Consolidated Financial Statements of

InMed Pharmaceuticals Inc.

For the Year Ended June 30, 2019

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InMed Pharmaceuticals Inc.
(Expressed in Canadian Dollars)
June 30, 2019

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Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of InMed Pharmaceuticals Inc.

Opinion

We have audited the consolidated financial statements of InMed Pharmaceuticals Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at June 30, 2019 and June 30, 2018
- the consolidated statements of operations and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at June 30, 2019 and June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.

However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Jeffrey R. Welwood.

Vancouver, Canada

September 18, 2019

InMed Pharmaceuticals Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2019 and 2018

Expressed in Canadian Dollars

	Note		2019		2018
ASSETS					
Current					
Cash and cash equivalents		$	12,873,961	$	24,134,277
Short-term investments			5,165,093		2,342,615
Accounts receivable			84,987		53,373
Prepaids and advances	15		424,275		203,477
Total current assets			18,548,316		26,733,742
Non-Current					
Property and equipment, net	4		55,829		55,732
Intangible assets, net	5		1,184,720		1,273,670
Total Assets		$	19,788,865	$	28,063,144
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities			1,562,865		937,759
SHAREHOLDERS' EQUITY					
Share capital	6		68,579,890		68,058,698
Contributed surplus	6, 7		14,216,224		10,381,759
Accumulated deficit			(64,570,114)		(51,315,072)
			18,226,000		27,125,385
		$	19,788,865	$	28,063,144

Commitments and Contingencies (Note 15)

Approved on behalf of the Board of Directors by:

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

/s/ Adam Cutler
Adam Cutler, Director

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

InMed Pharmaceuticals Inc.

CONSOLIDATE STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended June 30, 2019 and 2018

Expressed in Canadian Dollars

	Note		2019		2018
Operating Expenses					
Research and development	8	$	5,638,619		1,927,137
General and administrative	9		3,797,867	$	3,367,698
Amortization and depreciation	4, 5		124,344		117,845
Share-based payments	7		4,083,157		3,196,864
Total operating expenses			13,643,987		8,609,544
Other Income (Loss)					
Interest income			433,803		88,337
Foreign exchange gain (loss)			(44,858)		287
Total net and comprehensive loss for the year		$	(13,255,042)	$	(8,520,920)
Basic and diluted loss per share for the year	11	$	(0.08)	$	(0.06)

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, 2019 and 2018

Expressed in Canadian Dollars

	Note	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2017		$43,153,871	$7,606,735	$(42,794,152)	$7,966,454
Net loss for the year		-	-	(8,520,920)	(8,520,920)
Shares issued for cash	6	24,350,120	-	-	24,350,120
Share issue costs	6	(3,501,023)	-	-	(3,501,023)
Share-based payments for services	6	41,790	-	-	41,790
Share-based payments	7	-	3,196,864	-	3,196,864
Shares issued on exercise of warrants	6	721,395	-	-	721,395
Fair value of agents' warrants	6	-	1,247,755	-	1,247,755
Fair value of agents' warrants exercised	6	135,385	(135,385)	-	-
Shares issued on exercise of stock options	7	3,157,160	(1,534,210)	-	1,622,950
Balance June 30, 2018		**$68,058,698**	**$10,381,759**	**($51,315,072)**	**$27,125,385**

	Note	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance June 30, 2018		$68,058,698	$10,381,759	($51,315,072)	$27,125,385
Net loss for the year		-	-	(13,255,042)	(13,255,042)
Share-based payments	7	-	4,083,157	-	4,083,157
Shares issued on exercise of stock options	7	521,192	(248,692)	-	272,500
Balance June 30, 2019		**$68,579,890**	**$14,216,224**	**($64,570,114)**	**$18,226,000**

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, 2019 and 2018

Expressed in Canadian Dollars

	Note	2019	2018
OPERATING ACTIVITIES			
Cash flows from operating activities			
Net loss for the year		$ (13,255,042)	$ (8,520,920)
Adjustments to reconcile loss to net cash used in operating activities			
Amortization and depreciation	4, 5	124,344	117,845
Share-based payments	7	4,083,157	3,196,864
Accrued interest income on short-term investments		(93,726)	(13,868)
Changes in non-cash working capital balances:			
Prepaids and advances		(220,798)	(25,900)
Accounts receivable		(31,614)	5,775
Accounts payable and accrued liabilities		625,106	568,086
Total cash outflows from operating activities		(8,768,573)	(4,672,118)
Cash Flows From Investing Activities			
Purchase of short-term investments		(2,728,752)	(2,328,750)
Purchase of property and equipment	4	(35,491)	(55,639)
Total cash outflows from investing activities		(2,764,243)	(2,384,389)
Cash Flows From Financing Activities			
Shares issued for cash	6	272,500	26,694,465
Share issue costs	6	-	(2,211,477)
Cash provided by financing activities		272,500	24,482,988
Increase (decrease) in cash during the year		(11,260,316)	17,426,481
Cash and cash equivalents beginning of the year		24,134,277	6,707,796
Cash and cash equivalents end of the year		$ 12,873,961	$ 24,134,277

See note 14 for Non-Cash Transactions

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

1. CORPORATION INFORMATION

InMed Pharmaceuticals Inc. ("InMed" or the "Company") was incorporated in the Province of British Columbia on May 19, 1981 under the *Business Corporations Act* of British Columbia. InMed is a preclinical stage biopharmaceutical company specializing in the research and development of novel, cannabinoid-based therapies and a biosynthesis system for the manufacturing of pharmaceutical-grade cannabinoids.

