



InMed Pharmaceuticals Inc.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

For the Year Ended June 30, 2018

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InMed Pharmaceuticals Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2018

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in the financial condition and results of operations of InMed Pharmaceuticals Inc. ("InMed" or the "Company") as at June 30, 2018 and for the year then ended in comparison to the year ended June 30, 2017. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended June 30, 2018 and June 30, 2017 and related notes.

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated. The effective date of this MD&A is September 12, 2018.

Throughout the report we refer to InMed as the "Company", "we", "us", "our" or "its". All these terms are used in respect of InMed Pharmaceuticals Inc. Additional information on the Company can be found on the Company's website www.inmedpharma.com and SEDAR at <http://www.sedar.com>.

Cautionary Statement on Forward-Looking Information

This discussion may contain forward-looking statements within the meaning of the Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and forward looking information within the meaning of Canadian securities laws (collectively, "forward-looking statements"). When used in this MD&A, the words "plan," "expect," "believe," "intend," and similar expressions generally identify forward-looking statements. These statements reflect the Company's current expectations and estimates about the markets in which the Company operates and management's beliefs and assumptions regarding these markets. Investors are cautioned that all forward-looking statements involve risks and uncertainties. Forward-looking statements in this report include, without limitation, the potential impact of INM-750 on the symptoms of Epidermolysis Bullosa ("EB") and the underlying disease; optimizing the final formulation for INM-750; conducting key pre-clinical toxicology (safety) studies; discussing our clinical development plans with regulatory bodies in the first half of calendar year 2019; the expectation of filing our Investigational New Drug application for INM-750 in the second half of calendar year 2019; the Company's ability to successfully scale up its biosynthesis manufacturing process for cannabinoids; the potential for INM-085 to assist in reducing the high rate of non-adherence with current glaucoma therapies; filing patents and publishing our data in fiscal 2019; the potential for the Company's novel, proprietary delivery system for ophthalmic drugs to play an important role in enabling other companies' proprietary ophthalmic drug candidates or re-invigorating the commercial potential of off-patent products that would benefit from a once-a-day dosing regimen and InMed plans to initiate discussion with potential partners to this end; the potential of peripheral application of certain cannabinoid compounds, alone or in combination, such as INM-405 to be effective in the treatment of craniofacial pain disorders; and securing the ongoing necessary funding required to develop therapies, patent applications, and pre-clinical studies.

The material factors and assumptions used to develop the forward-looking statements contained in this MD&A are based on numerous assumptions regarding, among other things: the continued results of the Company's research and development; favourable regulatory reviews; establishing demand for the Company's products; the ability to find suitable financing and strategic partners; and management's ability to maintain the Company as a going concern to further develop prescription drug therapies through research and development into the pharmacology of cannabinoids. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant business, economic, competitive, market and social uncertainties and contingencies.

Our actual results could differ materially from those discussed in the forward-looking statements as a result of a number of important factors. In light of the many risks and uncertainties as described in this report, readers should understand that InMed cannot offer assurance that the forward-looking statements contained in this analysis will be realized. Additional information on these and other potential risk factors that could affect the Company's financial results are included in this MD&A, including under the heading "Risks and Uncertainties", and in documents filed from time to time with the provincial securities commissions in Canada, including in our Annual Information Form under the heading "Risk Factors", copies of which are available on SEDAR at <http://www.sedar.com>.

All forward-looking statements herein are qualified in their entirety by this cautionary statement, and we explicitly disclaim any obligation to revise or update any such forward-looking statements or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, except as required by law.

Overall Performance and Operations

The Company was incorporated in the Province of British Columbia on May 19, 1981, under the *Business Corporations Act* of British Columbia under the name Kadrey Energy Corporation. The Company has undergone a number of corporate name changes since its incorporation. In May 2014, the Company, then named Cannabis Technologies Inc. and since October 6, 2014 named InMed, began to specialize in cannabinoid pharmaceutical product development.

The Company's shares are listed on the Toronto Stock Exchange ("TSX" or "Exchange") 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 suite 340 – 200 Granville Street, Vancouver, B.C. V6C 1S4.

