



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

**For the Three and Six Months Ended December 31, 2017**



**InMed Pharmaceuticals Inc.**  
(Expressed in Canadian Dollars)  
December 31, 2017

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

As at December 31, 2017 and June 30, 2017

Expressed in Canadian Dollars

	Note	December 31 2017	June 30 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	4	\$ 12,968,914	\$ 6,707,796
Taxes recoverable	5	19,276	59,148
Prepays and advances	21	316,411	177,577
<b>Total current assets</b>		<b>13,304,601</b>	<b>6,944,521</b>
<b>Non-Current</b>			
Property and equipment	6	56,126	27,049
Intangible assets	7	1,318,740	1,364,558
<b>Total Assets</b>		<b>\$ 14,679,467</b>	<b>\$ 8,336,128</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Trade payables	8	296,478	369,674
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	45,024,494	43,153,871
Share subscriptions	9, 21	7,673,734	-
Contributed surplus	9, 10	7,842,676	7,606,735
Accumulated deficit		(46,157,915)	(42,794,152)
		<b>14,382,989</b>	<b>7,966,454</b>
		<b>\$ 14,679,467</b>	<b>\$ 8,336,128</b>

Commitments (Note 18)

Subsequent Events (Note 21)

Approved on behalf of the Board of Directors by:

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

/s/ Adam Cutler  
Adam Cutler, Director

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

For the three and six months ended December 31, 2017 and December 31, 2016

Expressed in Canadian Dollars

	Note	Three Months Ended December 31		Six Months Ended December 31	
		2017	2016	2017	2016
<b>Expenses</b>					
General and administrative	11	\$ 735,294	555,240	\$ 1,576,634	\$ 685,770
Research and development	12	418,317	169,576	795,433	193,057
Amortization and depreciation	6, 7	30,409	22,530	57,035	45,059
Foreign exchange (gain) loss		(1,528)	(877)	2,996	(3,350)
Share-based payments	10	362,824	192,762	933,372	436,711
Total expenses		1,545,316	939,231	3,365,470	1,357,247
<b>Interest income</b>		1,707	-	1,707	-
<b>Total comprehensive loss for the period</b>		\$ (1,543,609)	\$ (939,231)	\$ (3,363,763)	\$ (1,357,247)
<b>Basic and diluted loss per share for the period</b>	14	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)

**InMed Pharmaceuticals Inc.**

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

For the six months ended December 31, 2017 and December 31, 2016

Expressed in Canadian Dollars

	Note	Share Capital	Obligation to issue Shares	Shares Subscribed	Contributed Surplus	Accumulated Deficit	Total
<b>Balance June 30, 2016</b>		<b>\$32,777,875</b>	<b>\$70,000</b>	<b>\$131,400</b>	<b>\$6,402,550</b>	<b>(\$38,320,303)</b>	<b>\$1,061,522</b>
Loss for the period		-	-	-	-	(1,357,247)	(1,357,247)
Shares subscribed for	9	-	-	32,100	-	-	32,100
Share-based payments for services	9	40,375	-	-	-	-	40,375
Share-based payments	10	-	-	-	436,711	-	436,711
Shares for debt	9	108,169	-	-	-	-	108,169
Shares issued for cash	9	1,877,950	-	(131,400)	-	-	1,746,550
Fair value of agents' warrants	9	-	-	-	527	-	527
Share issue costs	9	(43,718)	-	-	-	-	(43,718)
<b>Balance December 31, 2016</b>		<b>\$34,760,651</b>	<b>\$70,000</b>	<b>\$32,100</b>	<b>\$6,839,788</b>	<b>(\$39,677,550)</b>	<b>\$2,024,989</b>

