



**Un-audited Condensed Consolidated Interim Financial Statements of**

**InMed Pharmaceuticals Inc.**

**Three Months Ended September 30, 2016**

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**InMed Pharmaceuticals Inc.**  
(Expressed in Canadian Dollars)  
September 30, 2016

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## **NOTICE TO READER**

**The accompanying unaudited condensed consolidated interim financial statements of InMed Pharmaceuticals Inc. for the three months ended September 30, 2016 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.**

**The Company's independent auditor has not audited or performed a review of these financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountant for a review of unaudited condensed consolidated interim financial statements by an entity's auditor.**

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

As at September 30, 2016 and June 30, 2016

Expressed in Canadian Dollars

	Note	September 30 2016	June 30 2016
<b>ASSETS</b>			
Current			
Cash and cash equivalents	5	\$ 167,724	\$ 54,241
Taxes recoverable and other receivables	6	86,836	85,122
Prepays and advances		44,792	48,301
<b>Total current assets</b>		<b>299,352</b>	<b>187,664</b>
Non-Current			
Equipment	7	4,021	4,726
Intangible assets	8	1,359,987	1,381,811
<b>Total non-current assets</b>			
<b>Total Assets</b>		<b>\$ 1,663,360</b>	<b>\$ 1,574,201</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current			
Trade and other payables	9,13	414,842	590,179
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	10	33,146,816	32,737,380
Share subscriptions	10	160,000	131,400
Contributed surplus	10,11	6,680,021	6,435,545
Deficit		(38,738,319)	(38,320,303)
		1,248,518	984,022
		\$ 1,663,360	\$ 1,574,201

Going Concern (Note 2)

Subsequent events (Note 18)

Approved on behalf of the Board of Directors by:

/s/ Eric A. Adams

Eric A. Adams, Director

/s/ Craig Schneider

Craig Schneider, Director

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

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

For the three months ended September 30, 2016 and September 30, 2015

Expressed in Canadian Dollars

	Note	2016	2015
<b>Expenses</b>			
Administrative and general	12,13	\$ 162,761	\$ 451,572
Depreciation	7,8	22,529	21,599
Foreign exchange		(2,473)	(256)
Research and development		(8,750)	89,335
Share-based payments	11	243,949	130,958
<b>Total expenses</b>		<b>418,016</b>	<b>693,208</b>
<b>Loss before other items</b>		<b>(418,016)</b>	<b>(693,208)</b>
<b>Total comprehensive loss for the period</b>		<b>\$ (418,016)</b>	<b>\$ (693,208)</b>
<b>Basic and diluted loss per share for the period</b>	14	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

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

**InMed Pharmaceuticals Inc.**

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

For the three months ended September 30, 2016 and September 30, 2015

Expressed in Canadian Dollars

	Note	Share Capital	Shares Subscribed	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2015		\$31,666,222	\$ -	\$5,860,180	\$ (35,943,100)	\$1,583,302
Loss for the period		-	-	-	(693,208)	(693,208)
Share-based payments for services	10	205,000	-	-	-	205,000
Share-based payments	11	-	-	130,958	-	130,958
Shares issued for cash	10	11,700	-	-	-	11,700
Share issue costs		(600)	-	-	-	(600)
<b>Balance September 30, 2015</b>		<b>\$ 31,882,322</b>	<b>\$ -</b>	<b>\$ 5,991,138</b>	<b>\$ (36,636,308)</b>	<b>\$ 1,237,152</b>

	Note	Share Capital	Shares Subscribed	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2016		\$32,737,380	\$ 131,400	\$6,435,545	\$ (38,320,303)	\$ 984,022
Loss for the period		-	-	-	(418,016)	(418,016)
Shares subscribed	10,18	-	160,000	-	-	160,000
Share-based payments	11	-	-	243,949	-	243,949
Shares for debt	10	108,169	-	-	-	108,169
Shares issued for cash	10	304,500	(131,400)	-	-	173,100
Fair value of agents warrants	10	-	-	527	-	527
Share issue costs		(3,233)	-	-	-	(3,233)
<b>Balance September 30, 2016</b>		<b>\$33,146,816</b>	<b>\$160,000</b>	<b>\$6,680,021</b>	<b>\$(38,738,319)</b>	<b>\$ 1,248,518</b>