The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "IN", and under the trading symbol "IMLFF" on the OTCQX® Best Market.

InMed's corporate office and principal place of business is located at #310 – 815 West Hastings Street, Vancouver, B.C., Canada, V6C 1B4.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

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.

These consolidated financial statements were authorized for issue by the Board of Directors on September 18, 2019.

These consolidated financial statements have been prepared on the historical cost basis as modified, when applicable, by the revaluation of financial assets recorded at fair value, if any.

These 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 3.

Basis of Consolidation

These consolidated financial statements include the accounts of the inactive subsidiaries: Biogen Sciences Inc., Sweetnam Consulting Inc., and InMed Pharmaceutical Ltd. The Company's former inactive subsidiary, Meridex Network Corporation, was wound up into InMed effective April 17, 2019.

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

Continuing Operations

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

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.

Property and Equipment

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

- Computer equipment – 30% per annum
- Leasehold improvements – lesser of initial lease term or useful life

Intangible Assets

Intangible assets is comprised of acquired intellectual property, which consists of the Company's Bioinformatics Assessment Tool and certain patents. The 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 or 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.

Financial Instruments

IFRS 9, Financial Instruments replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that provided guidance for the recognition, classification, and measurement of financial assets and financial liabilities, as well as the impairment of financial assets and hedge accounting.

On July 1, 2018 (the date of initial application of IFRS 9), the Company's management assessed the financial assets and financial liabilities held by the Company and classified its financial instruments into the appropriate IFRS 9 categories. The Company's financial instruments consist of cash and cash equivalents, short-term investments and accounts receivable, and simple financial liabilities arising from normal business operations, and the Company has assessed its financial instruments to be measured and classified at amortized cost.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as Fair Value Through Profit or Loss:

- It is held with a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual term gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Company's financial assets are classified as amortized cost under IFRS 9 and the new classification requirements did not have an impact on the Company's financial assets. IFRS 9 largely retained the existing requirements in IAS 39 for the classification of financial liabilities. IFRS 9 did not have any impact regarding the classification of financial liabilities.

There are no differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9. The Company has adopted IFRS 9 retrospectively.

The Company applies the simplified approach in determining expected credit losses, which requires a probability-weighted estimate of expected lifetime credit losses to be recognized upon initial recognition of financial assets measured at amortized cost. Credit losses are measured as the present value of cash shortfalls from all possible default events, discounted at the effective interest rate of the financial asset. Loss allowances for financial assets at amortized cost are deducted from the gross carrying amount of the assets.

Prior to application of IFRS 9 on July 1, 2018, financial assets were classified into the following categories 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 for periods prior to adoption of IFRS 9 on July 1, 2018 was 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. Accounts receivable was included in this category.

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. Short term investments were included in this category and the book value approximated the fair value resulting in no amounts in accumulated other comprehensive income.

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 were included in this category. There was no difference between the amortized cost and fair value for cash and cash equivalents.

Impairment of Financial Assets

At each reporting date the Company assessed whether there was any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets was deemed to be impaired, if, and only if, there was 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 had 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.

Accounts payable and accrued liabilities were included in this category.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) 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 year end.

Deferred tax assets and liabilities are recognized for temporary differences which are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, the carry-forward of unused tax loses and unused tax credits. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

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.

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. The fair value of warrants issued to investors is included as part of share capital. 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.

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 contributed surplus. 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

Short-term Investments

Short-term investments include investments with original maturities of greater than three months and less than twelve months that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Research and Development Costs

The Company conducts research and development programs and incurs costs related to these activities, including research and development personnel compensation, services provided by contract research organizations, costs of filing and prosecuting patent applications, and lab supplies. Research and development costs, net of contractual reimbursements from development partners, are expensed in the periods in which they are incurred.

Research Grants

Research grants are recognized as a recovery of research expenditures in the consolidated statement of comprehensive loss 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 comprehensive loss when the proceeds have been spent on research expenses. Grant amounts received in advance are recorded as deferred grant proceeds.

New Standards Applicable in the Reporting Period

On July 24, 2014, the IASB issued IFRS 9, Financial Instruments. IFRS 9 introduces new requirements for the classification and measurement of financial assets and replaced IAS 39 Financial Instruments. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities, and amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment. IFRS 9 includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it provides more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

The Company performed an analysis to assess the impact of this standard. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. IFRS 9 replaces classification categories applicable under IAS 39 with amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The Company adopted IFRS 9 effective July 1, 2018 using the modified retrospective method under which previously presented financial statements are not restated. The adoption of this policy did not have a material impact on the financial results as the Company's financial assets are cash and cash equivalents and short-term investments and accounts receivable, and simple financial liabilities arising from normal business operations. The Company does not currently enter into any hedging activities.

