



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

Three and Six Months Ended December 31, 2016



InMed Pharmaceuticals Inc.
(Expressed in Canadian Dollars)
December 31, 2016

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REVIEW ENGAGEMENT REPORT

To the Shareholders of INMED PHARMACEUTICALS INC.

In accordance with our engagement letter dated February 9, 2017, we have performed an interim review of the statement of financial position of INMED PHARMACEUTICALS INC. as at December 31, 2016, the statements of comprehensive income for the three month and six month periods ended September 30, 2016 and December 31, 2016, and the statements of changes in equity and cash flows for the six month period then ended.

These financial statements are the responsibility of INMED PHARMACEUTICALS INC. management. We performed our interim review in accordance with Canadian generally accepted standards for review engagements for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with International Financial Reporting Standards.

This report is solely for the use of the Audit Committee of INMED PHARMACEUTICALS INC. to assist it in discharging its regulatory obligation to review these financial statements, and should not be used for any other purpose.

Vancouver, British Columbia
February 27, 2017



CHARTERED PROFESSIONAL ACCOUNTANTS LLP

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

As at December 31, 2016 and June 30, 2016

Expressed in Canadian Dollars

	Note	December 31 2016	June 30 2016
ASSETS			
Current			
Cash and cash equivalents	5	\$ 708,816	\$ 54,241
Taxes recoverable and other receivables	6	101,400	85,122
Prepays and advances		10,836	48,301
Total current assets		821,052	187,664
Non-Current			
Equipment	7	3,315	4,726
Intangible assets	8	1,415,663	1,459,311
Total non-current assets			
Total Assets		\$ 2,240,030	\$ 1,651,701
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	9, 13	215,041	590,179
SHAREHOLDERS' EQUITY			
Share capital	10, 13	34,727,656	32,744,880
Obligation to issue shares	8, 10, 13	70,000	70,000
Share and warrant subscriptions	10	32,100	131,400
Contributed surplus	10, 11	6,872,783	6,435,545
Accumulated deficit		(39,677,550)	(38,320,303)
		2,024,989	1,061,522
		\$ 2,240,030	\$ 1,651,701

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/ Adam Cutler
Adam Cutler, 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 and six months ended December 31

Expressed in Canadian Dollars

	Note	Three Months Ended December 31		Six Months Ended December 31	
		2016	2015	2016	2015
Expenses					
Administrative and general	12,13	\$ 555,240	\$ 273,849	\$ 685,770	\$ 725,421
Depreciation	7, 8	22,530	21,654	45,059	43,253
Foreign exchange (gain) loss		(877)	318	(3,350)	62
Research and development		169,576	167,903	193,057	257,238
Share-based payments	11	192,762	311,396	436,711	442,354
Total expenses		939,231	775,120	1,357,247	1,468,328
Loss before other items		(939,231)	(775,120)	(1,357,247)	(1,468,328)
Total comprehensive loss for the period		\$ (939,231)	\$ (775,120)	\$ (1,357,247)	\$ (1,468,328)
Basic and diluted loss per share for the period	14	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)

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 six months ended December 31, 2016 and December 31, 2015

Expressed in Canadian Dollars

	Note	Share Capital	Obligation to issue Shares	Shares & Warrants Subscribed	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2015		\$31,666,222	\$0	\$0	\$5,860,180	(\$35,943,100)	\$1,583,302
Loss for the period		-		-	-	(1,468,328)	(1,468,328)
Share-based payments for services	10	240,000		-	-	-	240,000
Share-based payments	11	-	70,000	-	443,279	-	513,279
Subscriptions for shares	10	-		46,000	-	-	46,000
Shares issued for cash	10	157,837		-	-	-	157,837
Share issue costs		(6,576)		-	-	-	(6,576)
Balance December 31, 2015		\$32,057,483	\$70,000	\$46,000	\$6,303,459	(\$37,411,428)	\$1,065,514

	Note	Share Capital	Obligation to issue Shares	Shares & Warrants Subscribed	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2016		\$32,744,880	\$70,000	\$131,400	\$6,435,545	(\$38,320,303)	\$1,061,522
Loss for the period		-		-	-	(1,357,247)	(1,357,247)
Shares & warrants subscribed	10,18	-		32,100	-	-	32,100
Share-based payments for services	10	40,375		-	-	-	40,375
Share-based payments	11	-		-	436,711	-	436,711
Shares for debt	10	108,169		-	-	-	108,169
Shares issued for cash	10	1,877,950		(131,400)	-	-	1,746,550
Fair value of agents' warrants	10	-		-	527	-	527
Share issue costs		(43,718)		-	-	-	(43,718)
Balance December 31, 2016		\$34,727,656	\$70,000	\$32,100	\$6,872,783	(\$39,677,550)	\$2,024,989