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

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

For the three months ended September 30, 2016 and September 30, 2015

Expressed in Canadian Dollars

	Note	2016	2015
<b>OPERATING ACTIVITIES</b>			
<b>Cash flows from operating activities</b>			
Loss for the period	\$	(418,016)	\$ (693,208)
Adjustments to reconcile loss to net cash used in operating activities			
Depreciation		22,529	21,599
Share-based payments	11	243,949	130,958
Shares issued for services	10,13	-	205,000
Changes in non-cash working capital balances:			
Prepays and advances		40,330	(13,783)
Taxes recoverable and other receivables		(38,535)	(4,559)
Trade and other payables	9,10	(67,168)	182,997
<b>Total cash outflows from operating activities</b>		<b>(216,911)</b>	<b>(170,996)</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of equipment	7	-	(1,145)
<b>Total cash outflows from investing activities</b>		<b>-</b>	<b>(1,145)</b>
<b>Cash Flows From Financing Activities</b>			
Subscriptions received	10	160,000	-
Shares issued for cash	10	173,100	11,700
Share issue costs		(2,705)	(601)
<b>Cash provided by financing activities</b>		<b>330,395</b>	<b>11,099</b>
Decrease in cash during the period		113,484	(161,042)
<b>Cash and cash equivalents beginning of period</b>		<b>54,241</b>	<b>166,565</b>
<b>Cash and cash equivalents end of period</b>	\$	<b>167,724</b>	<b>\$ 5,523</b>

See note 17 for Non-Cash Transactions

**INMED PHARMACEUTICALS INC.**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015**

**(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 350 – 409 Granville Street, Vancouver, B.C. V6C 1T2.

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

These condensed interim consolidated financial statements for the three month period ended September 30, 2016 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 2015 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 interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company’s 2016 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from July 1, 2016 and income tax expense which is expected for the full financial year.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2016.

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

The consolidated 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 4.



**INMED PHARMACEUTICALS INC.**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015**

**(Expressed in Canadian Dollars)**

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

**Basis of Consolidation**

These consolidated financial statements include the accounts of:

	<u>% of ownership</u>	<u>Jurisdiction</u>	<u>Principal Activity</u>
Biogen Sciences Inc. ("BSI")	100	British Columbia	Research & Development

Additionally, these consolidated financial statements include the accounts of the inactive subsidiaries; Meridex Network Corporation, Savicon Inc., Meridex USA 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 consolidated financial statements.

**Going Concern**

While 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 in the normal course of business for the foreseeable future, there are conditions and events that cast significant doubt on the validity of this assumption. The Company has a history of operating losses and negative cash flows from operations. The Company has a working capital deficiency as at September 30, 2016 of \$109,906 (June 30, 2016 of \$402,515). 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 debt or equity, 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.

Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

**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

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

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

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

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.
- *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.

### **Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)**

Issued by IASB May, 2014

Effective for annual periods beginning on or after January 1, 2016

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

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

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

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

### **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****THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015****(Expressed in Canadian Dollars)**

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**4. 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 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:

**Assets' carrying values and impairment charges**

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, 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**

Management determines costs for share-based payments 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.

**5. CASH**

Cash consists of cash at banks and earns interest at floating and fixed rates based on daily deposit rates.

**6. RECEIVABLES**

		<b>September 30 2016</b>		<b>June 30 2016</b>
Taxes recoverable	\$	<b>86,764</b>	\$	85,050
Other		<b>72</b>		72
	<b>\$</b>	<b>86,836</b>	<b>\$</b>	<b>85,122</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.

**INMED PHARMACEUTICALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015

(Expressed in Canadian Dollars)

**7. EQUIPMENT**

	Equipment	Total
<b>Cost</b>		
Balance at June 30, 2015	\$ 8,185	\$ 8,185
Assets acquired	1,145	1,145
Balance at June 30, 2016	\$ 9,330	\$ 9,330
Assets acquired	—	—
<b>Balance September 30, 2016</b>	<b>\$ 9,330</b>	<b>\$ 9,330</b>
<b>Depreciation and impairment losses</b>		
Balance at June 30, 2015	\$ 1,861	\$ 1,861
Depreciation for the period	2,743	2,743
Balance at June 30, 2016	\$ 4,604	\$ 4,604
Depreciation for the period	705	705
<b>Balance September 30, 2016</b>	<b>\$ 5,309</b>	<b>\$ 5,309</b>
<b>Carrying amounts</b>		
Carrying value at June 30, 2016	\$ 4,726	\$ 4,726
<b>Carrying value at September 30, 2016</b>	<b>\$ 4,021</b>	<b>\$ 4,021</b>

