Consolidated Financial Statements of

InMed Pharmaceuticals Inc.

June 30, 2016

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

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Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of INMED PHARMACEUTICALS INC.

We have audited the accompanying consolidated financial statements of InMed Pharmaceuticals Inc., which comprise the consolidated statements of financial position as at June 30, 2016 and June 30, 2015 and the consolidated statements of comprehensive loss, changes in equity and cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

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Independent Auditor's Report to the Shareholders of INMED PHARMACEUTICALS INC. *(continued)*

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of INMED PHARMACEUTICALS INC. as at June 30, 2016 and June 30, 2015 and its financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial staements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, British Columbia
October 7, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS LLP

InMed Pharmaceuticals Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30

Expressed in Canadian Dollars

	Note		2016		2015
ASSETS					
Current					
Cash and cash equivalents	5	$	54,241	$	166,565
Taxes recoverable and other receivables	6		85,122		37,998
Prepaids and advances			48,301		46,227
Total current assets			187,664		250,790
Non-Current					
Equipment	7		4,726		6,324
Intangible assets	8		1,381,811		1,403,780
Total non-current assets					
Total Assets		$	1,574,201	$	1,660,894
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Trade and other payables	9,13		590,179		77,592
SHAREHOLDERS' EQUITY					
Share Capital	10		32,737,380		31,666,222
Share subscriptions	10		131,400		-
Contributed surplus	10,11		6,435,545		5,860,180
Deficit			(38,320,303)		(35,943,100)
			984,022		1,583,302
		$	1,574,201	$	1,660,894

Going Concern (Note 2)
Subsequent events (Note 20)

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.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended June 30
Expressed in Canadian Dollars

	Note		2016		2015
Expenses					
Administrative and general	12,13	$	1,336,650	$	1,423,355
Depreciation	7,8		87,212		94,038
Foreign exchange			31		2,188
Research and development	13		378,871		943,211
Share-based payments	11		574,439		1,829,845
Total expenses			2,377,203		4,292,637
Loss before other items			(2,377,203)		(4,292,637)
Total comprehensive loss for the year		$	(2,377,203)	$	(4,292,637)
Basic and diluted loss per share for the year	14	$	(0.04)	$	(0.09)

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

InMed Pharmaceuticals Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended June 30, 2016 and June 30, 2015

Expressed in Canadian Dollars

	Note	Share Capital	Shares Subscribed	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2014		$29,401,200	$ -	$3,870,730	$ (31,650,463)	$1,621,467
Loss for the year		-	-	-	(4,292,637)	(4,292,637)
Share based payments for services		264,210	-	-	-	264,210
Share-based payments	11	-	-	1,829,845	-	1,829,845
Shares issed for cash		2,275,550	-	-	-	2,275,550
Fair value of agents warrants		-	-	159,605	-	159,605
Share issue costs		(274,739)	-	-	-	(274,739)
Balance June 30, 2015		$31,666,222	$ -	$5,860,180	$ (35,943,100)	$ 1,583,302
Loss for the year		-	-	-	(2,377,203)	(2,377,203)
Shares subscribed	10,20	-	131,400	-	-	131,400
Share-based payments for services	10,12	325,000	-	-	-	325,000
Shares issued for intangible assets		62,500	-	-	-	62,500
Share-based payments	11	-	-	574,438	-	574,438
Shares for debt		427,671	-	-	-	427,671
Shares issed for cash	10	262,787	-	-	-	262,787
Fair value of agents warrants		-	-	926	-	926
Share issue costs		(6,801)	-	-	-	(6,801)
Balance June 30, 2016		**$32,737,379**	**$131,400**	**$6,435,544**	**$(38,320,303) $**	**$ 984,020**

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

InMed Pharmaceuticals Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30
Expressed in Canadian Dollars

	Note		2016		2015
OPERATING ACTIVITIES					
Cash flows from operating activities					
Loss for the year		$	(2,377,203)	$	(4,292,637)
Adjustments to reconcile loss to net cash used in operating activities					
Depreciation			87,212		94,038
Share-based payments	11		574,439		1,829,845
Shares issued for services	10,12		325,000		264,210
Changes in non-cash working capital balances:					
Prepaids and advances			(10,303)		(22,186)
Taxes recoverable and other receivables			(38,895)		128,510
Trade and other payables	9		940,258		2,795
Total cash outflows from operating activities			(499,492)		(1,995,425)
Cash Flows From Investing Activities					
Purchase of equipment	7		(1,145)		(6,014)
Total cash outflows from investing activities			(1,145)		(6,014)
Cash Flows From Financing Activities					
Proceeds from loans advanced			-		-
Subscriptions received	10		131,400		-
Shares issued for cash	10		262,787		2,275,550
Share issue costs			(5,874)		(115,134)
Cash provided by financing activities			388,313		2,160,416
Decrease in cash during the year			(112,324)		158,978
Cash and cash equivalents beginning of year			166,565		7,587
Cash and cash equivalents end of year		$	54,241	$	166,565