On May 28, 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 replaced IAS 11 Construction Contracts and IAS 18 Revenue. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company has adopted IFRS 15 using the cumulative effect method, without practical expedients, with the effect of initially applying this standard recognized at the date of initial application of July 1, 2018. Accordingly, the information presented for fiscal 2018 has not been restated. It is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. The adoption of IFRS15 did not have a material impact on the Company's financial statements as the Company has no revenue from contracts with customers.

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 16 Leases

Issued by IASB - January 2016
This is effective for annual periods beginning on or after January 1, 2019, which corresponds to the Company's fiscal year ending June 30, 2020.

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

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

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

Based on the analysis completed to date of the Company's leasing arrangements as of June 30, 2019, on adoption of the new standard on July 1, 2019, the Company expects to recognize right-of-use assets of approximately $565,000 which is equal to the amount of the lease liability of approximately $500,000 plus an approximately $65,000 reclassified from prepaids and advances. The impact of the adoption of this new standard is non-cash in nature and, as such, the Company does not anticipate a material impact on cash flows.

IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount of expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company will adopt the Interpretation in its financial statements for the fiscal year beginning on July 1, 2019. Based on an analysis of the Company's historic tax filing positions as of July 1, 2019, the Company does not expect the Interpretation to have a material impact on the consolidated financial statements

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Estimate of useful life of intangible assets

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

Application of going concern assumption

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

Assets' impairment

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

Share-based payments and warrants

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

Research and development costs

Research and development costs is a critical accounting estimate due to the magnitude of and the assumptions that are required to calculate third-party accrued and prepaid research and development expenses. Research and development costs are charged to expense as incurred and include, but are not limited to, personnel compensation, including salaries and benefits, services provided by contract research organizations that conduct preclinical studies, costs of filing and prosecuting patent applications, and lab supplies.

The amount of expenses recognized in a period related to service agreements is based on estimates of the work performed using an accrual basis of accounting. These estimates are based on services provided and goods delivered, contractual terms and experience with similar contracts. We monitor these factors and adjust our estimates accordingly.

(Expressed in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

		Equipment		Leasehold Improvements		Total
Cost						
Balance at June 30, 2017	$	34,723	$	-	$	34,723
Assets acquired		19,078		36,561		55,639
Balance at June 30, 2018	$	53,801	$	36,561	$	90,362
Assets acquired		20,584		14,907		35,491
Balance at June 30, 2019	**$**	**74,385**	**$**	**51,468**	**$**	**125,853**
Depreciation and impairment losses						
Balance at June 30, 2017	$	7,674	$	-	$	7,674
Depreciation for the period		12,093		14,863		26,956
Balance at June 30, 2018	$	19,767	$	14,863	$	34,630
Depreciation for the period		16,796		18,598		35,394
Balance at June 30, 2019	**$**	**36,563**	**$**	**33,461**	**$**	**70,024**
Carrying amounts						
Carrying value at June 30, 2018	$	34,034	$	21,698	$	55,732
Carrying value at June 30, 2019	**$**	**37,822**	**$**	**18,007**	**$**	**55,829**

5. INTANGIBLE ASSETS

		Intellectual Property
Costs		
Balance at June 30, 2017	$	1,636,000
Balance at June 30, 2018	$	1,636,000
Balance at June 30, 2019	**$**	**1,636,000**
Accumulated depletion and impairment losses		
Balance at June 30, 2017	$	271,442
Amortization		90,888
Balance at June 30, 2018	$	362,330
Amortization		88,950
Balance at June 30, 2019	**$**	**451,280**
Carrying amounts		
Carrying value at June 30, 2018	$	1,273,670
Carrying value at June 30, 2019	**$**	**1,184,720**

The acquired intellectual property is recorded at cost and is amortized on a straight-line basis over an estimated useful life of 18 years net of any accumulated impairment losses.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES

a) Authorized

As at June 30, 2019, the Company's authorized share structure consisted of: (i) an unlimited number of common shares without par value; and (ii) unlimited number of preferred shares without par value.

b) Common Shares

	Number	Issue Price	Total
Balance at June 30, 2017	127,649,466		$43,153,871
Issued for private placement	13,428,571	$0.70	9,400,000
Issued for public placement	16,611,244	$0.90	14,950,120
Share issue costs	—	—	(3,501,023)
Issued for services	35,718	$1.17	41,790
Issued for exercise of warrants	5,895,775	$0.15 - $0.65	721,395
Fair value of agents' warrants exercised	—	—	135,385
Issued for exercise of stock options	7,230,295	$0.11 - $0.45	1,622,950
Fair value of stock options exercised	—	—	1,534,210
Balance at June 30, 2018	170,851,069		$68,058,698
Issued for exercise of warrants	7,564	$0.65	-
Issued for exercise of stock options	1,425,000	$0.19	272,500
Fair value of stock options exercised	—	—	248,692
Balance at June 30, 2019	**172,283,633**	—	**$68,579,890**

During the year ended June 30, 2019, the Company completed the following:

i) The Company issued an aggregate 7,564 common shares pursuant to the exercise of 35,000 share purchase warrants. The 35,000 share purchase warrants that were exercised had an exercise price of $0.65 each and, pursuant to the terms of a May 31, 2017 financing, were exercised on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the TSX ending on the date immediately preceding the date of exercise. The exercise of these 35,000 share purchase warrants resulted in the issuance of 7,564 common shares but, as they were exercised on a net cashless basis, no cash was received.

ii) The Company issued an aggregate 1,425,000 common shares pursuant to the exercise of 1,425,000 stock options at a weighted average exercise price of $0.19 per share.