**8. INTANGIBLE ASSETS**

	Intellectual Property
<b>Costs</b>	
Balance at June 30, 2015	\$1,496,000
Acquisition costs	62,500
Balance at June 30, 2016	\$1,558,500
Acquisition costs	—
<b>Balance at September 30, 2016</b>	<b>\$1,558,500</b>
<b>Accumulated depletion and impairment losses</b>	
Balance at June 30, 2015	\$92,219
Amortization	84,470
Balance at June 30, 2016	\$176,689
Amortization	21,824
<b>Balance at September 30, 2016</b>	<b>\$198,513</b>
<b>Carrying amounts</b>	
Carrying value at June 30, 2016	\$1,381,811
<b>Carrying value at September 30, 2016</b>	<b>\$1,359,987</b>

The license for 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****THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015****(Expressed in Canadian Dollars)**

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**8. INTANGIBLE ASSETS (cont'd)****Acquisition**

On October 26, 2015 the Company entered into a purchase agreement to acquire certain patents from a Dr. Sazzad Hossain (“Hossain Agreement”) a director of the Company for the issuance of 1,000,000 common share to be issued over a period of 3 years (500,000 issued) with an aggregate recorded value of \$62,500 (see note 10).

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) 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)

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 Botanical Drug Design Platform and the In-Process Patent to be filed. Pursuant to the completion of the acquisition, BSI became a wholly owned subsidiary of InMed.

**9. TRADE AND OTHER PAYABLES**

	<b>September 30</b>		<b>June 30</b>	
		<b>2016</b>		<b>2016</b>
Trade payables	\$	<b>173,508</b>	\$	306,241
Due to related parties		<b>241,334</b>		283,938
<b>Total</b>	<b>\$</b>	<b>414,842</b>	<b>\$</b>	<b>590,179</b>

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

The Company’s authorized share capital is an unlimited number of common shares with no par value.

**INMED PHARMACEUTICALS INC.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015**  
(Expressed in Canadian Dollars)

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

**b) Common Shares**

	Number	Issue Price	Total
Balance at June 30, 2015	57,809,524	—	\$31,666,222
Issued for services	1,000,000	\$0.21	205,000
Issued for services	1,000,000	\$0.12	120,000
Issued for intangible assets	250,000	\$0.15	37,500
Issued for intangible assets	250,000	\$0.10	25,000
Issued for exercise of warrants	463,750	\$0.13	60,288
Issued shares for debt	6,109,590	\$0.07	427,671
Issued for private placement	1,349,998	\$0.15	202,500
Share issue costs	—	—	(6,801)
<b>Balance at June 30, 2016</b>	<b>68,232,862</b>		<b>\$32,737,380</b>
Issued shares for debt	983,355	\$0.11	108,169
Issued for private placement	4,350,000	\$0.07	304,500
Share issue costs			(3,233)
<b>Balance at September 30, 2016</b>	<b>73,566,217</b>	<b>—</b>	<b>\$33,146,816</b>

During the period ended September 30, 2016 the Company completed the following:

- i) 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.
- ii) On July 28, 2016 the Company completed a non-brokered private placement (the “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 will consist of one common share and one non-transferable share purchase warrant (a “Warrant”). Each Warrant will be 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. All of the Units issued in connection with the Financing and Common Shares issued on exercise of the Warrants will be subject to a restricted resale period that expires on November 29, 2016.

Finders’ fees of 7% on a portion of the gross proceeds received by the Company from the sale of Units sold pursuant to the Financing shall include cash of \$1,960, and 28,000 warrants (“Agent Warrants”). Each Agent Warrant shall be exercisable in whole or in part at an exercise price of \$0.15 for a period of 12 months expiring on July 28, 2017.

The proceeds from this private placement will be used for general working capital purposes and a portion will be used to settle trade payables.

During the year ended June 30, 2016 the Company completed the following:

- iii) During July 2015 the Company issued an aggregate 90,000 common shares pursuant the exercise of share purchase warrants at an exercise price of \$0.13 per share.