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 six months ended December 31, 2016 and December 31, 2015

Expressed in Canadian Dollars

	Note	2016	2015
OPERATING ACTIVITIES			
Cash flows from operating activities			
Loss for the period		\$ (1,357,247)	\$ (1,468,328)
Adjustments to reconcile loss to net cash used in operating activities			
Depreciation		45,059	43,252
Share-based payments	11	436,711	442,354
Shares issued for services	10, 13	40,375	240,000
			-
Changes in non-cash working capital balances:			-
Prepays and advances		37,465	(509)
Taxes recoverable and other receivables		(16,278)	(25,090)
Trade and other payables	9, 10	(266,969)	447,935
Total cash outflows from operating activities		(1,080,884)	(320,386)
Cash Flows From Investing Activities			
Purchase of equipment	7	-	(1,145)
Total cash outflows from investing activities		-	(1,145)
Cash Flows From Financing Activities			
Subscriptions received	10	(99,300)	46,000
Shares issued for cash	10	1,877,950	157,837
Share issue costs	10	(43,191)	(5,650)
Cash provided by financing activities		1,735,459	198,187
Increase (decrease) in cash during the period		654,575	(123,345)
Cash and cash equivalents beginning of period		54,241	166,565
Cash and cash equivalents end of period		\$ 708,816	\$ 43,221

See note 17 for Non-Cash Transactions

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

INMED PHARMACEUTICALS INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in Canadian Dollars)

1. CORPORATION INFORMATION

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

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 and six month period ended December 31, 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 2016 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 financial statements were authorized for issue by the Board of Directors on February 27, 2017.

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 condensed interim financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

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

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

Basis of Consolidation

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

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 condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities 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 with an accumulated deficit of \$39,677,550 (June 30, 2016: \$38,320,303). The Company has working capital surplus as at December 31, 2016 of \$606,011 (June 30, 2016: deficiency 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.

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.

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

Future Accounting Pronouncements (cont'd)

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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income 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

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

THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

4. PRIOR PERIOD ERROR

During the current period, an error in the accounting for the purchase of certain patents on October 28, 2015 was noted. See Note 8 for details of that transaction. To correct the error required the following retrospective changes made to previously issued financial statements.

	June 30, 2016
Assets	
Intangible assets	+\$77,500
Shareholders' Equity	
Share capital	+\$7,500
Obligation to issue shares	+\$70,000

These financial statements reflect the correction of the above-noted error.

5. CASH

Cash consists of cash at banks and earns interest at floating and fixed rates based on daily deposit rates. Cash of \$5,750 (June 30, 2016: Nil) is held in a guaranteed investment certificate that is pledged as security for a corporate credit card.

6. RECEIVABLES

	December 31 2016	June 30 2016
Taxes recoverable	\$ 101,328	\$ 85,050
Other	72	72
	<u>\$ 101,400</u>	<u>\$ 85,122</u>

Tax 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 AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Equipment	Total
Cost		
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	—	—
Balance December 31, 2016	\$ 9,330	\$ 9,330
Depreciation and impairment losses		
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	1,411	1,411
Balance December 31, 2016	\$ 6,015	\$ 6,015
Carrying amounts		
Carrying value at June 30, 2016	\$ 4,726	\$ 4,726
Carrying value at December 31, 2016	\$ 3,315	\$ 3,315

8. INTANGIBLE ASSETS	Intellectual Property
Costs	
Balance at June 30, 2015	\$1,496,000
Acquisition costs	140,050
Balance at June 30, 2016	\$1,636,000
Balance at December 31, 2016	\$1,636,000
Accumulated depletion and impairment losses	
Balance at June 30, 2015	\$92,219
Amortization	84,470
Balance at June 30, 2016	\$176,689
Amortization	43,648
Balance at December 31, 2016	\$220,337
Carrying amounts	
Carrying value at June 30, 2016	\$1,459,311
Carrying value at December 31, 2016	\$1,415,663

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 AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015****(Expressed in Canadian Dollars)**

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

On October 28, 2015 the Company entered into a purchase agreement to acquire certain patents from a Dr. Sazzad Hossain (“Hossain Agreement”), an officer of the Company, for the issuance of 1,000,000 common shares with an aggregate recorded value of \$140,000 (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

		December 31 2016		June 30 2016
Trade payables	\$	95,791	\$	306,241
Due to related parties (Note 13)		108,250		283,938
Total	\$	204,041	\$	590,179