During the year ended June 30, 2018, the Company completed the following:

iii) On June 21, 2018, the Company completed a public placement ("June-2018 Financing") of 16,611,244 units ("June-2018 Units"), at a price of $0.90 per June-2018 Unit for gross proceeds of $14,950,120. Each June-2018 Unit consists of one common share and one share purchase warrant (a "June-2018 Warrant"), or an aggregate of 16,611,244 full June-2018 Warrants. Each full June-2018 Warrant is exercisable by the holder to acquire one additional common share at a price of $1.25 for a period of twenty-four (24) months expiring on June 21, 2020. The June-2018 Warrants trade on the TSX under the symbol "IN.WT".

Share issue costs from the sale of June-2018 Units of $1,996,001 is comprised of $995,758 in underwriter's commission, the non-cash fair value of $553,199 for 1,106,397 warrants ("June-2018 Agent Warrants") issued to the underwriter and $447,044 of other transaction costs. Each June-2018 Agent Warrant is exercisable in whole or in part at an exercise price of $1.05 for a period of twenty-four (24) months expiring on June 21, 2020.

iv) On January 3, 2018, the Company completed a non-brokered private placement ("Jan-2018 Financing") for 13,428,571 units ("Jan-2018 Units"), at a price of $0.70 per Jan-2018 Unit for gross proceeds of $9,400,000. Each Unit consists of one common share and one non-transferable share purchase warrant (a "Jan-2018 Warrant"). Each Jan-2018 Warrant is exercisable by the holder to acquire one additional common share at a price of $1.25 for a period of eighteen (18) months expiring on July 3, 2019.

Share issue costs from the sale of Jan-2018 Units of $1,505,022 is comprised of $621,687 in finders' fees, the non-cash fair value of $694,557 for 433,556 warrants ("January-2018 Agent Warrants") issued to finders and $188,778 of other transaction costs. The January-2018 Agent Warrants have identical terms as the January-2018 Warrants described above. Of the $621,687 in finders' fees, $41,790 was settled on February 9, 2018 via the issuance of 35,718 common shares at the $1.17 closing price on the date of issuance of these shares.

v) The Company issued an aggregate 5,895,775 common shares pursuant to the exercise of 8,232,095 share purchase warrants at a weighted average exercise price of $0.44 per share. Included in the total number of share purchase warrants exercised were 3,710,984 share purchase warrants, with a weighted average exercise price of $0.19 each, that were exercised for cash and 4,521,111 share purchase warrants with an exercise price of $0.65 each that, pursuant to the terms of a May 31, 2017 financing, were exercised on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the stock exchange that the Company's shares were trading on at that time (either the TSX or CSE) ending on the date immediately preceding the date of exercise. The exercise of these 4,521,111 share purchase warrants resulted in the issuance of 2,184,791 common shares but, as they were exercised on a net cashless basis, no cash was received.

vi) The Company issued an aggregate 7,230,295 common shares pursuant to the exercise of 7,345,000 stock options at a weighted average exercise price of $0.23 per share. Included in the total number of stock options exercised were 300,000 stock options with an exercise price of $0.195 per share that, pursuant to the terms of a settlement agreement with the stock option holder, were exercised on a net cashless basis, based on the $0.51 per common share closing price of the Company on the CSE on the date immediately preceding the date of exercise. The exercise of these 300,000 stock options resulted in the issuance of 185,295 common shares.

(Expressed in Canadian Dollars)

c) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from July 1, 2017 to June 30, 2019:

	Number	Weighted Average Share Price
Balance as at June 30, 2017	9,434,000	$0.49
Granted	30,039,815	$1.25
Exercised	(7,561,111)	$0.45
Balance as at June 30, 2018	31,912,704	$1.21
Exercised	(35,000)	$0.65
Expired	(1,837,889)	$0.65
Balance as at June 30, 2019	**30,039,815**	**$1.25**

At June 30, 2019, 30,039,815 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Issuance Date	Number	Exercise Price	Expiry Date
January 3, 2018	13,428,571	$1.25	July 3, 2019
June 21, 2018	16,611,244	$1.25	June 21, 2020
Balance as at June 30, 2019	**30,039,815**		

The January 3, 2018 share purchase warrants in the table above expired unexercised on July 3, 2019.