	Note	Share Capital	Obligation to issue Shares	Shares & Warrants Subscribed	Contributed Surplus	Accumulated Deficit	Total
<b>Balance June 30, 2017</b>		<b>\$43,153,871</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,606,735</b>	<b>(\$42,794,152)</b>	<b>\$7,966,454</b>
Loss for the period		-	-	-	-	(3,363,763)	(3,363,763)
Shares and warrants subscribed for	9, 21	-	-	7,673,734	-	-	7,673,734
Share-based payments	10	-	-	-	933,372	-	933,372
Shares issued on exercise of warrants	9	592,066	-	-	-	-	592,066
Fair value of agents' warrants exercised	9	59,776	-	-	(59,776)	-	-
Shares issued on exercise of stock options	10	1,218,781	-	-	(637,656)	-	581,125
<b>Balance December 31, 2017</b>		<b>\$45,024,494</b>	<b>\$0</b>	<b>\$7,673,734</b>	<b>\$7,842,676</b>	<b>(\$46,157,915)</b>	<b>\$14,382,989</b>

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

For the six months ended December 31, 2017 and December 31, 2016

Expressed in Canadian Dollars

	Note	2017	2016
<b>OPERATING ACTIVITIES</b>			
<b>Cash flows from operating activities</b>			
Loss for the period		\$ (3,363,763)	\$ (1,357,247)
Adjustments to reconcile loss to net cash used in operating activities			
Amortization and depreciation	6, 7	57,035	45,059
Share-based payments	10	933,372	436,711
Shares issued for services	9	-	40,375
Changes in non-cash working capital balances:			
Prepays and advances	21	40,567	37,465
Taxes recoverable	5	39,872	(16,278)
Trade payables	8	(73,194)	(266,969)
<b>Total cash outflows from operating activities</b>		<b>(2,366,111)</b>	<b>(1,080,884)</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of property and equipment	6	(40,295)	-
<b>Total cash outflows from investing activities</b>		<b>(40,295)</b>	<b>-</b>
<b>Cash Flows From Financing Activities</b>			
Subscriptions received	9	7,673,734	32,100
Shares issued for cash	9	1,173,191	1,746,550
Share issue costs	9, 21	(179,401)	(43,191)
<b>Cash provided by financing activities</b>		<b>8,667,524</b>	<b>1,735,459</b>
Increase in cash during the period		6,261,118	654,575
<b>Cash and cash equivalents beginning of the period</b>		<b>6,707,796</b>	<b>54,241</b>
<b>Cash and cash equivalents end of the period</b>		<b>\$ 12,968,914</b>	<b>\$ 708,816</b>

See note 17 for Non-Cash Transactions

## **INMED PHARMACEUTICALS INC.**

### **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016 (Expressed in Canadian Dollars)**

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#### **1. CORPORATION INFORMATION**

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

The Company’s shares are listed on the Canadian Securities Exchange (“CSE” or “Exchange”) under the trading symbol “IN”, and under the trading symbol “IMLFF” on the OTCQB.

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

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

#### **2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company’s 2017 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from July 1, 2017 and income tax expense which is expected for the full financial year.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 22, 2018.

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

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

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

##### **Basis of Consolidation**

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

## **INMED PHARMACEUTICALS INC.**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016  
(Expressed in Canadian Dollars)

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

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

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

#### **Continuing Operations**

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

#### **Future Accounting Pronouncements**

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

#### **IFRS 9 Financial Instruments**

Issued by IASB July, 2014

Effective for annual periods beginning on or after January 1, 2018

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

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



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

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

#### IFRS 9 Financial Instruments (cont'd)

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

#### IFRS 16 Leases

Issued by IASB January, 2016

Effective for annual periods beginning on or after January 1, 2019

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

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

The main features of the new standard are as follows:

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

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

## **INMED PHARMACEUTICALS INC.**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016  
(Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

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

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

#### Estimate of useful life of intangible assets

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

#### Application of going concern assumption

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

#### Assets' impairment

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

#### Share-based payments and warrants

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

### **4. CASH**

Cash consists of cash at banks and guaranteed investment certificates and earns interest at floating and fixed rates based on daily deposit rates. Cash equivalents of \$28,750 (June 30, 2017: \$28,750) is held in a guaranteed investment certificate that is pledged as security for a corporate credit card.

