



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

**For the Three and Nine Months Ended March 31, 2020**



**InMed Pharmaceuticals Inc.**  
(Expressed in Canadian Dollars)  
March 31, 2020

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

As at March 31, 2020 and June 30, 2019

Expressed in Canadian Dollars

	Note	March 31, 2020	June 30, 2019
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 9,886,395	\$ 12,873,961
Short-term investments	15	57,725	5,165,093
Accounts receivable		45,525	84,987
Prepays and advances	15	263,139	424,275
<b>Total current assets</b>		<b>10,252,784</b>	<b>18,548,316</b>
<b>Non-Current</b>			
Property and equipment	4	587,369	55,829
Intangible assets	5	1,114,302	1,184,720
<b>Total Assets</b>		<b>\$ 11,954,455</b>	<b>\$ 19,788,865</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payables and accrued liabilities		\$ 1,859,611	\$ 1,562,865
Current portion of lease obligations	12	92,131	-
<b>Total current liabilities</b>		<b>1,951,742</b>	<b>1,562,865</b>
<b>Non-current</b>			
Lease obligations	12	364,307	-
		<b>2,316,049</b>	<b>1,562,865</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	68,579,890	68,579,890
Contributed surplus	6, 7	15,172,890	14,216,224
Accumulated deficit		(74,114,374)	(64,570,114)
		<b>9,638,406</b>	<b>18,226,000</b>
		<b>\$ 11,954,455</b>	<b>\$ 19,788,865</b>

**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 nine months ended March 31, 2020 and 2019

Expressed in Canadian Dollars

	Note	Three Months Ended March 31		Nine Months Ended March 31	
		2020	2019	2020	2019
<b>Operating Expenses</b>					
Research and development	8	\$ 1,585,447	\$ 1,615,729	\$ 5,849,315	\$ 3,189,671
General and administrative	9	1,040,045	988,632	2,934,756	2,723,265
Amortization and depreciation	4, 5	58,797	31,538	161,680	94,267
Share-based payments	7	365,141	890,581	956,666	3,337,640
Total operating expenses		3,049,430	3,526,480	9,902,417	9,344,843
<b>Other Income (Loss)</b>					
Interest income		35,411	108,887	165,984	341,453
Foreign exchange gain (loss)		207,017	(72,978)	192,173	18,024
<b>Total net and comprehensive loss for the period</b>		<b>\$ (2,807,002)</b>	<b>\$ (3,490,571)</b>	<b>\$ (9,544,260)</b>	<b>\$ (8,985,366)</b>
<b>Basic and diluted loss per share for the period</b>	11	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.06)</b>	<b>\$ (0.05)</b>

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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 CHANGES IN EQUITY (unaudited)**

For the nine months ended March 31, 2020 and 2019

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		-	-	(8,985,366)	(8,985,366)
Share-based payments	7	-	3,337,640	-	3,337,640
Shares issued on exercise of stock options	6	395,642	(190,642)	-	205,000
<b>Balance March 31, 2019</b>		<b>\$68,454,340</b>	<b>\$13,528,757</b>	<b>(\$60,300,438)</b>	<b>\$21,682,659</b>

	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		-	-	(9,544,260)	(9,544,260)
Share-based payments	7	-	956,666	-	956,666
<b>Balance March 31, 2020</b>		<b>\$68,579,890</b>	<b>\$15,172,890</b>	<b>(\$74,114,374)</b>	<b>\$9,638,406</b>

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 CASH FLOWS (unaudited)**

For the nine months ended March 31, 2020 and 2019

Expressed in Canadian Dollars

	Note	2020	2019
<b>OPERATING ACTIVITIES</b>			
<b>Cash flows from operating activities</b>			
Net loss for the period		\$ (9,544,260)	\$ (8,985,366)
Adjustments to reconcile loss to net cash used in operating activities			
Amortization and depreciation	4, 5	161,680	94,267
Share-based payments	7	956,666	3,337,640
Loss on sale of assets		3,097	-
Interest accretion on lease obligations		17,430	-
Changes in non-cash working capital balances:			
Prepays and advances		96,221	(445,702)
Interest income accrued on short-term investments		107,368	(68,860)
Accounts receivable		39,462	(23,513)
Accounts payable and accrued liabilities		296,746	(269,973)
<b>Total cash outflows from operating activities</b>		<b>(7,865,590)</b>	<b>(6,361,507)</b>
<b>Cash Flows From Investing Activities</b>			
Proceeds (purchase) of short-term investments		5,000,000	(5,028,750)
Purchase of property and equipment	4	(57,785)	(17,784)
Proceeds on disposal of property and equipment		726	-
<b>Total cash provided by (outflows) from investing activities</b>		<b>4,942,941</b>	<b>(5,046,534)</b>
<b>Cash Flows From Financing Activities</b>			
Payments on lease obligations	12	(64,917)	-
Shares issued for cash	6	-	205,000
<b>Total cash provided by (used in) financing activities</b>		<b>(64,917)</b>	<b>205,000</b>
Decrease in cash during the period		(2,987,566)	(11,203,041)
<b>Cash and cash equivalents beginning of the period</b>		<b>12,873,961</b>	<b>24,134,277</b>
<b>Cash and cash equivalents end of the period</b>		<b>\$ 9,886,395</b>	<b>\$ 12,931,236</b>

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.