INMED PHARMACEUTICALS INC.**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015****(Expressed in Canadian Dollars)****10. SHARE CAPITAL AND RESERVES****a) Authorized**

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

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	500,000	\$0.14	70,000
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		\$32,744,880
Issued shares for debt	983,355	\$0.11	108,169
Issued for private placement	4,350,000	\$0.07	304,500
Issued for private placement	18,750,000	\$0.08	1,500,000
Issued for services	237,500	\$0.17	40,375
Issued for exercise of warrants	565,000	\$0.13	73,450
Share issue costs			(43,718)
Balance at December 31, 2016	93,118,717	—	\$34,727,656

During the period ended December 31, 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 ("July-2016 Financing) for 4,350,000 units ("Units"), at a price of \$0.07 per Unit for gross proceeds of \$304,500 (which includes subscriptions of \$131,400 received as at June 30, 2016). Each Unit consists of one common share and one non-transferable share purchase warrant (a "Warrant"). Each Warrant is exercisable by the holder to acquire one additional common share at a price of \$0.15 for a period of twelve (12) months expiring on July 28, 2017. All of the Units issued in connection with the July-2016 Financing and Common Shares issued on exercise of the Warrants were subject to a restricted resale period that expired on November 29, 2016.

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

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

INMED PHARMACEUTICALS INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares (cont'd)

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

Finders' fees of 7.5% on a portion of the gross proceeds received by the Company from the sale of Units sold pursuant to the Financing shall include cash of \$467, and 237,500 compensation shares valued at \$0.17 per share.

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

- iv) During the six month period ending December 31, 2016 the Company issued an aggregate 565,000 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, 2016 the Company completed the following:

- v) 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.
- vi) 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.
- vii) Pursuant to the terms of an October 28, 2015 purchase agreement for the acquisition of certain patents, between the Company and Sazzad Hossain, Chief Scientific Officer, issued 500,000 common shares valued at \$70,000 as determined by the market price on October 28, 2015 being \$0.14 per share. The Company has an obligation to issue an additional 500,000 common shares valued at \$70,000 as determined by the market price on October 28, 2015 of \$0.14 per share.
- viii) 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.
- ix) 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.

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

THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in Canadian Dollars)

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

- x) 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).
- xi) 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).
- xii) 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 December 31, 2016 there were no shares held in escrow (June 30, 2016: Nil).

d) Subscriptions

As at December 31, 2016 the Company had received warrant exercise proceeds in the amount of \$32,100 pursuant to a private placement. See Note 18 Events after the Reporting Date.

e) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from July 1, 2015 to December 31, 2016:

	Number	Weighted Average Share Price
Balance as at June 30, 2015	12,935,500	\$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	11,504,998	\$0.15
Granted	4,350,000	\$0.15
Exercised	(565,000)	\$0.13
Expired	(836,666)	\$0.30
Balance as at December 31, 2016	14,453,332	\$0.14

At December 31, 2016, 14,453,332 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
9,590,000	\$0.13	February-24-17
513,332	\$0.30	February-03-17
4,350,000	\$0.15	July-28-17
14,453,332		

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

THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in Canadian Dollars)

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

The weighted average remaining contractual life of the share purchase warrants at December 31, 2016 was 0.28 years.

f) Agents Warrants

The following is a summary of changes in agents' warrants from July 1, 2015 to December 31, 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
Expired	(32,200)	\$0.30
Balance December 31, 2016	577,250	\$0.14

At December 31, 2016, 577,250 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
28,000	\$0.15	July-28-17
577,250		

During the period ended December 31, 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 December 31, 2016 was 0.17 years.

g) 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.

INMED PHARMACEUTICALS INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd)

h) 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 difference between 20% of the outstanding common shares as at December 31, 2016 and the outstanding options at that date means there is currently 3,848,743 (June 30, 2016 – 2,571,572) options available for future allocation. 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.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015
(Expressed in Canadian Dollars)
11. SHARE-BASED PAYMENTS (cont'd)
a) Option Plan Details (cont'd)

The following is a summary of changes in options excluding agents options detailed above from July 1, 2016 to December 31, 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	600,000	1,400,000
10-Jun-16	10-Jun-21	\$0.130	1,000,000	-	-	-	1,000,000	400,000	600,000
15-Jun-16	15-Jun-21	\$0.110	2,000,000	-	-	-	2,000,000	500,000	1,500,000
26-Jul-16	26-Jul-21	\$0.11	-	1,750,000	-	-	1,750,000	1,100,000	650,000
12-Sep-16	12-Sep-21	\$0.11	-	1,000,000	-	-	1,000,000	200,000	800,000
28-Oct-16	28-Oct-21	\$0.195	-	2,700,000	-	-	2,700,000	1,200,000	1,500,000
15-Nov-16	15-Nov-21	\$0.165	-	750,000	-	-	750,000	250,000	500,000
12-Dec-16	12-Dec-21	\$0.14	-	300,000	-	-	300,000	50,000	250,000
				-	-	-			-
			11,075,000	6,500,000	-	(2,800,000)	14,775,000	7,575,000	7,200,000
Weighted Average Exercise Price			\$0.17	\$0.15	-	\$0.29	\$0.14	\$0.16	\$0.13
Weighted Average Life remaining			4.38	4.75	-	-	4.37	4.15	4.60

INMED PHARMACEUTICALS INC.