**INMED PHARMACEUTICALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016  
(Expressed in Canadian Dollars)****5. RECEIVABLES**

	December 31 2017	June 30 2017
Taxes recoverable	\$ 19,276	\$ 59,148
	<b>\$ 19,276</b>	<b>\$ 59,148</b>

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

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

**6. PROPERTY AND EQUIPMENT**

	Equipment	Leasehold Improvements	Total
<b>Cost</b>			
Balance at June 30, 2016	\$ 9,330	\$ —	\$ 9,330
Assets acquired	25,393	—	25,393
Balance at June 30, 2017	\$ 34,723	\$ —	\$ 34,723
Assets acquired	3,734	36,561	40,295
<b>Balance December 31, 2017</b>	<b>\$ 38,457</b>	<b>\$ 36,561</b>	<b>\$ 75,018</b>
<b>Depreciation and impairment losses</b>			
Balance at June 30, 2016	\$ 4,604	\$ —	\$ 4,604
Depreciation for the period	3,070	—	3,070
Balance at June 30, 2017	\$ 7,674	\$ —	\$ 7,674
Depreciation for the period	5,653	5,565	11,218
<b>Balance December 31, 2017</b>	<b>\$ 13,327</b>	<b>\$ 5,565</b>	<b>\$ 18,892</b>
<b>Carrying amounts</b>			
Carrying value at June 30, 2017	\$ 27,049	\$ —	\$ 27,049
<b>Carrying value at December 31, 2017</b>	<b>\$ 25,130</b>	<b>\$ 30,996</b>	<b>\$ 56,126</b>

**INMED PHARMACEUTICALS INC.**

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

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**7. INTANGIBLE ASSETS**

	<b>Intellectual Property</b>
<b>Costs</b>	
Balance at June 30, 2016	\$1,636,000
Balance at June 30, 2017	\$1,636,000
<b>Balance at December 31, 2017</b>	<b>\$1,636,000</b>
<b>Accumulated amortization and impairment losses</b>	
Balance at June 30, 2016	\$176,689
Amortization	94,753
Balance at June 30, 2017	\$271,442
Amortization	45,818
<b>Balance at December 31, 2017</b>	<b>\$317,260</b>
<b>Carrying amounts</b>	
Carrying value at June 30, 2017	\$1,364,558
<b>Carrying value at December 31, 2017</b>	<b>\$1,318,740</b>

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

**Acquisitions**

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

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

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

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

**INMED PHARMACEUTICALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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(Expressed in Canadian Dollars)****8. TRADE PAYABLES**

	<b>December 31 2017</b>	<b>June 30 2017</b>
Trade payables	\$ 296,478	\$ 369,674
<b>Total</b>	<b>\$ 296,478</b>	<b>\$ 369,674</b>

**9. SHARE CAPITAL AND RESERVES****a) Authorized**

As at December 31, 2017, the Company's authorized share structure consisted of: (i) an unlimited number of common shares without par value; and (ii) unlimited number of preferred shares without par value.