**INMED PHARMACEUTICALS INC.**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015**

**(Expressed in Canadian Dollars)**

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

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

- iv) On September 3, 2015 pursuant to the terms of an executive employment agreement between the Company and Paul Brennan ("Brennan"), the former Chief Executive Officer issued 1,000,000 common shares valued at \$205,000 as determined by the market price when issued being \$0.205.
- v) On November 2, 2015 pursuant to the terms of a purchase agreement for the purchase of certain patents, between the Company and Sazzad Hossain, Chief Scientific Officer, issued 250,000 common shares valued at \$37,500 as determined by the market price when issued being \$0.15.
- vi) On November 27, 2015 the Company completed tranche one of the non-brokered private placement in the amount of 836,666 units at a price of \$0.15 per Unit for aggregate gross proceeds of \$125,500. Each Unit consists of one common share and one non-transferable share purchase warrant. Each warrant will be exercisable by the holder to acquire one additional common share at a price of \$0.30 until November 27, 2016.

Finders' fees of on a portion of the gross proceeds received by the Company from the sale of units sold pursuant to tranche one included cash payments of \$4,830 and the grant of 32,200 warrants ("Agent Warrants"). Each Agent Warrant shall be exercisable in whole or in part at an exercise price of \$0.30 until November 27, 2016.

- vii) On February 3, 2016 the Company issued 513,332 units at a price of \$0.15 per Unit for aggregate gross proceeds of \$76,999. Each Unit consists of one common share and one non-transferable share purchase warrant. Each warrant will be exercisable by the holder to acquire one additional common share at a price of \$0.30 until February 3, 2017; and
- viii) On May 3, 2016 pursuant to the terms of a purchase agreement for the purchase of certain patents, between the Company and Sazzad Hossain, Chief Scientific Officer, issued 250,000 common shares valued at \$25,000 as determined by the market price when issued being \$0.10.
- ix) On June 9, 2016 pursuant to a settlement of debt the Company issued 6,109,590 common shares at an issue price of \$0.07 per common share extinguishing an aggregate of \$427,671 in outstanding trade payables and loans to related and non-related parties (See Note 13).
- x) On June 16, 2016 pursuant to the terms of an executive employment agreement between the Company and Eric A. Adams ("Adams") the Chief Executive Officer issued 1,000,000 common shares valued at \$120,000 as determined by the market price when issued being \$0.12 (See note 13).
- xi) During the year ended June 30, 2016, the Company issued an aggregate 463,750 common shares pursuant to the exercise of share purchase warrants at an exercise price of \$0.13 per share.

**c) Escrowed Shares**

As at September 30, 2016 there were no shares held in escrow (June 30, 2016: Nil).



**INMED PHARMACEUTICALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015****(Expressed in Canadian Dollars)****10. SHARE CAPITAL AND RESERVES (cont'd)****d) Subscriptions**

As at September 30, 2016 the Company had received subscriptions in the amount of \$160,000 pursuant to a private placement. See Note 18 Events after Reporting Date.

**e) Share Purchase Warrants**

The following is a summary of changes in share purchase warrants from July 1, 2015 to September 30, 2016:

	Number	Weighted Average Share Price
Balance as at June 30, 2015	12,875,500	\$0.17
Granted	1,349,998	\$0.30
Exercised	-345,000	\$0.13
Expired	-2,435,500	\$0.40
Balance as at June 30, 2016	11,444,998	\$0.15
Granted	4,350,000	\$0.15
Exercised	-	-
Expired	-	-
<b>Balance as at September 30, 2016</b>	<b>15,794,998</b>	<b>\$0.15</b>

At September 30, 2016, 15,794,998 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
836,666	\$0.30	November-27-16
10,095,000	\$0.13	February-25-17
513,332	\$0.30	February-03-17
4,350,000	\$0.15	July-28-17
<b>15,794,998</b>		

The weighted average remaining contractual life of the share purchase warrants at September 30, 2016 - .51 years.