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THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS (cont'd)

a) Option Plan Details (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	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	-	(4,425,000)	11,075,000	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	-	-	4.38	4.07	4.92

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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 December 31, 2016 was \$0.14 per option (December 31, 2015 - \$0.26).

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
26-Jul-16	26-Jul-21	\$0.08	\$0.11	0.65%	5	195.34%	0
12-Sep-16	12-Sep-21	\$0.10	\$0.11	0.59%	5	194.41%	0
28-Oct-16	28-Oct-21	\$0.195	\$0.195	0.68%	5	194.08%	0
15-Nov-16	15-Nov-21	\$0.16	\$0.165	1.00%	5	192.35%	0
12-Dec-16	12-Dec-21	\$0.14	\$0.14	1.16%	5	192.15%	0
25-Aug-15	25-Aug-20	\$0.21	\$0.21	0.72%	5	203.93%	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

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 December 31, 2016 were \$436,711 (December 31, 2015 - \$442,354).

iii) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options at December 31, 2016 was 4.37 years.

12. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	Three Months Ended		Six Months Ended	
		December 31 2016	2015	December 31 2016	2015
Administrative and General Expenses include:					
Accounting and legal		\$ 32,820	\$ 3,881	\$ 44,945	\$ 3,881
Consulting	12	98,804	101,925	124,073	443,023
Conferences		-	-	-	8,087
Corporate development		8,500	25,500	8,500	25,500
Investor relations, website development and marketing		257,739	27,854	294,706	47,811
Office and administration fees		16,177	43,257	23,169	71,740
Regulatory fees		7,808	7,490	12,662	9,593
Rent	12	8,914	23,102	11,885	41,102
Shareholder communication		41,147	2,143	46,790	11,330
Transfer agent fees		9,796	7,581	12,685	9,462
Travel		20,976	31,116	21,565	53,892
Salaries and employee benefits		52,559	-	84,790	-
		\$ 555,240	\$ 273,849	\$ 685,770	\$ 725,421

INMED PHARMACEUTICALS INC.**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****THREE AND SIX MONTHS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015****(Expressed in Canadian Dollars)****13. RELATED PARTY TRANSACTIONS**

a) Payments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling our activities as a whole. We have determined that key management personnel consists of the members of the Board of Directors along with certain officers of the Company.

	December 31 2016	December 31 2015
Key management personnel compensation comprised :		
Share based payments	\$247,465	\$254,981
Shares issued for services	-	\$205,000
Shares issued for patents	-	\$140,000
Consulting fees:	\$243,812	\$469,141
	\$491,277	\$1,069,122

- 1 Wages of \$78,939 (December 31, 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 (December 31, 2015 - \$271,349) 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 \$8,500 (December 31, 2015 - \$25,500) were paid or accrued to Craig Schneider (“Schneider”) and/or Etoby Management Inc. (“Etoby”), 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 continued to serve as a director and consultant of the Company (*Schneider resigned as a director on January 18, 2017*);
- 4 Consulting fees of \$38,950 (December 31, 2015 - \$17,000) were paid or accrued to 0954041 BC Ltd. (“0954041”) a company controlled by Chris Bogart (“Bogart”) the Company’s Senior Vice President of Corporate Strategy & Investor Relations (*Bogart was appointed on November 17, 2015*);
- 5 Consulting fees of \$1,875 (December 31, 2015 - Nil) were paid or accrued to Jeff Charpentier (“Charpentier”), the Chief Financial Officer and Secretary of the Company (*Charpentier was appointed effective December 12, 2016*);
- 6 Consulting fees of \$20,320 (December 31, 2015 - \$16,220) were paid or accrued to Minco Corporate Management Inc. (“Minco”) a company controlled by Terese Gieselman (“Gieselman”), the former Chief Financial Officer and Secretary of the Company (*Gieselman resigned effective December 12, 2016*);
- 7 Wages of \$71,364 (December 31, 2015 - \$Nil) were paid to Sazzad Hossain (“Hossain”), the Company’s Chief Scientific Officer;
- 8 Consulting fees of \$Nil (December 31, 2015 - \$78,572) were paid or accrued to Entourage Bioscience Inc. (“Entourage”) a company controlled by Dr. Hossain;
- 9 Shares were issued to Dr. Hossain together with and an obligation to issue shares for patents for aggregate value of \$140,000 in the period ending December 31, 2015, as described in Note 8 and 10;
- 10 Wages of \$23,864 (December 31, 2015 - \$Nil) were paid to Alexandra Mancini (“Mancini”), the Company’s Senior Vice President, Clinical & Regulatory Affairs (*Mancini was appointed effective October 31, 2016*); and
- 11 Share-based payments are the fair value of options granted to key management personnel as described in Note 10.