## **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 pharmaceutical 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 nine-month periods ended March 31, 2020 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 May 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 condensed consolidated interim 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 over the next twelve months after the period end date is supported by its available cash and cash equivalents to meet its obligations. Until such time as the Company can generate substantial product revenue and achieve profitable operations, continuing operations are dependent upon 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. 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 twelve months after the period end date. These condensed consolidated interim 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. On initial application of IFRS 16 at the commencement of the lease on September 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.

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 initial application of the standard on July 1, 2019, the Company had no transition adjustment to the consolidated financial statements based on the election to apply the practical expedient not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. On September 1, 2019, at the commencement date of the new office lease, 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.

**INMED PHARMACEUTICALS INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2020 AND 2019**  
(Expressed in Canadian Dollars)

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The following table lists the Company's operating lease obligations recognized on initial application of IFRS 16 Leases at September 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 September 1, 2019	(\$102,710)
Lease obligations recognized as at September 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 September 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 licensed intellectual property 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 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.

#### COVID-19 impacts

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. Management uses judgement to assess the impact of the pandemic on the Company's ability to obtain debt and equity financing in the future, and impairment in the value of its long-lived assets.

**INMED PHARMACEUTICALS INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2020 AND 2019**  
(Expressed in Canadian Dollars)

**4. PROPERTY AND EQUIPMENT**

	Equipment	Leasehold Improvements	Right of Use Asset	Total
<b>Cost</b>				
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	(6,070)	(36,561)	-	(42,631)
Assets acquired	17,963	39,822	568,840	626,625
<b>Balance, March 31, 2020</b>	<b>\$ 86,278</b>	<b>\$ 54,729</b>	<b>\$ 568,840</b>	<b>\$ 709,847</b>
<b>Depreciation and impairment losses</b>				
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	(2,247)	(36,561)	-	(38,808)
Depreciation for the period	15,411	9,486	66,365	91,262
<b>Balance, March 31, 2020</b>	<b>\$ 49,728</b>	<b>\$ 6,385</b>	<b>\$ 66,365</b>	<b>\$ 122,478</b>
<b>Carrying amounts</b>				
Carrying value at June 30, 2019	\$ 37,821	\$ 18,008	\$ -	\$ 55,829
<b>Carrying value at March 31, 2020</b>	<b>\$ 36,550</b>	<b>\$ 48,344</b>	<b>\$ 502,475</b>	<b>\$ 587,369</b>

**5. INTANGIBLE ASSETS**

Costs	Intellectual Property
Balance at June 30, 2018 and 2019	\$ 1,636,000
<b>Balance, March 31, 2020</b>	<b>\$ 1,636,000</b>
<b>Accumulated amortization impairment losses</b>	
Balance at June 30, 2018	\$ 362,330
Amortization	88,950
Balance at June 30, 2019	\$ 451,280
Amortization	70,418
<b>Balance, March 31, 2020</b>	<b>\$ 521,698</b>
<b>Carrying amounts</b>	
Carrying value at June 30, 2019	\$ 1,184,720
<b>Carrying value at March 31, 2020</b>	<b>\$ 1,114,302</b>

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.

**INMED PHARMACEUTICALS INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2020 AND 2019**  
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**6. SHARE CAPITAL AND RESERVES**

**a) Authorized**

As at March 31, 2020, 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
<b>Balance at June 30, 2019 and March 31, 2020</b>	<b>172,283,633</b>	<b>\$ -</b>	<b>\$ 68,579,890</b>

**c) Share Purchase Warrants**

The following is a summary of changes in share purchase warrants from July 1, 2018 to March 31, 2020:

	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
<b>Balance as at March 31, 2020</b>	<b>16,611,244</b>	<b>\$1.25</b>

At March 31, 2020, 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
<b>Balance as at March 31, 2020</b>	<b>16,611,244</b>		

The weighted average remaining contractual life of the share purchase warrants at March 31, 2020 was 0.22 year.

