-18	05-Dec-23	\$0.445	-	775,000	-	-	775,000	193,750	581,250
14-Jan-19	14-Jan-24	\$0.500	-	140,000	-	-	140,000	-	140,000
21-Jan-19	21-Jan-24	\$0.510	-	100,000	-	-	100,000	-	100,000
4-Feb-19	4-Feb-24	\$0.790	-	150,000	-	-	150,000	-	150,000
4-Mar-19	4-Mar-24	\$0.600	-	355,000	-	-	355,000	-	355,000
27-May-19	27-May-24	\$0.435	-	2,860,000	-	-	2,860,000	-	2,860,000
			16,595,000	4,800,000	(1,425,000)	(200,000)	19,770,000	12,748,750	7,021,250
Weighted Average Exercise Price			\$0.52	\$0.50	\$ 0.19	\$1.01	\$0.53	\$0.41	\$0.75
Weighted Average Life Remaining			3.66	4.73	-	-	3.19	2.53	4.40

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b) Fair Value of Options Issued During the Period

i) The weighted average fair value at grant date of options granted during the six months ended December 31, 2019 was \$0.27 per option (year ending June 30, 2019 - \$0.41). Assumptions used for options granted during the six months ended December 31, 2019 included a weighted average risk-free interest rate of 1.26% (year ending June 30, 2019 - 1.68%), weighted average expected life of 5 years (year ending June 30, 2019 - 5 years), weighted average volatility factor of 104.84% (year ending June 30, 2019 - 119.79%), weighted average dividend yield of 0% (year ending June 30, 2019 - 0%) and a 5% forfeiture rate (year ending June 30, 2019 - 5%).

ii) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the six months ended December 31, 2019 were \$591,525 (December 31, 2018 - \$2,447,059).

iii) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options at December 31, 2019 was 2.76 years (June 30, 2019 - 3.19 years).

8. RESEARCH AND DEVELOPMENT EXPENSES

	Three months ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
External contractors	\$ 1,136,746	\$ 565,740	\$ 2,726,897	\$ 841,472
Other	9,491	15,289	14,750	17,785
Patents	8,854	55,621	73,112	126,852
Research supplies	398,683	8,457	666,190	46,128
Salaries & benefits	458,551	319,741	900,843	559,705
Gross research and development expenses	2,012,325	964,848	4,381,792	1,591,942
Less research grant revenue	(80,245)	(18,000)	(117,924)	(18,000)
Net Research and Development Expenses	\$ 1,932,080	\$ 946,848	\$ 4,263,868	\$ 1,573,942

Effective November 1, 2018, the Company entered into a contribution agreement with the National Research Council Canada Industrial Research Assistance Program ("NRC IRAP") to receive funding of up to \$500,000 to support its ongoing R&D efforts in cannabinoid biosynthesis. It is expected that this funding will be earned over the period commencing November 1, 2018 through to approximately mid calendar 2020. Research grant revenue is recognized as a recovery of research and development expenditures when earned.

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9. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Accounting and legal	\$ 161,988	\$ 135,356	\$ 416,147	\$ 255,749
Consulting	-	16,327	1,250	29,362
Investor relations, website development and marketing	127,665	178,344	229,304	333,787
Office and administration fees	74,733	74,812	158,598	115,096
Regulatory fees	11,698	14,008	32,578	53,152
Rent	2,281	49,214	39,399	98,840
Salaries & benefits	437,959	355,092	843,792	719,696
Shareholder communication	69,252	80,810	97,454	87,927
Transfer agent fees	13,661	3,163	16,369	7,336
Travel and conferences	37,163	14,471	59,820	33,688
Total General and Administrative Expenses	\$ 936,380	\$ 921,597	\$ 1,894,711	\$ 1,734,633

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 six months ending December 31, 2019 as compared to the same period ending December 31, 2018.

	December 31, 2019	December 31, 2018
Key management personnel compensation comprised :		
Share based payments	\$ 321,037	\$ 2,149,082
Salaries and consulting fees	1,341,703	1,051,394
	\$ 1,662,740	\$ 3,200,476

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. As the outstanding warrants and stock options are all anti-dilutive, they are excluded from the weighted average number of common shares in the table below.

	Three Months Ended		Six Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Loss attributable to common shareholders	(\$3,350,443)	(\$2,653,571)	(\$6,737,258)	(\$5,494,795)
shares	172,283,633	170,883,633	172,283,633	170,869,956
Basic and diluted loss per share	(\$0.02)	(\$0.02)	(\$0.04)	(\$0.03)

12. LEASE OBLIGATIONS

Effective July 1, 2019, the Company adopted IFRS 16 Leases using the modified retrospective approach and, accordingly, the information presented for the year ending June 30, 2019 has not been restated and it remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company recognized right-of-use assets of \$568,840 and a lease liability of \$503,924, with no net impact on accumulated deficit. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at July 1, 2019 of 8%.