See note 17 for Non-Cash Transactions

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 trading symbol "IMLFF" under 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 NATURE OF OPERATIONS

These consolidated financial statements 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.

The consolidated financial statements were authorized for issue by the Board of Directors on October 7, 2016.

These 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.

2. BASIS OF PREPARATION AND NATURE OF OPERATIONS (cont'd)

Basis of Consolidation

These consolidated financial statements include the accounts of:

	% of ownership	Jurisdiction	Principal Activity
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 June 30, 2016 of $402,515 (June 30, 2015: $173,198 working capital). 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equipment

Equipment is recorded at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of equipment comprises its purchase price. The useful lives of equipment are reviewed at least once per year. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. Equipment is depreciated using the diminishing balance method based on their estimated useful lives as follows:

- Computer equipment – 30% per annum

Intangible Assets

Intangible assets comprise a license for intellectual property that expires when the last patent expires, and intellectual property that was acquired. 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.

Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit", or "CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments

Financial Assets

Financial assets are classified into the following category based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-For-Sale Investments

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Financial assets are classified as FVTPL when the financial asset is held-for-trading or is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future, it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash and cash equivalents are included in this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments

Financial Assets (cont'd)

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables are included in this category.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end rate.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Research and Development Costs

The Company conducts research and development programs and incurs costs related to these activities, including employee compensation, materials, professional services and services provided by contract research organizations. Research and development costs, net of contractual reimbursements from development partners, are expensed in the periods in which they are incurred.

Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Share-based Payments

The fair value, at the grant date, of equity-settled share awards is charged to income or loss over the period for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the equity-settled employee benefits reserve. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The fair value of awards is calculated using the Black-Scholes option pricing model which considers the following factors:

- Exercise price
- Expected life of the award
- Expected volatility
- Current market price of the underlying shares
- Risk-free interest rate
- Dividend yield

Research Grants

Research grants are recognized as a recovery on scientific research in the statement of operations when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. The Company only recognizes grant proceeds on the consolidated statement of operations and comprehensive loss when the proceeds have been spent on research expenses. Grant amounts received prior are recorded as deferred grant proceeds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Future Accounting Pronouncements (cont'd)

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:

- 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Future Accounting Pronouncements (cont'd)

IFRS 16 Leases (cont'd)

- 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.

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 year of the change, if the change affects that year only, or in the year of the change and future years, 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 year 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.

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Income Taxes (cont'd)

In addition, the Company only recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

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

		June 30 2016		June 30 2015
Taxes recoverable	$	85,050	$	37,926
Other		72		72
	$	85,122	$	37,998

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.

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Equipment	Total
Cost		
Balance at June 30, 2014	$2,171	$2,171
Assets acquired	6,014	6,014
Balance at June 30, 2015	$8,185	$8,185
Assets acquired	1,145	1,145
Balance June 30, 2016	**$9,330**	**$9,330**
Depreciation and impairment losses		
Balance at June 30, 2014	$43	$43
Depreciation for the period	1,818	1,818
Balance at June 30, 2015	$1,861	$1,861
Depreciation for the period	2,743	2,743
Balance June 30, 2016	**$4,604**	**$4,604**
Carrying amounts		
Carrying value at June 30, 2015	$6,324	$6,324
Carrying value at June 30, 2016	**$4,726**	**$4,726**

8. INTANGIBLE ASSETS

	Intellectual Property
Costs	
Balance at June 30, 2014	$—
Acquisition costs	1,496,000
Balance at June 30, 2015	$1,496,000
Acquisition costs	62,500
Balance at June 30, 2016	**$1,558,500**
Accumulated depletion and impairment losses	
Balance at June 30, 2014	$—
Amortization	92,219
Balance at June 30, 2015	$92,219
Amortization	84,470
Balance at June 30, 2016	**$176,689**
Carrying amounts	
Carrying value at June 30, 2015	$1,403,781
Carrying value at June 30, 2016	**$1,381,811**

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.