**INMED PHARMACEUTICALS INC.**  
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**FOR THE NINE MONTHS ENDED MARCH 31, 2020 AND 2019**  
(Expressed in Canadian Dollars)

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**d) Agents' Warrants**

The following is a summary of changes in agents' warrants from July 1, 2018 to March 31, 2020:

	Number	Weighted Average Share Price
Balance as at June 30, 2018 and 2019	1,539,953	\$1.11
Expired	(433,556)	\$1.25
<b>Balance as at March 31, 2020</b>	<b>1,106,397</b>	<b>\$1.05</b>

At March 31, 2020, 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
<b>Balance as at March 31, 2020</b>	<b>1,106,397</b>		

The weighted average remaining contractual life of the Agents' Warrants at March 31, 2020 was 0.22 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 March 31, 2020, there was 14,994,227 (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.

**INMED PHARMACEUTICALS INC.**  
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**(Expressed in Canadian Dollars)**

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The following is a summary of changes in outstanding options from July 1, 2018 to March 31, 2020:

	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	1,740,000	\$0.22
Expired/Forfeited	(2,047,500)	\$1.10
<b>Balance as at March 31, 2020</b>	<b>19,462,500</b>	<b>\$0.45</b>

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The following is a summary of changes in options from July 1, 2019 to March 31, 2020:

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)	-	-	-						
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	-	-	(37,500)	737,500	387,500	350,000						
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						
12-Jan-20	11-Jan-25	\$0.250	-	340,000	-	-	340,000	-	340,000						
			<b>19,770,000</b>	<b>1,740,000</b>	<b>-</b>	<b>(2,047,500)</b>	<b>19,462,500</b>	<b>13,333,913</b>	<b>6,128,587</b>						
Weighted Average Exercise Price		\$	0.53	\$	0.27	\$	-	\$	1.15	\$	0.45	\$	0.41	\$	0.53
Weighted Average Life Remaining			3.19		3.56		-		2.49		1.91		3.75		



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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
			<b>16,595,000</b>	<b>4,800,000</b>	<b>(1,425,000)</b>	<b>(200,000)</b>	<b>19,770,000</b>	<b>12,748,750</b>	<b>7,021,250</b>
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 nine months ended March 31, 2020 was \$0.22 per option (year ending June 30, 2019 - \$0.41). Assumptions used for options granted during the nine months ended March 31, 2020 included a weighted average risk-free interest rate of 1.28% (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 104.65% (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 nine months ended March 31, 2020 were \$956,666 (March 31, 2019 - \$3,337,640) which is net of reversals for actual forfeitures and a reserve for anticipated forfeitures totaling \$618,442 (March 31, 2019 - \$175,665).

iii) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options at March 31, 2020 was 2.49 years (June 30, 2019 – 3.19 years).

**8. RESEARCH AND DEVELOPMENT EXPENSES**

	Three months ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
External contractors	\$ 824,749	\$ 561,986	\$ 3,551,646	\$ 1,403,458
Other	4,442	3,752	19,192	21,537
Patents	101,207	92,050	174,319	218,902
Research supplies	264,018	599,950	930,208	646,078
Salaries & benefits	457,915	408,740	1,358,758	968,445
Gross research and development expenses	1,652,331	1,666,478	6,034,123	3,258,420
Less research grant revenue	(66,884)	(50,749)	(184,808)	(68,749)
<b>Net Research and Development Expenses</b>	<b>\$ 1,585,447</b>	<b>\$ 1,615,729</b>	<b>\$ 5,849,315</b>	<b>\$ 3,189,671</b>

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		Nine Months Ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Accounting and legal	\$ 266,838	\$ 150,859	\$ 682,985	\$ 406,608
Consulting	-	20,614	1,250	49,976
Investor relations and marketing	134,101	188,184	363,405	521,971
Office and administration fees	92,713	84,715	251,311	199,811
Regulatory fees	11,094	15,570	43,672	68,722
Rent	18,585	49,330	57,984	148,170
Salaries & benefits	448,409	400,024	1,292,201	1,119,720
Shareholder communication	34,588	27,245	132,042	115,172
Transfer agent fees	12,093	16,664	28,462	24,000
Travel and conferences	19,067	35,427	78,887	69,115
Unrealized holding loss	2,557	-	2,557	-
<b>Total General and Administrative Expenses</b>	<b>\$ 1,040,045</b>	<b>\$ 988,632</b>	<b>\$ 2,934,756</b>	<b>\$ 2,723,265</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 nine months ending March 31, 2020 as compared to the same period ending March 31, 2019.

	March 31, 2020	March 31, 2019
Key management personnel compensation comprised :		
Share based payments	\$ 572,498	\$ 2,883,510
Salaries and consulting fees	2,006,664	1,667,981
	<b>\$ 2,579,162</b>	<b>\$ 4,551,491</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. 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		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Loss attributable to common shareholders	<b>(\$2,807,002)</b>	(\$3,490,571)	<b>(\$9,544,260)</b>	(\$8,985,366)
Weighted average number of common shares	<b>172,283,633</b>	171,328,077	<b>172,283,633</b>	171,024,996
Basic and diluted loss per share	<b>(\$0.02)</b>	(\$0.02)	<b>(\$0.06)</b>	(\$0.05)

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**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 September 1, 2019 of 8%.