**f) Agents' Warrants**

The following is a summary of changes in agents' warrants from July 1, 2015 to September 30, 2016:

	Number	Weighted Average Share Price
Balance as at June 30, 2015	881,230	\$0.14
Granted	32,200	\$0.30
Expired	(153,230)	\$0.40
Exercised	(178,750)	\$0.13
Balance as at June 30, 2016	581,450	\$0.14
Granted	28,000	\$0.15
<b>Balance September 30, 2016</b>	<b>609,450</b>	<b>\$0.14</b>

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

At September 30, 2016, 609,450 Agent Warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date
549,250	\$0.13	February-24-17
32,200	\$0.30	November-27-16
28,000	\$0.15	July-28-17
<b>609,450</b>		

During the period ended September 30, 2016 the amount of \$527 (September 30, 2016 - \$Nil) was associated with the grant of 28,000 Agent Warrants was recorded as share issuance costs based on the fair value. Assumptions used included:

Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
28-Jul-17	\$0.09	\$0.15	0.57%	1	92.94%	0

The weighted average remaining contractual life of the Agents' Warrants at September 30, 2016 was .40 years.

**f) Contributed Surplus**

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

**g) 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 share purchase warrants prior to exercise.

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

**11. SHARE-BASED PAYMENTS****a) Option Plan Details**

The Company adopted a stock option plan (the "Plan") to grant options to directors, senior officers, employees and consultants of the Company. The aggregate outstanding options are limited to 20% of the outstanding common shares. The option price under each option shall be not be less than the Discounted Market Price as defined in the policies of the Exchange on the Grant Date. All options vest when granted unless otherwise specified by the Board of Directors.

**INMED PHARMACEUTICALS INC.**

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**11. SHARE-BASED PAYMENTS (cont'd)**

The following is a summary of changes in options excluding agents options detailed above from July 1, 2016 to September 30, 2016:

Grant Date	Expiry Date	Exercise Price	During the period ended September 30, 2016				Closing Balance	Vested and Exercisable	Unvested
			Opening Balance	Granted	Exercised	Forfeited			
4-Apr-14	4-Apr-19	\$0.255	375,000	-	-	-	375,000	375,000	-
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	-	-	-	100,000	100,000	-
2-Mar-15	2-Mar-20	\$0.345	200,000	-	-	-	200,000	200,000	-
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	-	-	-	200,000	200,000	-
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	-	-	-	1,900,000	1,900,000	-
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	200,000	800,000
15-Jun-16	15-Jun-21	\$0.110	2,000,000	-	-	-	2,000,000	1,000,000	1,000,000
26-Jul-16	26-Jul-21	\$0.11	-	1,750,000	-	-	1,750,000	1,750,000	-
12-Sep-16	12-Sep-21	\$0.11	-	1,000,000	-	-	1,000,000	1,000,000	-
			-	-	-	-	-	-	-
			11,075,000	2,750,000	-	(2,800,000)	11,025,000	9,225,000	1,800,000
Weighted Average Exercise Price			\$0.47	\$0.11	-	\$0.29	\$0.13	\$0.13	\$0.00
Weighted Average Life remaining			4.87	4.87	-	-	4.46	4.41	2.68

**INMED PHARMACEUTICALS INC.**

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**11. SHARE-BASED PAYMENTS (cont'd)**

The following is a summary of changes in options excluding agents options detailed above from July 1, 2015 to June 30, 2016:

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the year ended June 30, 2016			Closing Balance	Vested and Exercisable	Unvested
				Granted	Exercised	Forfeited			
4-Apr-14	5-Apr-19	\$0.255	500,000	-	-	(125,000)	375,000	375,000	-
25-Apr-14	26-Apr-19	\$0.25	200,000	-	-	(200,000)	-	-	-
5-Jun-14	6-Jun-19	\$0.18	250,000	-	-	(200,000)	50,000	50,000	-
31-Jul-14	31-Jul-19	\$0.18	50,000	-	-	(50,000)	-	-	-
25-Nov-14	25-Nov-19	\$0.18	1,000,000	-	-	(900,000)	100,000	100,000	-
10-Feb-15	10-Feb-20	\$0.16	25,000	-	-	(25,000)	-	-	-
2-Mar-15	2-Mar-20	\$0.35	275,000	-	-	(75,000)	200,000	200,000	-
4-Mar-15	4-Mar-20	\$0.36	200,000	-	-	-	200,000	200,000	-
17-Mar-15	17-Mar-20	\$0.34	300,000	-	-	(300,000)	-	-	-
15-Apr-15	15-Apr-20	\$0.295	2,400,000	-	-	-	2,400,000	2,400,000	-
25-May-15	25-May-20	\$0.235	400,000	-	-	-	400,000	400,000	-
25-Aug-15	25-Aug-20	\$0.21	-	2,200,000	-	(2,000,000)	200,000	200,000	-
23-Nov-15	23-Nov-20	\$0.145	-	200,000	-	-	200,000	200,000	-
27-Nov-15	27-Nov-20	\$0.14	-	2,500,000	-	(600,000)	1,900,000	1,900,000	-
16-May-16	16-May-21	\$0.08	-	2,000,000	-	-	2,000,000	300,000	1,700,000
10-Jun-16	10-Jun-21	\$0.13	-	1,000,000	-	-	1,000,000	100,000	900,000
15-Jun-16	15-Jun-21	\$0.11	-	2,000,000	-	-	2,000,000	500,000	1,500,000
			5,600,000	9,900,000	-	(4,475,000)	11,025,000	6,925,000	4,100,000
Weighted Average Exercise Price			\$0.47	\$0.14	-	0	\$0.17	\$0.21	\$0.10
Weighted Average Life remaining			4.87	4.29	-	-	4.39	4.07	4.92