The weighted average remaining contractual life of the share purchase warrants at June 30, 2019 was 0.54 year.

d) Agents' Warrants

The following is a summary of changes in agents' warrants from July 1, 2017 to June 30, 2019:

	Number	Weighted Average Share Price
Balance as at June 30, 2017	670,984	$0.40
Granted	1,539,953	$1.11
Exercised	(670,984)	$0.40
Balance as at June 30, 2018	1,539,953	$1.11
Balance as at June 30, 2019	**1,539,953**	**$1.11**

At June 30, 2019, 1,539,953 Agents' Warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Issuance Date	Number	Exercise Price	Expiry Date
January 3, 2018	433,556	$1.25	July 3, 2019
June 21, 2018	1,106,397	$1.05	June 21, 2020
Balance as at June 30, 2019	**1,539,953**		

The January 3, 2018 Agents' Warrants in the table above expired unexercised on July 3, 2019.

The weighted average remaining contractual life of the Agents' Warrants at June 30, 2019 was 0.71 years.

d) Contributed Surplus

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

e) Nature and Purpose of Equity Reserves

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

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

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

(Expressed in Canadian Dollars)

7. SHARE-BASED PAYMENTS

a) Option Plan Details

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

As at June 30, 2019, there was 14,686,727 (June 30, 2018 – 17,575,214) options available for future allocation pursuant to the terms of the Plan. The option price under each option shall be not be less than the closing price on the day prior to the date of grant. All options vest upon terms as set by the Board of Directors. Starting in May 2016, the Board of Directors adopted a practice of having options vest over time, typically 18 to 24 months, and/or upon the achievement of certain corporate milestones.

The following is a summary of changes in outstanding options from July 1, 2017 to June 30, 2019:

	Number	Weighted Average Exercise Price
Balance as at June 30, 2017	16,200,000	$0.17
Granted	8,240,000	$0.97
Exercised	(7,345,000)	$0.23
Expired/Forfeited	(500,000)	$0.81
Balance as at June 30, 2018	16,595,000	$0.52
Granted	4,800,000	$0.50
Exercised	(1,425,000)	$0.19
Expired/Forfeited	(200,000)	$1.01
Balance as at June 30, 2019	**19,770,000**	**$0.53**

The table above has been revised from the previously issued June 30, 2018 financial statements to reflect the forfeiture of 500,000 stock options that occurred in fiscal 2018.

(Expressed in Canadian Dollars)

The following is a summary of changes in options from July 1, 2018 to June 30, 2019:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired/ Forfeited	Closing Balance	Vested and Exercisable	Unvested
4-Mar-15	4-Mar-20	$0.360	200,000	-	-	-	200,000	200,000	-
25-Aug-15	25-Aug-20	$0.210	50,000	-	-	-	50,000	50,000	-
23-Nov-15	23-Nov-20	$0.145	200,000	-	-	-	200,000	200,000	-
27-Nov-15	27-Nov-20	$0.140	550,000	-	(500,000)	-	50,000	50,000	-
16-May-16	16-May-21	$0.080	2,000,000	-	-	-	2,000,000	2,000,000	-
10-Jun-16	10-Jun-21	$0.130	800,000	-	-	-	800,000	800,000	-
15-Jun-16	15-Jun-21	$0.110	2,000,000	-	-	-	2,000,000	2,000,000	-
26-Jul-16	26-Jul-21	$0.11	750,000	-	-	-	750,000	750,000	-
12-Sep-16	12-Sep-21	$0.11	1,000,000	-	-	-	1,000,000	1,000,000	-
28-Oct-16	28-Oct-21	$0.195	400,000	-	-	-	400,000	400,000	-
15-Nov-16	15-Nov-21	$0.165	750,000	-	(750,000)	-	-	-	-
12-Dec-16	12-Dec-21	$0.14	160,000	-	-	-	160,000	160,000	-
13-Jan-17	13-Jan-22	$0.25	1,000,000	-	-	-	1,000,000	1,000,000	-
20-Feb-17	20-Feb-22	$0.37	100,000	-	-	-	100,000	100,000	-
22-Feb-17	22-Feb-22	$0.41	50,000	-	-	-	50,000	50,000	-
2-Jun-17	2-Jun-22	$0.45	940,000	-	(175,000)	(50,000)	715,000	715,000	-
10-Jul-17	10-Jul-22	$0.33	355,000	-	-	-	355,000	255,000	100,000
3-Mar-18	3-Mar-23	$1.55	2,500,000	-	-	(50,000)	2,450,000	1,375,000	1,075,000
16-May-18	16-May-23	$1.05	2,790,000	-	-	(100,000)	2,690,000	1,345,000	1,345,000
31-Aug-18	31-Aug-23	$0.82	-	270,000	-	-	270,000	67,500	202,500
20-Sep-18	20-Sep-23	$0.80	-	150,000	-	-	150,000	37,500	112,500
05-Dec-18	05-Dec-23	$0.445	-	775,000	-	-	775,000	193,750	581,250
14-Jan-19	14-Jan-24	$0.50	-	140,000	-	-	140,000	-	140,000
21-Jan-19	21-Jan-24	$0.51	-	100,000	-	-	100,000	-	100,000
4-Feb-19	4-Feb-24	$0.79	-	150,000	-	-	150,000	-	150,000
4-Mar-19	4-Mar-24	$0.60	-	355,000	-	-	355,000	-	355,000
27-May-19	27-May 24	$0.435	-	2,860,000	-	-	2,860,000	-	2,860,000
			16,595,000	4,800,000	(1,425,000)	(200,000)	19,770,000	12,748,750	7,021,250
Weighted Average Exercise Price			$0.52	$0.50	$ 0.19	$1.01	$0.53	$0.41	$0.75
Weighted Average Life Remaining			3.66	4.73	-	-	3.19	2.53	4.40