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

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13. RELATED PARTY TRANSACTIONS (cont'd)**b) Related party liabilities:**

Amounts due to:		December 31	June 30
		2016	2016
Schneider	Fees	\$36,127	\$65,144
Schneider	Expenses	\$7,598	\$7,598
Schneider	Rent	\$4,218	\$4,218
Charpentier	Fees	\$1,969	-
Minco	Fees	\$1,480	\$2,638
Minco	Expenses	\$80	-
Hossain	Expenses	\$249	\$4,656
Mancini	Expenses	\$1,142	-
0954041 BC Ltd.	Fees	\$26,448	\$72,005
Bogart	Expenses	\$28,924	\$30,570
Stella Law ¹	Legal Fees	-	\$10,930
Corex Gold Corp.	Expenses	\$1,300	\$40,353
Standard Graphite Corp.	Expenses	\$27	\$23,491
		\$109,810	\$238,112

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).

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.

	December 31	December 31
	2016	2015
Loss attributable to ordinary shareholders	(\$1,357,247)	(\$1,468,328)
Weighted average number of common shares	80,239,944	56,790,729
Basic and diluted loss per share	(\$0.02)	(\$0.03)

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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
	<hr/>
	\$21,309,511

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 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 period ended December 31, 2016 and December 31, 2015 the following transactions were excluded from the statements of cash flows:

- i) The issuance of 983,355 common shares pursuant to settlement of debt of \$108,169 (See Note 10);
- ii) The issuance of 500,000 common shares and an obligation to issue a further 500,000 common shares to purchase certain patents for aggregate recorded value of \$140,000 (See Note 8 and 10);
- iii) The issuance of 237,500 (December 31, 2015 – Nil) compensation shares for recorded value of \$40,375 (December 31, 2015– \$Nil) – see Note 10;
- iv) The grant of 28,000 (December 31, 2015 – Nil) Agents Warrant for recorded value of \$527 (December 31, 2015– \$Nil) – see Note 10; and
- v) The issuance of Nil (December 31, 2015 - 1,000,000) common shares to consultants for services provided for a recorded value of Nil (December 31, 2015 - \$205,000) – see Note 10.

INMED PHARMACEUTICALS INC.

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18. EVENTS AFTER THE REPORTING DATE

Common Shares

- i) On January 18, 2017 the Company completed a non-brokered private placement for 8,283,334 common shares, at a price of \$0.18 per share for gross proceeds of \$1,491,000. Finders' fees of 7% on a portion of the gross proceeds received by the Company from the sale of shares sold included cash of \$45,137, 153,665 compensation shares, and 170,364 warrants ("Agent Warrants"). Each Agent Warrant shall be exercisable in whole or in part at an exercise price of \$0.18 for a period of 12 months expiring on January 18, 2018.
- ii) Subsequent to December 31, 2016, the Company issued a total of 11,255,750 common shares pursuant to the exercise of share purchase and agents' warrants at a weighted average exercise price of \$0.14 per share for aggregate proceeds of \$1,528,208.
- iii) Warrants to acquire 233,332 shares at an exercise price of \$0.30 per share expired on February 3, 2017.

Stock Options

- i) On January 13, 2017 the Company granted a stock option to a new director to purchase 1,000,000 common shares at an exercise price of \$0.13 per share which is exercisable until January 13, 2022.
- ii) On February 20, 2017 the Company granted a stock option to an officer to purchase 100,000 common shares at an exercise price of \$0.37 per share which is exercisable until February 20, 2022.
- iii) On February, 22, 2017, the Company granted a stock option to a consultant to purchase 50,000 common shares at an exercise price of \$0.41 per share which is exercisable until February 22, 2022.
- iv) Subsequent to December 31, 2016, the Company issued a total of 775,000 common shares pursuant to the exercise of stock options at a weighted average exercise price of \$0.17 per share for aggregate proceeds of \$135,125.