(Expressed in Canadian Dollars)

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

	June 30 2016	June 30 2015
Trade payables	$ 306,241	$ 71,899
Due to related parties	283,938	5,693
Total	$ 590,179	$ 77,592

10. SHARE CAPITAL AND RESERVES

a) Authorized

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

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares

	Number	Issue Price	Total
Balance at June 30, 2014	40,849,285	—	$29,401,200
Issued for services	29,239	$0.32	9,210
Issued for services	1,000,000	$0.13	125,000
Issued for services	500,000	$0.26	130,000
Issued for exercise of warrants	60,000	$0.13	7,800
Issued for private placement	10,500,000	$0.10	1,050,000
Issued for private placement	4,871,000	$0.25	1,217,750
Share issue costs	—	—	(274,739)
Balance at June 30, 2015	57,809,524		$31,666,222
Issued for services	1,000,000	$0.205	205,000
Issued for services	1,000,000	$0.120	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)
Balance at June 30, 2016	**68,232,862**	**—**	**$32,737,380**

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

i) 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.

ii) 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.

iii) 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.

iv) 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.

10. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares (cont'd)

v) 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

vi) 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.

vii) 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).

viii) 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).

ix) 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.

During the year ended June 30, 2015 the Company completed the following:

x) Pursuant to an agreement dated August 1, 2014, between the Company and Emerging Growth LLC "EGL"), wherein the parties agreed EGL would provide business development services at a monthly fee of US$10,000 per month (the "Service Fee") payable in arrears at the end of each month (the "Pricing Date") by the issuance of common shares. The number of commons shares issuable is calculated at a conversion rate on the Pricing Date to determine the US$ price per share (using the Bank of Canada spot price on the Pricing Date) divided by the Service Fee. Accordingly, 29,239 common shares were issued valued at $9,210 as determined by the market price when issued being $0.315.

xi) On January 22, 2015 the Company issued 1,000,000 common shares as bonus shares to a consultant for health care and biotech sector advisory services valued at $125,000 as determined by the market price when issued being $0.125.

xii) On February 18, 2015 the Company issued 500,000 common shares pursuant to a consulting agreement dated for reference February 9, 2015 for health care and biotech sector advisory services valued at $130,000 as determined by the market price when issued being $0.26.

10. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares (cont'd)

xiii) On February 24, 2015 the Company completed a non-brokered private placement of 10,500,000 units ("Units"), at a price of $0.10 per Unit for aggregate gross proceeds of $1,050,000. Each Unit will consist of one common share and one non-transferable share purchase warrant. Each whole warrant will be exercisable by the holder to acquire one additional common share at a price of $0.13 for a period of twenty four (24) months, The Warrants are subject to an accelerated expiry which comes into effect once the shares trade above a closing price of $0.20 for any ten consecutive trading-day period, subsequent to four months from Closing. In the event of an accelerated expiry, the expiry date will be the earlier of the regular two year expiry date and 30 days from the date the Company advises the placees of the accelerated expiry

The net proceeds from this private placement will be used for general working capital purposes. Finders' fees in cash of $72,800 and 728,000 warrants on the same terms as described hereinabove were issued.

v) On March 30, 2015 the Company issued 60,000 common shares pursuant the exercise of share purchase warrants at an exercise price of $0.13 per share.

vi) On May 7, 2015 the Company completed a non-brokered private placement for 4,871,000 units ("Units") at a price of $0.25 per Unit (the "Financing"). Each Unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant will be exercisable by the holder to acquire one additional common share at a price of $0.40 for a period of twelve (12) months following the closing of the financing.

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 $38,308 and 153,230 warrants ("Agent Warrants"). Each Agent Warrant shall be exercisable in whole or in part at an exercise price of $0.40 for a period of 12 months from the closing of the Financing.

c) Escrowed Shares

As at June 30, 2016 there were no shares held in escrow (June 30, 2015: Nil).

d) Subscriptions

As at June 30, 2016 the Company had received subscriptions in the amount of $131,400 pursuant to a private placement. See Note 19 Events after Reporting Date.

e) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from June 30, 2014 to June 30, 2016:

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd)

e) Share Purchase Warrants

	Number	Weighted Average Share Price
Balance as at June 30, 2014	2,760,000	$0.50
Granted	12,935,500	$0.22
Expired	(2,760,000)	$0.50
Exercised	(60,000)	$0.13
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**