**INMED PHARMACEUTICALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**11. 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 period ended September 30, 2016 was \$0.11 per option (September 30, 2015 - \$0.21).

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

Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
26-Jul-21	\$0.08	\$0.110	0.65%	5	195.34%	0
12-Sep-21	\$0.10	\$0.11	0.59%	5	194.41%	0
25-Aug-20	\$0.21	\$0.21	0.72%	5	203.93%	0

Total expenses arising from share-based payment transactions recognized during the period ended September 30, 2016 were \$243,949 (September 30, 2015 - \$130,958).

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

The weighted average remaining contractual life of stock options at September 30, 2016 was 4.41 years.

**12. ADMINISTRATIVE AND GENERAL EXPENSES**

	Note	September 30	
		2016	2015
<b>Administrative and General Expenses include:</b>			
Accounting and legal		\$ 12,125	\$ -
Consulting	10,13	25,269	341,098
Conferences		-	8,087
Investor relations, website development and marketing		36,967	19,957
Office and administration fees		6,992	28,483
Regulatory fees		4,854	2,103
Rent	13	2,971	18,000
Shareholder communication		5,643	9,187
Transfer agent fees		2,889	1,881
Travel		589	22,776
Wages		64,462	-
		\$ 162,761	\$ 451,572

**INMED PHARMACEUTICALS INC.**
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**13. RELATED PARTY TRANSACTIONS**
**a) Payments**

	September 30 2016	September 30 2015
Key management personnel compensation comprised :		
Share based payments	\$—	\$93,542
Shares issued for services	\$—	\$205,000
Consulting fees:	\$69,244	\$44,922
	<b>\$69,244</b>	<b>\$343,463</b>

- 1 Wages of \$30,000 (September 30, 2015 - \$Nil) were paid or accrued to Eric A. Adams (“Adams”) the Chief Executive Officer and President of the Company (*Adams was appointed on June 16, 2016*);
- 2 Consulting fees of \$Nil (September 30, 2015 - \$11,349) were paid or accrued to Pacific BioPartners (“PB”) a company controlled by Paul Brennan (“Brennan”), the former Chief Executive Officer and President of the Company (*Brennan was appointed on September 14, 2015 and resigned effective May 4, 2016*) which includes shares for services of \$205,000 as described in Note 10 hereinabove;
- 3 Consulting fees of Nil (September 30, 2015 - \$25,500) were paid or accrued to Etoby Management Inc (“Etooby”) and/or Craig Schneider (“Schneider”), a company controlled by Schneider, the former Chief Executive Officer and President of the Company (*Schneider resigned September 14, 2015 wherein Brennan was appointed in his stead*). Mr. Schneider remains a director and consultant of the Company;
- 4 Consulting fees of \$9,244 (September 30, 2015 - \$8,073) were paid or accrued to Minco Corporate Management Inc. (“Minco”) a company controlled by Terese Gieselman (“Gieselman”), Chief Financial Officer and Secretary of the Company;
- 5 Wages of \$30,000 (September 30, 2015 - \$Nil) were paid to Sazzad Hossain (“Hossain”), the Company’s Chief Scientist Officer;
- 6 Consulting fees of \$Nil (September 30, 2015 - \$36,715) were paid or accrued to Entourage Bioscience Inc. (“Entourage”) a company controlled by Dr. Hossain; and
- 7 Share-based payments are the fair value of options granted to key management personnel as described in Note 11.