(Expressed in Canadian Dollars)

The following is a summary of changes in options from July 1, 2017 to June 30, 2018:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Expired/ Forfeited	Closing Balance	Vested and Exercisable	Unvested
4-Apr-14	4-Apr-19	$0.255	250,000	-	(250,000)	-	-	-	-
5-Jun-14	5-Jun-19	$0.18	50,000	-	(50,000)	-	-	-	-
31-Jul-14	31-Jul-19	$0.18	50,000	-	(50,000)	-	-	-	-
25-Nov-14	25-Nov-19	$0.180	50,000	-	(50,000)	-	-	-	-
2-Mar-15	2-Mar-20	$0.345	150,000	-	(150,000)	-	-	-	-
4-Mar-15	4-Mar-20	$0.360	200,000	-	-	-	200,000	200,000	-
25-Aug-15	25-Aug-20	$0.210	150,000	-	(100,000)	-	50,000	50,000	-
23-Nov-15	23-Nov-20	$0.145	200,000	-	-	-	200,000	200,000	-
27-Nov-15	27-Nov-20	$0.140	1,300,000	-	(750,000)	-	550,000	550,000	-
16-May-16	16-May-21	$0.080	2,000,000	-	-	-	2,000,000	2,000,000	-
10-Jun-16	10-Jun-21	$0.130	1,000,000	-	(200,000)	-	800,000	800,000	-
15-Jun-16	15-Jun-21	$0.110	2,000,000	-	-	-	2,000,000	2,000,000	-
26-Jul-16	26-Jul-21	$0.11	1,750,000	-	(1,000,000)	-	750,000	600,000	150,000
12-Sep-16	12-Sep-21	$0.11	1,000,000	-	-	-	1,000,000	800,000	200,000
28-Oct-16	28-Oct-21	$0.195	2,700,000	-	(2,150,000)	(150,000)	400,000	400,000	-
15-Nov-16	15-Nov-21	$0.165	750,000	-	-	-	750,000	500,000	250,000
12-Dec-16	12-Dec-21	$0.14	300,000	-	(140,000)	-	160,000	160,000	-
13-Jan-17	13-Jan-22	$0.25	1,000,000	-	-	-	1,000,000	600,000	400,000
20-Feb-17	20-Feb-22	$0.37	100,000	-	-	-	100,000	60,000	40,000
22-Feb-17	22-Feb-22	$0.41	50,000	-	-	-	50,000	50,000	-
2-Jun-17	2-Jun-22	$0.45	1,150,000	-	(60,000)	(150,000)	940,000	490,000	450,000
10-Jul-17	10-Jul-22	$0.33	-	400,000	(45,000)	-	355,000	55,000	300,000
14-Aug-17	14-Aug-22	$0.275	-	1,350,000	(1,350,000)	-	-	-	-
12-Sep-17	12-Sep-22	$0.425	-	1,000,000	(1,000,000)	-	-	-	-
3-Mar-18	3-Mar-23	$1.55	-	2,700,000	-	(200,000)	2,500,000	100,000	2,400,000
16-May-18	16-May-23	$1.05	-	2,790,000	-	-	2,790,000	25,000	2,765,000
			16,200,000	8,240,000	(7,345,000)	(500,000)	16,595,000	9,640,000	6,955,000
Weighted Average Exercise Price			$0.17	$0.97	$0.23	$0.81	$0.52	$0.17	$1.01
Weighted Average Life Remaining			4.04	4.57	-	-	3.66	3.06	4.49

The table above has been revised from the previously issued June 30, 2018 financial statements to reflect the forfeiture of 500,000 stock options that occurred in fiscal 2018.

(Expressed in Canadian Dollars)

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, 2019 was $0.41 per option (year ending June 30, 2018 - $0.93). Assumptions used for options granted during the year ended June 30, 2019 included a weighted average risk-free interest rate of 1.68% (year ending June 30, 2018 – 1.98%), weighted average expected life of 5 years (year ending June 30, 2018 – 5 years), weighted average volatility factor of 119.79% (year ending June 30, 2018 – 186.86%), weighted average dividend yield of 0% (year ending June 30, 2018 – 0%) and a 5% forfeiture rate (year ending June 30, 2018 – 5%). The expected price volatility is based on historic volatility of the Company, 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 year ended June 30, 2019 were $4,083,157 (June 30, 2018 - $3,196,864).

iii) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options at June 30, 2019 was 3.19 years (June 30, 2018 – 3.66 years).