**b) Common Shares**

	<b>Number</b>	<b>Issue Price</b>	<b>Total</b>
Balance at June 30, 2016	68,232,862		\$32,777,875
Issued shares for debt	983,355	\$0.11	108,169
Issued for private placement	31,383,334	\$0.07 - \$0.18	3,295,500
Issued for public placement	12,788,000	\$0.45	5,754,599
Issued for intangible assets	500,000	\$0.14	70,000
Issued for services	641,165	\$0.17 - \$0.415	206,646
Issued for exercise of warrants	12,325,750	\$0.13 - \$0.30	1,678,458
Grant date fair value of agents' warrants exercised	—	—	111,288
Issued for exercise of stock options	875,000	\$0.14 - \$0.345	152,625
Grant date fair value of stock options exercised	—	—	137,633
Cancellation of escrow shares	(80,000)	—	—
Share issue costs			<b>(1,138,922)</b>
Balance at June 30, 2017	127,649,466	—	\$43,153,871
Issued for exercise of warrants	3,879,309	\$0.15 - \$0.65	592,066
Grant date fair value of agents' warrants exercised	—	—	59,776
Issued for exercise of stock options	2,760,295	\$0.14 - \$0.345	581,125
Grant date fair value of stock options exercised	—	—	637,656
<b>Balance at December 31, 2017</b>	<b>134,289,070</b>	<b>—</b>	<b>\$45,024,494</b>

During the six months ended December 31, 2017, the Company completed the following:

- i) The Company issued an aggregate 3,879,309 common shares pursuant to the exercise of 5,199,535 share purchase warrants at a weighted average exercise price of \$0.34 per share. Included in the total number of share purchase warrants exercised were 3,354,035 share purchase warrants, with a weighted average exercise price of \$0.18 each, that were exercised for cash and 1,845,500 share purchase warrants with an exercise price of \$0.65 each that, pursuant to the terms of a May 31, 2017 financing, were exercised on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the CSE ending on the date immediately preceding the date of exercise. The exercise of these 1,845,500 share purchase warrants resulted in the issuance

**INMED PHARMACEUTICALS INC.**

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(Expressed in Canadian Dollars)**

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

**b) Common Shares (cont'd)**

of 525,274 common shares but, as they were exercised on a net cashless basis, no cash was received.

- ii) The Company issued an aggregate 2,760,295 common shares pursuant to the exercise of 2,875,000 stock options at a weighted average exercise price of \$0.22 per share. Included in the total number of stock options exercised were 300,000 stock options with an exercise price of \$0.195 per share that, pursuant to the terms of a settlement agreement with the stock option holder, were exercised on a net cashless basis, based on the \$0.51 per common share closing price of the Company on the CSE on the date immediately preceding the date of exercise. The exercise of these 300,000 stock options resulted in the issuance of 185,295 common shares.
- iii) As at December 31, 2017, the Company had received cash of \$7,673,734 as share subscriptions for a financing that closed on January 3, 2018 (Note 21).

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

- iv) On July 6, 2016, the Company issued an aggregate 983,355 common shares pursuant to the settlement of trade payable debt in the amount of \$108,169 at an issue price of \$0.11 per common share.
- v) On July 28, 2016, the Company completed a non-brokered private placement ("July-2016 Financing") for 4,350,000 units ("Units"), at a price of \$0.07 per Unit for gross proceeds of \$304,500 (which includes subscriptions of \$131,400 received as at June 30, 2016). Each Unit consists of one common share and one non-transferable share purchase warrant (a "July-2016 Warrant"). Each July-2016 Warrant is exercisable by the holder to acquire one additional common share at a price of \$0.15 for a period of twelve (12) months expiring on July 28, 2017.

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

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

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

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

Finders' fees of 7.5% on a portion of the gross proceeds received by the Company from the sale of Units sold pursuant to the January-2017 Financing included cash of \$45,237, 153,665 compensation shares valued at \$0.415 per share, and 170,364 warrants ("January-2017



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

**b) Common Shares (cont'd)**

Agent Warrants”). Each January-2017 Agent Warrant is exercisable in whole or in part at an exercise price of \$0.18 for a period of 12 months expiring on January 18, 2018.