At June 30, 2016 11,444,998 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
10,095,000	$0.13	February-24-17
836,666	$0.30	November-27-16
513,332	$0.30	February-03-17
11,444,998		

The weighted average remaining contractual life of the share purchase warrants at June 30, 2016 was .63 years.

e) Agents Warrants

The following is a summary of changes in agents' warrants from June 30, 2014 to June 30, 2016:

	Number	Weighted Average Share Price
Balance as at June 30, 2014	—	—
Issued	881,230	$0.14
Balance as at June 30, 2015	881,230	$0.14
Granted	32,200	$0.30
Exercised	(178,750)	$0.13
Expired	(153,230)	$0.40
Balance as at June 30, 2016	**581,450**	**0.14**

At June 30, 2016, 581,450 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
581,450		

10. SHARE CAPITAL AND RESERVES (cont'd)

e) Agents Warrants (cont'd)

During the year ended June 30, 2016 the amount of $926 was associated with the grant of 32,200 Agent Warrants was recorded as share issuance costs based on the fair value. Assumptions used included: dividend yield of 0%, expected volatility of 115.74%, risk-free interest rate of .62%.

During the year ended June 30, 2015 the amount of $159,605 was associated with the grant of 881,230 Agent Warrants was recorded as share issuance costs based on the fair value. Assumptions used included: dividend yield of 0%, expected volatility of 86.40% - 142.50%, risk-free interest rate of .47%-.72%.

The weighted average remaining contractual life of the Agent Warrants at June 30, 2016 was .64 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 10% 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.

(Expressed in Canadian Dollars)

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:

				During the year ended June 30, 2016					
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable	Unvested
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

(Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS (cont'd)

The following is a summary of changes in options excluding agents options detailed above from July 1, 2014 to June 30, 2015:

During the year ended June 30, 2015										
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable	Unvested
4-Apr-14	5-Apr-19	$0.255	500,000	-			500,000	500,000	-
25-Apr-14	26-Apr-19	$0.25	200,000	-			200,000	200,000	-
5-Jun-14	6-Jun-19	$0.18[1]	1,000,000	-		(750,000)	250,000	250,000	-
31-Jul-14	31-Jul-19	$0.18[1]	-	825,000		(725,000)	100,000	100,000	-
1-Aug-14	1-Aug-19	$0.39	-	250,000		(250,000)	-	-	-
9-Sep-14	9-Sep-19	$0.28	-	400,000		(400,000)	-	-	-
25-Nov-14	25-Nov-19	$0.18	-	1,300,000		(300,000)	1,000,000	1,000,000	-
10-Feb-15	10-Feb-20	$0.16	-	525,000		(500,000)	25,000	25,000	-
2-Mar-15	2-Mar-20	$0.35	-	925,000		(650,000)	275,000	275,000	-
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	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	-
			1,700,000	7,525,000	-	(3,575,000)	5,650,000	5,650,000	-
Weighted Average Exercise Price			$0.47	$0.26	-	$0.23	$0.26	$0.26	
Weighted Average Life remaining			4.87	4.57	-	-	4.54	4.54	

[1] During the year ended June 30, 2015 700,000 options ranging in price from $0.335 to $0.62 were re-priced at $0.18 per share.

(Expressed in Canadian Dollars)

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 year ended June 30, 2016 was $.14 per option (June 30, 2016 - $0.26).

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
23-Nov-15	**23-Nov-20**	**$0.13**	**$0.145**	**0.92%**	**5**	**142.50%**	**0**
27-Nov-15	**27-Nov-20**	**$0.13**	**$0.14**	**0.92%**	**5**	**142.50%**	**0**
25-Aug-15	**25-Aug-20**	**$0.21**	**$0.21**	**0.72%**	**5**	**142.50%**	**0**
23-Nov-15	**23-Nov-20**	**$0.13**	**$0.145**	**0.92%**	**5**	**200.57%**	**0**
27-Nov-15	**27-Nov-20**	**$0.13**	**$0.14**	**0.92%**	**5**	**200.27%**	**0**
16-May-16	**16-May-21**	**$0.08**	**$0.08**	**0.92%**	**5**	**195.29%**	**0**
10-Jun-16	**10-Jun-21**	**$0.12**	**$0.13**	**0.92%**	**5**	**200.27%**	**0**
15-Jun-16	**15-Jun-21**	**$0.11**	**$0.11**	**0.92%**	**5**	**200.27%**	**0**
31-Jul-14	31-Jul-19	$0.335	$0.335	1.52%	5	142.29%	0
1-Aug-14	1-Aug-19	$0.39	$0.39	1.52%	5	142.56%	0
9-Sep-14	9-Sep-19	$0.27	$0.28	1.66%	5	142.12%	0
10-Feb-15	10-Feb-20	$0.155	$0.160	0.74%	5	142.70%	0
2-Mar-15	2-Mar-20	$0.34	$0.35	0.75%	5	142.73%	0
4-Mar-15	4-Mar-20	$0.35	$0.36	0.75%	5	142.73%	0
17-Mar-15	17-Mar-20	$0.30	$0.34	0.75%	5	142.76%	0