**b) Related party liabilities:**

Amounts due to:		September 30 2016	June 30 2016
Schneider	Fees	\$7,598	\$65,144
Schneider	Expenses	\$56,904	\$7,598
Schneider	Rent	\$4,218	\$4,218
Minco	Fees	\$3,242	\$2,638
Minco	Expenses	\$100	-
Hossain	Expenses	\$5,876	\$4,656
0954041 BC Ltd.	Fees	\$72,005	\$72,005
Bogart	Expenses	\$15,624	\$30,570
Stella Law <sup>1</sup>	Legal Fees	\$6,064	\$10,930
Corex Gold Corp.	Expenses	\$45,937	\$40,353
Standard Graphite Corp.	Expenses	\$23,767	\$23,491
		<b>\$241,334</b>	<b>\$238,112</b>

- 1 Legal fees owing to Stella Law Corporation a company controlled by Stephen Tong, a former director of the Company (Mr. Tong resigned effective June 13, 2016).

**INMED PHARMACEUTICALS INC.****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**13. RELATED PARTY TRANSACTIONS****Trade Payables**

As at September 30, 2016, \$45,937 (June 30, 2016 - \$40,353) was due to Corex Gold Corporation which has a common director Craig Schneider for expenses incurred on behalf of InMed for shared office space expenses. These advances are non-interest-bearing and due on demand.

As at September 30, 2016, \$23,767 (2015 - \$23,491) was due to Standard Graphite Corp. which has common officers, Bogart and Gieselman for expenses incurred on behalf of InMed for shared office space expenses. These advances are non-interest-bearing and due on demand.

**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.

	September 30 2016	September 30 2015
Loss attributable to ordinary shareholders	(\$418,016)	(\$693,208)
Weighted average number of common shares	72,178,172	56,191,263
Basic and diluted loss per share	(\$0.01)	(\$0.01)

**15. INCOME TAXES**

The Company has non-capital loss carry-forwards of \$21,309,511 available to offset future taxable income in Canada. The net operating loss carry-forwards expire as follows:

2026	\$833,007
2027	9,770,980
2028	1,013,560
2029	491,842
2030	565,810
2031	469,278
2032	237,005
2033	103,150
2034	1,286,781
2035	4,243,478
2036	2,294,620
	<b>\$21,309,511</b>

The Company's tax position is calculated annually and readers are referred to the audited consolidated financial statements for the year ended June 30, 2016 for further details.

**16. SEGMENTED INFORMATION**

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

**INMED PHARMACEUTICALS INC.**

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**(Expressed in Canadian Dollars)**

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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 September 30, 2016 and September 30, 2015 the following transactions were excluded from the statements of cash flows:

- i) The issuance of Nil (September 30, 2015 - 1,000,000) common shares to consultants for services provided for a recorded value of \$Nil (September 30, 2015 - \$205,000) – see Note 10;
- ii) The issuance of 983,355 common shares pursuant to settlement of debt of \$108,169 (See Note 10); and
- iii) The grant of 28,000 (September 30, 2015 – Nil) Agents Warrant for recorded value of \$527 (September 30, 2015– \$Nil) – see Note 10.

**18. EVENTS AFTER THE REPORTING DATE**

**Stock Options**

On October 28, 2016 the Company granted 2,700,000 stock options at an exercise price of \$0.195 for a term of five years to directors, officers and consultants of the Company.

**Private Placement**

On October 27, 2016 the Company completed a non-brokered private placement for 18,750,000 common shares at a price of \$0.08 per share (the "Financing") for gross proceeds of \$1,500,000 of which \$160,000 in subscriptions had been received as at September 30, 2016.

Finders' fees of 7.5% on a portion of the gross proceeds received by the Company from the sale of the shares sold pursuant to the Financing included 237,500 compensation shares.

The net proceeds from this private placement will be used for general working capital purposes. All securities issued pursuant to the Financing will be subject to a four month and one day hold period from the date of closing of the Financing.

**Warrants**

Subsequent to September 30, 2016, 465,000 common shares were issued pursuant to the exercise of share purchase warrants at an exercise price of \$0.13 per share for proceeds of \$60,450.