- viii) Pursuant to a February 21, 2017 agreement with a consultant to the Company, on March 1, 2017 the Company issued 250,000 common shares at a value of \$0.41 per common share, being the closing price of the shares on February 21, 2017 on the CSE, as partial payment for services.
- ix) On May 1, 2017, the Company cancelled and returned to treasury 80,000 common shares of the Company which had been held in escrow since February 9, 2000 pursuant to an escrow agreement between the Company, Montreal Trust Company of Canada (now part of Computershare Investor Services Inc.), and two shareholders. These 80,000 common shares were originally issued upon the closing of a reverse takeover transaction on February 9, 2000 as performance shares and were placed into escrow on closing. Under the terms of the Escrow Agreement, any such performance shares not released by February 9, 2010 were to be cancelled. As none of the performance criteria were achieved, none of these common shares were ever released from escrow prior to their cancellation on May 1, 2017.
- x) On May 5, 2017, the Company issued the remaining 500,000 common shares, valued at \$70,000, due to the Company’s Chief Scientific Officer, pursuant to an October 28, 2015 purchase agreement to acquire certain patents from Dr. Hossain.
- xi) On May 31, 2017, the Company completed a public placement (“May-2017 Financing”) of 12,788,000 units (“Units”), at a price of \$0.45 per Unit for gross proceeds of \$5,754,601. Each Unit consists of one common share and one-half non-transferable share purchase warrant (a “May-2017 Warrant”), or an aggregate of 6,394,000 full May-2017 Warrants. Each full May-2017 Warrant is exercisable by the holder to acquire one additional common share at a price of \$0.65 for a period of twenty-four (24) months expiring on May 31, 2019. The May-2017 Warrants are only exercisable on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the CSE ending on the date immediately preceding the date of exercise.

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

- xii) During the year ending June 30, 2017, the Company issued an aggregate 12,325,750 common shares pursuant to the exercise of share purchase warrants at a weighted average exercise price of \$0.14 per share.
- xiii) During the year ending June 30, 2017, the Company issued an aggregate 875,000 common shares pursuant to the exercise of stock options at a weighted average exercise price of \$0.17 per share.

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The following is a summary of changes in share purchase warrants from July 1, 2016 to December 31, 2017:

	Number	Weighted Average Share Price
Balance as at June 30, 2016	11,504,998	\$0.15
Granted	10,744,000	\$0.45
Exercised	(11,715,000)	\$0.14
Expired	(1,099,998)	\$0.30
Balance as at June 30, 2017	9,434,000	\$0.49
Exercised	(4,885,500)	\$0.34
<b>Balance as at December 31, 2017</b>	<b>4,548,500</b>	<b>\$0.65</b>

Included in the total number of share purchase warrants exercised were 3,354,035 share purchase warrants, with a weighted average exercise price of \$0.18 each, that were exercised for cash and 1,845,500 share purchase warrants that, pursuant to the terms of a May 31, 2017 financing, were exercised on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the CSE ending on the date immediately preceding the date of exercise. The exercise of these 1,845,500 share purchase warrants resulted in the issuance of 525,274 common shares but, as they were exercised on a net cashless basis, no cash was received.

At December 31, 2017, 4,548,500 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

	Number	Exercise Price	Expiry Date
	4,548,500	\$0.65	May 31-19
<b>Balance as at December 31, 2017</b>	<b>4,548,500</b>		

The weighted average remaining contractual life of the share purchase warrants at December 31, 2017 was 1.41 years.

**d) Agents Warrants**

The following is a summary of changes in agents' warrants from July 1, 2016 to December 31, 2017:

	Number	Weighted Average Share Price
Balance as at June 30, 2016	581,450	\$0.14
Granted	733,984	\$0.38
Expired	(610,750)	\$0.13
Exercised	(33,700)	\$0.29
Balance as at June 30, 2017	670,984	\$0.40
Exercised	(314,035)	\$0.43
<b>Balance as at December 31, 2017</b>	<b>356,949</b>	<b>\$0.36</b>



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

At December 31, 2017, 356,949 Agent Warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

	Number	Exercise Price	Expiry Date
	115,920	\$0.18	January 18-18
	241,029	\$0.45	May 31-18
<b>Balance as at December 31, 2017</b>	<b>356,949</b>		

The weighted average remaining contractual life of the Agents' Warrants at December 31, 2017 was 0.30 years.