The following table lists the Company's operating lease obligations recognized on initial application of IFRS 16 Leases at July 1, 2019.

Lease obligations recognized as at July 1, 2019	\$503,924
Discounted using the incremental borrowing rate at July 1, 2019	8%
Estimated annual variable lease payments not included in lease obligations	\$78,500

The Company is committed to minimum lease payments as follows:

Maturity Analysis	December 31, 2019
Less than one year	119,014
One to five years	452,177
More than five years	-
Total undiscounted lease liabilities ⁽¹⁾	571,191

⁽¹⁾ Excludes estimated variable operating costs of \$78,500 on an annual basis through to August 31, 2024.

13. SEGMENTED INFORMATION

The Company operates in one segment, the biopharmaceutical research and development of novel, cannabinoid-based therapies and a biosynthesis system for the manufacturing of pharmaceutical-grade cannabinoids.

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 six months ended December 31, 2019 and 2018 the following transactions were excluded from the statements of cash flows:

- i) In the six months ended December 31, 2018, 35,000 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 (see Note 6). The exercise of these 35,000 share purchase warrants resulted in the issuance of 7,564 common shares.

15. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of agreements with various contract research organizations, as at December 31, 2019, the Company is committed for contract research services and materials at a cost of approximately \$1,845,005. A total of \$1,780,840 of these expenditures are expected to occur in the twelve months following December 31, 2019 and the balance of \$64,165 in the following twelve month period.

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.

Pursuant to the terms of a December 13, 2018 Collaborative Research Agreement with UBC in which the Company owns all right, title and interest in and to any intellectual property, in addition to funding research at UBC, the Company is committed to make a one-time payment upon filing of any patent application arising from the research.

On January 14, 2019, the Company executed a lease for new office premises at an annual cost of approximately \$129,800, increasing up to \$143,300 in the last year of the lease, plus annual operating costs estimated at \$78,500 (see Note 12). The term of this new lease is from September 1, 2019 to August 31, 2024. In January 2019, the Company paid the landlord a security deposit, of which \$64,916 is included in the right-of-use asset in Note 4 and approximately \$32,721 is included in “Prepays and advances” on the Company’s balance sheet, that is to be applied to the rent for certain months during the five year lease term.

Short-term investments include guaranteed investment certificates with a face value of \$57,500 (June 30, 2019 - \$57,500) that are pledged as security for a corporate credit card.

The Company has entered into certain agreements in the ordinary course of operations that may include indemnification provisions, which are common in such agreements. In some cases, the maximum amount of potential future indemnification is unlimited; however, the Company currently holds commercial general liability insurance. This insurance limits the Company’s liability and may enable the Company to recover a portion of any future amounts paid. Historically, the Company has not made any indemnification payments under such agreements and it believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to these obligations for any period presented.

From time to time, the Company may be subject to various legal proceedings and claims related to matters arising in the ordinary course of business. The Company does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

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.

17. FINANCIAL RISK MANAGEMENT

Fair value:

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities. The fair values of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

Fair value measurements recognized in the statement of financial position must be categorized in accordance with the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 price 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 December 31, 2019, the Company has a net excess of US dollar denominated cash and cash equivalents in excess of US dollar denominated accounts payable and accrued liabilities of US\$1,433,730 which is equivalent to CDN\$1,862,128 at the December 31, 2019 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 US dollar in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of \$18,621 based on the December 31, 2019 net US dollar assets (liabilities) position. During the six months ended December 31, 2019, the Company recorded foreign exchange loss of \$14,844 (December 31, 2018 – gain of \$91,002).

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 December 31, 2019, holdings of cash and cash equivalents of \$3,824,705 (June 30, 2019 - \$3,063,398) are subject to floating interest rates. In addition, the Company held fixed rate guaranteed investment certificates, cashable within ninety days of purchase, with a book value of

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\$7,973,601 (June 30, 2019 – \$9,512,120). The balance of the Company's cash holdings of \$149,024 (June 30, 2019 - \$298,443) are non-interest bearing.

As at December 31, 2019, the Company held short-term investments in the form of variable rate guaranteed investment certificates, with one year terms, with face value of \$57,500 (June 30, 2019 - \$57,500) and fixed rate guaranteed investment certificates, with terms of 6 to 12 months, with a face value of \$Nil (June 30, 2019 - \$5,000,000).

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 December 31, 2019, 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 has sufficient cash 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. A key risk in managing liquidity is the degree of uncertainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at December 31, 2019, the Company has cash and cash equivalents and short-term investments of \$12,005,503 (June 30, 2019 - \$18,039,054), current liabilities of \$1,657,425 (June 30, 2019 - \$1,562,865), and a working capital surplus of \$10,715,958 (June 30, 2019 - \$16,985,451).