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 period ended June 30, 2016 were $574,439 (June 30, 2015 - $1,829,845).

iii) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options at June 30, 2016 was 4.39 years.

12. ADMINISTRATIVE AND GENERAL EXPENSES

	Note		June 30 2016		2015
Administrative and General Expenses include:					
Accounting and legal		$	**83,989**	$	65,932
Consulting	10,13		**657,682**		297,716
Corporate development			**144,500**		171,210
Conferences			**8,087**		23,488
Investor relations, website development and marketing			**112,640**		498,436
Office and administration fees			**107,796**		89,613
Regulatory fees			**29,078**		38,026
Rent	13		**86,943**		72,000
Shareholder communication			**18,841**		44,900
Transfer agent fees			**13,564**		17,427
Travel			**73,530**		104,607
		$	**1,336,650**	$	1,423,355

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

a) Payments

	June 30 2016	June 30 2015
Key management personnel compensation comprised :		
Share based payments	$507,060	$293,949
Shares issued for services	$205,000	-
Shares for intangible assets	$62,500	-
Consulting fees:	$759,151	$104,108
	$1,533,711	$398,057

1 Consulting fees of $130,000 (June 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)* which includes shares for service of $120,000 as described in Note 10 hereinabove)

2 Consulting fees of $348,668 (June 30, 2015 - $Nil) 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 102,000 (June 30, 2015 - $74,000) were paid or accrued to Etoby Management Inc ("Etoby") 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 $26,775 (June 30,2015 - $30,108) 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 Consulting fees of $78,572 (June 30, 2015 - $37,500) were paid or accrued to Entourage Bioscience Inc. ("Entourage") a company controlled by Sazzad Hossain ("Hossain") the Company's Chief Scientist Officer and Director. Additionally, Hossain was issued 500,000 common shares at a value of $62,500 for intangible assets as described in Notes 8 and 10 hereinabove;

6 Consulting fees of $68,000 (June 30, 2015 - $Nil) were paid or accrued to 0954041 BC Ltd. ("0954041") a company controlled by Chris Bogart ("Bogart") the Company's Vice President of Corporate Development *(Bogart was appointed on November 17, 2015 and as Interim CEO from May 4, 2016 to June 16, 2016);*

7 Legal fees of $5,136 (June 30, 2015 - $15,661) were paid to Stella Law Corporation a company controlled by Stephen Tong a former director of the Company (Mr. Tong resigned effective June 13, 2016); and

8 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:		June 30 2016	June 30 2015
Schneider	Fees	$65,144	-
Schneider	Expenses	$7,598	-
Schneider	Rent	$4,218	-
Minco	Fees	$2,638	-
Minco	Expenses	-	$1,418
Hossain	Expenses	$4,656	$2,479
0954041 BC Ltd.	Fees	$72,005	-
Bogart	Expenses	$30,570	-
Stella Law	Legal Fees	$10,930	-
Corex Gold Corp.	Expenses	$40,353	$1,797
Standard Graphite Corp.	Expenses	$23,491	-
		$261,603	$5,694

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS (cont'd)

Trade Payables

As at June 30, 2016, $40,353 (2015 - $Nil) 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 June 30, 2016, $23,491 (2015 - $Nil) was due to Standard Graphite Corp. which has common director Stephen Tong, and 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

Shares for Debt

On June 9, 2016 the Company settled an aggregate $213,293 in loans and trade payables through the issuance of an aggregate 3,047,047 common shares at an issue price of $0.07 with related parties as follows:

Debtor	Debt Amount	Share Price	No. Shares
0954041 BC Ltd.	$100,000	$0.07	1,428,572
Schneider	$100,000	$0.07	1,428,572
MinCo.	$13,293	$0.07	189,903
Total	**$213,293**		**3,047,047**