**e) Contributed Surplus**

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

**f) Nature and Purpose of Equity Reserves**

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

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

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

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**10. SHARE-BASED PAYMENTS**

**a) Option Plan Details**

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

As at December 31, 2017, there was 10,782,814 (June 30, 2017 – 9,329,893) options available for future allocation. The option price under each option shall be not be less than the closing price on the day prior to the date of grant. All options vest upon terms as set by the Board of Directors. Starting in May 2016, the Board of Directors adopted a practice of having options vest over time, typically 18 to 24 months, and/or upon the achievement of certain corporate milestones.

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

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

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Cancelled	Closing Balance	Vested and Exercisable	Unvested
4-Apr-14	4-Apr-19	\$0.255	250,000	-	(125,000)	-	125,000	125,000	-
5-Jun-14	5-Jun-19	\$0.18	50,000	-	(50,000)	-	-	-	-
31-Jul-14	31-Jul-19	\$0.18	50,000	-	(50,000)	-	-	-	-
25-Nov-14	25-Nov-19	\$0.180	50,000	-	(50,000)	-	-	-	-
2-Mar-15	2-Mar-20	\$0.345	150,000	-	(50,000)	-	100,000	100,000	-
4-Mar-15	4-Mar-20	\$0.360	200,000	-	-	-	200,000	200,000	-
25-Aug-15	25-Aug-20	\$0.210	150,000	-	-	-	150,000	150,000	-
23-Nov-15	23-Nov-20	\$0.145	200,000	-	-	-	200,000	200,000	-
27-Nov-15	27-Nov-20	\$0.140	1,300,000	-	(250,000)	-	1,050,000	1,050,000	-
16-May-16	16-May-21	\$0.080	2,000,000	-	-	-	2,000,000	2,000,000	-
10-Jun-16	10-Jun-21	\$0.130	1,000,000	-	-	-	1,000,000	800,000	200,000
15-Jun-16	15-Jun-21	\$0.110	2,000,000	-	-	-	2,000,000	2,000,000	-
26-Jul-16	26-Jul-21	\$0.11	1,750,000	-	-	-	1,750,000	1,400,000	350,000
12-Sep-16	12-Sep-21	\$0.11	1,000,000	-	-	-	1,000,000	600,000	400,000
28-Oct-16	28-Oct-21	\$0.195	2,700,000	-	(1,300,000)	-	1,400,000	1,000,000	400,000
15-Nov-16	15-Nov-21	\$0.165	750,000	-	-	-	750,000	500,000	250,000
12-Dec-16	12-Dec-21	\$0.14	300,000	-	-	-	300,000	200,000	100,000
13-Jan-17	13-Jan-22	\$0.25	1,000,000	-	-	-	1,000,000	400,000	600,000
20-Feb-17	20-Feb-22	\$0.37	100,000	-	-	-	100,000	40,000	60,000
22-Feb-17	22-Feb-22	\$0.41	50,000	-	-	-	50,000	50,000	-
2-Jun-17	2-Jun-22	\$0.45	1,150,000	-	-	-	1,150,000	306,250	843,750
15-Jul-17	15-Jul-22	\$0.33	-	400,000	-	-	400,000	-	400,000
14-Aug-17	14-Aug-22	\$0.275	-	1,350,000	(1,000,000)	-	350,000	-	350,000
12-Sep-17	12-Sep-22	\$0.425	-	1,000,000	-	-	1,000,000	-	1,000,000
			16,200,000	2,750,000	(2,875,000)	-	16,075,000	11,121,250	4,953,750
Weighted Average Exercise Price			\$0.17	\$0.34	\$0.19	-	\$0.19	\$0.15	\$0.29
Weighted Average Life remaining			4.04	4.89	-	-	3.67	3.44	4.21