8. RESEARCH AND DEVELOPMENT EXPENSES

	2019	2018
External contractors	$ 2,878,456	$ 900,791
Other	26,747	10,589
Patents	268,314	88,793
R&D personnel compensation	1,414,310	798,139
Research supplies	1,163,830	128,825
Gross research and development expenses	5,751,657	1,927,137
Less research grant revenue	(113,038)	-
Net Research and Development Expenses	$ 5,638,619	$ 1,927,137

Effective November 1, 2018, the Company entered into a contribution agreement with the National Research Council Canada Industrial Research Assistance Program ("NRC IRAP") to receive funding of up to $500,000 to support its ongoing R&D efforts in cannabinoid biosynthesis. It is expected that this funding will be earned over an 18 month period commencing November 1, 2018. Grant income is recognized as a recovery of research and development expenditures when earned. Gross research and development expenses for the year to June 30, 2019 are reduced by $113,038 of grant income (June 30, 2018 – $Nil) earned in the period.

(Expressed in Canadian Dollars)

9. ADMINISTRATIVE AND GENERAL EXPENSES

	2019	2018
Accounting and legal	$ 729,971	$ 417,432
Consulting	42,048	87,366
Corporate development	-	176,319
Investor relations, website development and marketing	706,229	1,049,253
Office and administration fees	278,138	182,858
Regulatory fees	83,001	255,339
Rent	199,767	133,090
Salaries and employee benefits	1,521,609	861,804
Shareholder communcation	124,263	75,395
Transfer agent fees	30,018	28,692
Travel and conferences	82,823	100,150
Total General and Administrative Expenses	$ 3,797,867	$ 3,367,698

10. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling our activities as a whole. We have determined that key management personnel consists of the members of the Board of Directors along with senior officers of the Company. The table below presents data for the year ending June 30, 2019 as compared to the same period ending June 30, 2018.

	2019	2018
Key management personnel compensation comprised :		
Share based payments	$ 3,509,011	$ 2,516,432
Salaries and consulting fees	2,430,469	1,355,653
	$ 5,939,480	$ 3,872,085

11. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period. As the outstanding warrants and stock options are all anti-dilutive, they are excluded from the weighted average number of common shares in the table below.

	Twelve Months Ending	
	June 30 2019	June 30 2018
Loss attributable to common shareholders	($13,255,042)	($8,520,920)
Weighted average number of common shares	171,338,793	142,451,768
Basic and diluted loss per share	($0.08)	($0.06)

(Expressed in Canadian Dollars)

12. INCOME TAXES

The following is a reconciliation of income taxes calculated at the combined Canadian federal and provincial income statutory corporate tax rate of 27.0% (June 30, 2018 – 26.5%) to the tax expense:

		June 30 2019		June 30 2018
Income (loss) before taxes	$	**(13,255,042)**	$	(8,520,920)
Income tax expense (recovery) at the statutory rate		**(3,578,861)**		(2,258,044)
Increase (reduction) in income taxes resulting from:				
Change in unrecognized temporary differences		**3,727,682**		1,627,461
Permanent differences		**1,104,850**		847,789
True-up and other		**(1,253,671)**		(217,206)
Income tax expense (recovery)	$	**—**	$	—

Deferred tax assets and liabilities have been recognized for the following:

		June 30 2019		June 30 2018
Non-capital losses	$	**179,641**	$	505,644
Intangible assets		**(179,641)**		(505,644)
	$	**—**	$	—

The following table is a summary of the unrecognized deductible temporary differences and unused tax losses:

		June 30 2019		June 30 2018
Non-capital losses carried forward	$	**37,152,473**	$	25,908,054
Other temporary differences		**2,556,182**		(5,629)
	$	**39,708,655**	$	25,902,425

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

As at June 30, 2019, the Company has non-capital loss carry-forwards of approximately $37,817,809 (June 30, 2018 - $27,775,179) available to offset future taxable income in Canada. These non-capital loss carryforwards begin to expire in 2026.

13. SEGMENTED INFORMATION

The Company operates in one segment, the biopharmaceutical research and development of novel, cannabinoid-based therapies and a biosynthesis system for the manufacturing of pharmaceutical-grade cannabinoids.

14. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the year ended June 30, 2019 and 2018 the following transactions were excluded from the statements of cash flows:

i) In the year ending June 30, 2019, 35,000 (June 30, 2018 – 4,521,111) share purchase warrants, with an exercise price of $0.65 each, were exercised. Pursuant to the terms of a May 31, 2017 financing, these share purchase warrants were exercised on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the TSX ending on the date immediately preceding the date of exercise (see Note 6). The exercise of these 35,000 share purchase warrants resulted in the issuance of 7,564 common shares (June 30, 2018 – 2,184,791);
ii) In the year ending June 30, 2018, finders' fees of $41,790 for the Jan-2018 Financing were settled via the issuance of 35,718 common shares at the $1.17 based on the closing price on the date of issuance;
iii) The grant of 1,539,953 Agents Warrants in the year ending June 30, 2018 for recorded value of $1,247,756 – see Note 6; and
iv) Included in the total number of stock options exercised in the year ending June 30, 2018 were 300,000 stock options with an exercise price of $0.195 per share that, pursuant to the terms of a settlement agreement with the stock option holder, were exercised on a net cashless basis, based on the $0.51 per common share closing price of the Company on the date immediately preceding the date of exercise. The exercise of these 300,000 stock options resulted in the issuance of 185,295 common shares.

15. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of agreements with various contract research organizations, as at June 30, 2019, the Company is committed for contract research services and materials at a cost of approximately $3,474,000. A total of $3,313,000 of these expenditures are expected to occur in the twelve months following June 30, 2019 and the balance of $161,000 in the following twelve month period.

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

Pursuant to the terms of a December 13, 2018 Collaborative Research Agreement with UBC in which the Company owns all right, title and interest in and to any intellectual property, in addition to funding research at UBC, the Company is committed to make a one-time payment upon filing of any patent application arising from the research.

On June 22, 2017, the Company entered into an agreement to sublet office space with a sub-landlord. Under this agreement, the Company is leasing office premises at an annual cost of approximately

$77,500 plus annual operating costs estimated at $101,500. The term of the sublease is from September 1, 2017 to August 31, 2019.

On January 14, 2019, the Company executed a lease for new office premises at an annual cost of approximately $129,800, increasing up to $143,300 in the last year of the lease, plus annual operating costs estimated at $78,500. The term of this new lease is from September 1, 2019 to August 31, 2024. In January 2019, the Company paid the landlord a security deposit of approximately $104,200, included in "Prepaids and advances" on the Company's balance sheet, that is to be applied to the rent for certain months during the five year lease term.

Short-term investments include guaranteed investment certificates with a face value of $57,500 (June 30, 2018 - $28,750) that are pledged as security for a corporate credit card.

The Company has entered into certain agreements in the ordinary course of operations that may include indemnification provisions, which are common in such agreements. In some cases, the maximum amount of potential future indemnification is unlimited; however, the Company currently holds commercial general liability insurance. This insurance limits the Company's liability and may enable the Company to recover a portion of any future amounts paid. Historically, the Company has not made any indemnification payments under such agreements and it believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to these obligations for any period presented.

From time to time, the Company may be subject to various legal proceedings and claims related to matters arising in the ordinary course of business. The Company does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

16. CAPITAL MANAGEMENT

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

17. FINANCIAL RISK MANAGEMENT

Fair value:

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities. The fair values of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

Fair value measurements recognized in the statement of financial position must be categorized in accordance with the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

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

Market Risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk. The Company does not currently have significant commodity risk or equity price risk.

Foreign Currency Risk:

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to changes in foreign exchange rates. Portions of the Company's cash and cash equivalents and accounts payable and accrued liabilities are denominated in US dollars. Accordingly, the Company is exposed to fluctuations in the US and Canadian dollar exchange rates.

As at June 30, 2019, the Company has a net excess of US dollar denominated cash and cash equivalents in excess of US dollar denominated accounts payable and accrued liabilities of US$1,931,447 which is equivalent to CDN$2,527,685 at the June 30, 2019 exchange rate. The US dollar financial assets generally result from holding US dollar cash to settle anticipated near-term accounts payable and accrued liabilities denominated in US dollars. The US dollar financial liabilities generally result from purchases of supplies and services from suppliers from outside of Canada.

Each change of 1% in the US dollar in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of $25,277 based on the June 30, 2019 net US dollar assets (liabilities) position. During the year ended June 30, 2019, the Company recorded foreign exchange loss of $44,858 (June 30, 2018 – gain of $287).

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at June 30, 2019, holdings of cash and cash equivalents of $3,063,398 (June 30, 2018 - $21,549,764) are subject to floating interest rates. In addition, the Company held fixed rate guaranteed investment certificates, cashable within ninety days of purchase, with a book value of $9,512,120 (June 30, 2018 – 2,518,436). The balance of the Company's cash holdings of $298,443 (June 30, 2018 - $66,077) are non-interest bearing.

As at June 30, 2019, the Company held short-term investments in the form of fixed rate guaranteed investment certificates, with terms of 6 to 12 months, with a face value of $5,000,000 (June 30, 2018 - $2,300,000) and variable rate guaranteed investment certificates, with one year terms, with face value of $57,500 (June 30, 2018 - $28,750).

The Company's current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of major Canadian chartered banks or credit unions with comparable credit ratings. The Company regularly monitors compliance to its cash management policy.

The Company, as at June 30, 2019, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents and short-term investments held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Credit Risk:

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and short-term investments. Cash and cash equivalents and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash and cash equivalents and short-term investments with high-credit quality financial institutions and management considers this risk to be minimal for all cash and cash equivalents and short-term investments assets based on changes that are reasonably possible at each reporting date.

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it has sufficient cash to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. A key risk in managing liquidity is the degree of uncertainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at June 30, 2019, the Company has cash and cash equivalents and short-term investments of $18,039,054 (June 30, 2018 - $26,476,892), current liabilities of $1,562,865 (June 30, 2018 - $937,759) and a working capital surplus of $16,985,451 (June 30, 2018 - $25,795,983).