14. BASIC AND DILUTED LOSS PER SHARE

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

	June 30 2016	June 30 2015
Loss attributable to ordinary shareholders	($2,377,203)	($4,292,637)
Weighted average number of common shares	60,197,149	46,094,433
Basic and diluted loss per share	($0.04)	($0.09)

15. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying consolidated statement of comprehensive loss is provided below:

		June 30 2016		June 30 2015
Loss before income taxes	$	(2,333,867)	$	(4,292,637)
Combined federal and provincial statutory tax rates (1)		26.00%		26%
Income tax recovery at statutory rate		(606,805)		(1,116,086)
Timing differences		(11,764)		(11,239)
Change in unrecognized deductible temporary differences		618,569		1,127,325
Total	$	—	$	—

(1) tax rate changed to 15Fed 11BC at 4/1/13 therefore blended rate in 2013 fiscal= 25.25

(Expressed in Canadian Dollars)

15. INCOME TAXES (cont'd)

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	June 30 2016	June 30 2015
Non-Capital Loss Carryforwards	5,540,473	4,943,872
Intangible assets	(343,021)	(364,983)
Valuation allowance	(5,197,452)	(4,578,889)
	-	-

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has not recognized these deferred tax assets as it is not probable that future taxable profit will be available against which the deferred tax assets can be utilized. The Company as at June 30, 2016 had unrecognized deferred tax assets of $5,540,473 which relate to non-capital loss carry-forwards.

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
	$21,309,511

There were no tax losses expiring as at June 30, 2016 (2015 – 1,048,585).

16. SEGMENTED INFORMATION

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

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

i) **The issuance of 1,000,000 common shares to consultants for services provided for a recorded value of $325,000 (June 30, 2015 - $Nil) – see Note 10**
ii) **The issuance of 500,000 common shares to a director for intangible purchased for a recorded value of $62,500 (June 30, 2015 - $Nil);**
iii) **The issuance of 6,109,590 common shares pursuant to settlement of debt of $427,671 (See Note 10 and 13); and**
iv) **The grant of 32,200 (June 30, 2015 – 728,000) Agents Warrant for recorded value of $926 (June 30, 2015– $134,275) – see Note 10.**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:

- **Market Risk**
- **Credit Risk**
- **Liquidity Risk**

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Management believes that the risk of concentration with respect to credit, interest rate and liquidity is minimal.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

General Objectives, Policies and Processes: - (cont'd)

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 have significant foreign currency risk, commodity risk or equity price 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. The Company has cash balances and no interest-bearing debt. 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 June 30, 2016 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 June 30, 2016 the Company has cash and cash equivalents of $54,241 (2015 - $166,565), current liabilities of $546,844 (2015 - $77,552) and working capital deficiency of $359,179 (2015 - $173,198 working capital).

The amounts listed below are the remaining contractual maturities for the financial liabilities held by the Company:

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

General Objectives, Policies and Processes: - (cont'd)

Liquidity Risk (cont'd)

June 30, 2016		June 30, 2015	
Due Date	Accounts payable and accrued liabilities[1]	Due Date	Accounts payable and accrued liabilities
0 – 90 days	$546,844	0 – 90 days	$77,552
90 – 365	—	90 – 365	—
More than 1 year	—	More than 1 year	—

1 *See Events after the Reporting Date*

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash and cash equivalents, other receivables and trade and other payables approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash of $54,241 (2015 - $166,565) are measured at fair value on a recurring basis.

19. CAPITAL MANAGEMENT

The Company considers all components of shareholders' equity (deficiency) 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 and production of the business.

The company is not exposed to any externally imposed capital requirements.

20. EVENTS AFTER THE REPORTING DATE

Shares for Debt
On July 6, 2016 the Company issued an aggregate 983,355 common share pursuant to the settlement of trade payable debt in the amount of $108,169 at an issue price of $0.11 per common share.

Stock Options
On July 26, 2016 the Company granted 1,750,000 stock options at an exercise price of $0.11 for a term of five years to directors and employees of the Company.

Additionally 2,000,000 options at a price of $0.295 per share expiring on April 15, 2020 and 400,000 options at a price of $0.23 expiring on May 25, 2020 were forfeited subsequent to June 30, 2016.

Private Placement
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 $13,400 received as at June 30, 2016 – *See Note 10)*. 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 $1,960.00, 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.