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

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

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

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(Expressed in Canadian Dollars)****10. SHARE-BASED PAYMENTS (cont'd)****b) Fair Value of Options Issued During the Period**

i) The weighted average fair value at grant date of options granted during the six month period ended December 31, 2017 was \$0.33 per option (year ending June 30, 2017 - \$0.16). Assumptions used for options granted during this period included a weighted average risk-free interest rate of 1.58% (year ending June 30, 2017 - 0.85%), weighted average expected life of 5 years (year ending June 30, 2017 - 5 years), weighted average volatility factor of 189.71% (year ending June 30, 2017 - 193.45%) and weighted average dividend yield of 0% (year ending June 30, 2017 - 0%) and a 5% forfeiture rate (year ending June 30, 2017 - 5%). The expected price volatility is based on historic volatility of the Company or companies of similar business and nature, based on the expected life of the options, adjusted for any expected changes to future volatility due to publicly available information.

## ii) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the six month period ended December 31, 2017 were \$933,372 (December 31, 2016 - \$436,711).

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

The weighted average remaining contractual life of stock options at December 31, 2017 was 3.67 years (June 30, 2017 - 4.04 years).

**11. ADMINISTRATIVE AND GENERAL EXPENSES**

	Three Months Ended December 31		Six Months Ended December 31	
	2017	2016	2017	2016
<b>Administrative and General Expenses include:</b>				
Accounting and legal	\$ 101,610	\$ 32,820	\$ 162,225	\$ 44,945
Consulting	-	59,854	-	85,123
Conferences	538	-	538	-
Corporate development	56,250	47,450	107,569	47,450
Investor relations, website development and marketing	302,288	257,739	814,457	294,706
Office and administration fees	43,983	16,177	93,555	23,169
Regulatory fees	5,920	7,808	20,797	12,662
Rent	27,044	8,914	43,587	11,885
Shareholder communication	33,019	41,147	36,493	46,790
Transfer agent fees	4,379	9,796	6,319	12,685
Travel	41,828	20,976	56,249	21,565
Salaries and employee benefits	118,435	52,559	234,845	84,790
	\$ 735,294	\$ 555,240	\$ 1,576,834	\$ 685,770

**12. RESEARCH AND DEVELOPEMENT EXPENSES**

	Three Months Ended December 31		Six Months Ended December 31	
	2017	2016	2017	2016
<b>Research and Development Expenses include:</b>				
R&D personnel compensation	\$ 170,632	\$ 68,929	\$ 327,713	\$ 101,160
External contractors	115,368	83,891	243,451	75,141
Patents	17,590	13,106	66,524	13,106
Research supplies	108,817	-	148,772	-
Other	5,910	3,650	8,973	3,650
	\$ 418,317	\$ 169,576	\$ 795,433	\$ 193,057

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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 month period ending December 31, 2017 as compared to the same period ending December 31, 2016.

	December 31 2017	December 31 2016
Key management personnel compensation comprised :		
Share based payments	\$505,401	\$247,465
Salaries and consulting fees:	\$422,000	\$243,812
	<b>\$927,401</b>	<b>\$491,277</b>

**14. BASIC AND DILUTED LOSS PER SHARE**

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

	Six Months Ending		Three Months Ending	
	December 31 2017	December 31 2016	December 31 2017	December 31 2016
Loss attributable to ordinary shareholders	(\$3,363,763)	(\$1,357,247)	(\$1,543,609)	\$ (939,231)
Weighted average number of common shares	131,730,504	80,239,944	132,555,929	88,243,744
Basic and diluted loss per share	(\$0.03)	(\$0.02)	(\$0.01)	(\$0.01)

**15. INCOME TAXES**

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

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

**16. SEGMENTED INFORMATION**

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

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### **17. NON-CASH TRANSACTIONS**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the period ended December 31, 2017 and December 31, 2016 the following transactions were excluded from the statements of cash flows:

- i) In the three months ending December 31, 2017, 1,845,500 share purchase warrants, with an exercise price of \$0.65 each, were exercised. Pursuant to the terms of a May 31, 2017 financing, the 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 CSE ending on the date immediately preceding the date of exercise. The exercise of these 1,845,500 share purchase warrants resulted in the issuance of 525,274 common shares;
- ii) Included in the total number of stock options exercised in the three months ending December 31, 2017 were 300,000 stock options with an exercise price of \$0.195 per share that, pursuant to the terms of a settlement agreement with the stock option holder, were exercised on a net cashless basis, based on the \$0.51 per common share closing price of the Company on the CSE on the date immediately preceding the date of exercise. The exercise of these 300,000 stock options resulted in the issuance of 185,295 common shares;
- iii) The issuance of 983,355 common shares pursuant to settlement of debt of \$108,169 in the six months ended December 31, 2016 (See Note 9); and
- iv) The grant of Nil (December 31, 2016 – 28,000) Agents Warrants for recorded value of \$Nil (December 31, 2016 – \$527) – see Note 9.

### **18. COMMITMENTS**

Pursuant to the terms of agreements with various contract research organizations, the Company is committed for contract research services at a cost of approximately \$243,252. All of these expenditures are expected to occur in fiscal 2018.

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

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

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

### **19. CAPITAL MANAGEMENT**

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

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### **20. FINANCIAL RISK MANAGEMENT**

#### Market Risk

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

#### Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2017, the Company held fixed rate guaranteed investment certificates, cashable within ninety days of purchase, with face value of \$2,500,000 and variable rate guaranteed investment certificates, with one year terms, with face value of \$28,750 and the balance of its funds being held in cash. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Cash is subject to floating interest rates.

The Company, as at December 31, 2017, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents 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. Cash is 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 with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

#### Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at December 31, 2017, the Company has cash and cash equivalents of \$12,968,914 (June 30, 2017 - \$6,707,796), current liabilities of \$296,478 (June 30, 2017 - \$369,674) and working capital surplus of \$13,008,123 (June 30, 2017 - \$6,574,847).



**INMED PHARMACEUTICALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016  
(Expressed in Canadian Dollars)**

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**21. SUBSEQUENT EVENTS**

- i) On January 3, 2018, the Company completed a non-brokered private placement for 13,428,571 units (“Units”), at a price of \$0.70 per Unit for gross proceeds of \$9,400,000 (which includes subscriptions of \$7,673,734 received as at December 31, 2017). Each Unit consists of one common share and one non-transferable share purchase warrant (a “January-2018 Warrant”). Each January-2018 Warrant is exercisable by the holder to acquire one additional common share at a price of \$1.25 for a period of eighteen (18) months expiring on July 3, 2019.

Finders’ fees on a portion of the gross proceeds received by the Company from the sale of Units sold pursuant to this financing included cash of \$388,364 and 433,556 warrants (“January-2018 Agent Warrants”). The January-2018 Agent Warrants have identical terms as the January-2018 Warrants described above. In addition, included in prepaids and advances as at December 31, 2017 are \$179,401 in deferred share issue costs related to this financing. For the finders’ fees payable in cash, \$41,790 was settled on February 9, 2018 via the issuance of 35,718 common shares at the \$1.17 closing price on the date of issuance of these shares.

- ii) Subsequent to December 31, 2017, the Company issued a total of 115,920 common shares pursuant to the exercise of share purchase warrants at an exercise price of \$0.18 per share for aggregate cash proceeds of \$20,866. In addition, the Company issued an additional 1,650,862 common shares pursuant to the exercise of 2,659,511 share purchase warrants on a net cashless basis.
- iii) Subsequent to December 31, 2017, the Company issued 2,715,000 common shares pursuant to the exercise of stock options at a weighted average exercise price of \$0.16 per share for aggregate proceeds of \$439,100.