The following table lists the Company's operating lease obligations recognized on commencement of the lease for the Company's new office premises at September 1, 2019.

Lease obligations recognized as at September 1, 2019	\$503,924
Discounted using the incremental borrowing rate at September 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:

<b>Maturity Analysis</b>	<b>March 31, 2020</b>
Less than one year	119,014
One to five years	419,719
More than five years	-
<b>Total undiscounted lease liabilities <sup>(1)</sup></b>	<b>538,733</b>

<sup>(1)</sup> 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 nine months ended March 31, 2020 and 2019 the following transactions were excluded from the statements of cash flows:

- i) In the nine months ended March 31, 2019, 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.
- ii) On January 14, 2019, the Company executed a lease for new office premises (see Note 12). The term of this new lease is from September 1, 2019 to August 31, 2024. In accordance with IFRS 16 Leases, the Company recognized right-of-use assets of \$568,840 and a lease liability of \$503,924, recognized on commencement of the lease on September 1, 2019.

## **15. COMMITMENTS AND CONTINGENCIES**

Pursuant to the terms of agreements with various contract research organizations, as at March 31, 2020, the Company is committed for contract research services and materials at a cost of approximately \$1,503,156. A total of \$1,434,586 of these expenditures are expected to occur in the twelve months following March 31, 2020 and the balance of \$68,570 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.

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**17. FINANCIAL RISK MANAGEMENT**

Fair value:

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); and

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

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 short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using Level 1 inputs.

The following table summarizes the classification and carrying values of the Company's financial instruments at March 31, 2020 and June 30, 2019:

March 31, 2020	Level 1	Level 2	Total
<b>Financial assets</b>			
Cash and cash equivalents	9,886,395	-	9,886,395
Short-term investments	-	57,725	57,725
Accounts receivable	-	45,525	45,525
<b>Total financial assets</b>	<b>9,886,395</b>	<b>103,250</b>	<b>9,989,645</b>
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	-	1,859,611	1,859,611
<b>Total financial liabilities</b>	<b>-</b>	<b>1,859,611</b>	<b>1,859,611</b>
<hr/>			
June 30, 2019	Level 1	Level 2	Total
<b>Financial assets</b>			
Cash and cash equivalents	12,873,961	-	12,873,961
Short-term investments	-	5,165,093	5,165,093
Accounts receivable	-	84,987	84,987
<b>Total financial assets</b>	<b>12,873,961</b>	<b>5,250,080</b>	<b>18,124,041</b>
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	-	1,562,865	1,562,865
<b>Total financial liabilities</b>	<b>-</b>	<b>1,562,865</b>	<b>1,562,865</b>

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**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 March 31, 2020, 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\$1,480,380 which is equivalent to \$2,100,215 at the March 31, 2020 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 \$21,002 based on the March 31, 2020 net US dollar assets (liabilities) position. During the nine months ended March 31, 2020, the Company recorded a foreign exchange gain of \$189,913 (March 31, 2019 -\$18,024) related to US dollars.

As at March 31, 2020, the Company has a net excess of Euros denominated accounts payable and accrued liabilities in excess of Euros denominated cash and cash equivalents of €192,672 which is equivalent to \$300,260 at the March 31, 2020 exchange rate. The Euros financial assets generally result from holding Euros to settle anticipated near-term accounts payable and accrued liabilities denominated in Euros dollars. The Euros financial liabilities generally result from purchases of supplies and services from suppliers from outside of Canada.

Each change of 1% in the Euros in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of \$3,003 based on the March 31, 2020 net Euros assets (liabilities) position. During the nine months ended March 31, 2020, the Company recorded a foreign exchange gain of \$2,260 (March 31, 2019 - \$Nil) related to Euros.

***Interest Rate Risk:***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at March 31, 2020, holdings of cash and cash equivalents of \$7,166,178 (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 \$Nil (June 30, 2019 - \$9,512,120). The balance of the Company's cash holdings of \$2,720,217 (June 30, 2019 - \$298,443) are non-interest bearing.

As at March 31, 2020, 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).

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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 March 31, 2020, 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 March 31, 2020, the Company has cash and cash equivalents and short-term investments of \$9,944,120 (June 30, 2019 - \$18,039,054), current liabilities of \$1,951,742 (June 30, 2019 - \$1,562,865), and a working capital surplus of \$8,301,042 (June 30, 2019 - \$16,985,451).