Research and Development

InMed is a pre-clinical stage biopharmaceutical company that specializes in developing novel therapies through the research and development into the extensive pharmacology of cannabinoids coupled with innovative drug delivery systems. InMed's proprietary bioinformatics database drug/disease targeting tool, cannabinoid biosynthesis technology and drug development pipeline are the fundamental value drivers of the Company. InMed continues to work on the development of several new cannabinoid-based treatments for multiple diseases including Dermatology, Ocular, Pain, Inflammation, and Cancer disease areas, among others.

Highlights during the year ended June 30, 2018, and as the date hereof include:

Progress continued during the quarter for the Company's lead product, INM-750, which is being developed as a treatment for the rare disease Epidermolysis Bullosa (EB), a serious and severe genetic skin disorder. EB causes the skin to be very fragile and to blister easily. One form of EB, EB Simplex, is a result of a defect in anchoring between the epidermis and the dermis, resulting in severe skin fragility that can range from mild to lethal. There is no cure or approved treatments for EB. Wound care, pain and itch management, antimicrobial interventions and preventative bandaging are currently the only treatment options available.

INM-750 is a proprietary, topical cannabinoid product candidate targeted as a therapy in EB and other potential dermatological and wound-healing applications. It has been specifically designed with the intent to: (i) potentially modify the underlying cause of the disease in certain patients with Epidermolysis Bullosa Simplex (EBS, the most common form of EB), and (ii) to treat the major symptoms of the disease in all patients with EB.

Pre-clinical data generated previously demonstrates that INM-750 may have a significant impact on the symptoms of EB (which include improvement of wound area to promote healing, reduction in pain, itch and inflammation, and providing antimicrobial activity). These disease hallmarks are key therapeutic targets for the effective treatment of EB as well as several other dermatological conditions. Additionally, our data indicate that INM-750 may potentially have an impact on the underlying disease by increasing certain keratin production in the skin.

During fiscal 2018, the Company worked with Pharmaseed Ltd, Israel's largest GLP-certified pre-clinical contract research organization, and other contractors to (i) develop a final formulation for INM-750; and (ii) initiate work on IND-enabling pharmacology and toxicology studies that are required before INM-750

could be used in future clinical studies. It is anticipated that InMed will be discussing its clinical development plans with regulatory bodies in the first half of calendar year 2019. After further data analysis in preparation for our discussions with regulatory authorities, InMed has determined that additional pre-clinical pharmacology experiments are warranted. In particular, these experiments will help us better understand the contributions of each cannabinoid component as well as their final combination in INM-750. Specifically, these additional pre-clinical experiments will focus on the effects these compounds have on wound healing and the reduction of inflammation. We now expect to file our Investigational New Drug ("IND") application in the second half of calendar year 2019. These additional pre-clinical pharmacology experiments will be designed to ensure that INM-750 meets the clinical needs of EB patients and improve the overall prospects of success for the INM-750 development program.

Additional assets such as our glaucoma and pain drug development programs and other new potential drug/disease targets continue to advance in accordance with our plans. Together with several external collaborators, we are exploring every avenue to expedite the advancement of these key assets. We expect as patents are filed for these product candidates, we can begin to publish our data and further validate to the scientific community and investor public the importance of our technologies.

Glaucoma is a group of eye conditions that damage the optic nerve, which is vital to good vision. This damage is often caused by an abnormally high pressure in your eye. Worldwide, it is the second-leading cause of blindness, and the current global market for drug therapies to treat glaucoma exceeds US\$5 billion. Glaucoma can occur at any age but is more common in older adults. The most common form of glaucoma has no warning signs. The effect is so gradual that you may not notice a change in vision until the condition is at an advanced stage. Vision loss due to glaucoma can't be recovered. Risk factors for glaucoma include increased pressure in the eye, a family history of the condition, migraines, high blood pressure, and obesity. Investigators studying patient adherence to glaucoma medications have identified multiple factors related to poor adherence, including more frequent and complex dosing regimens.

InMed is developing a stimulus-responsive, nanoparticle-laden vehicle for controlled delivery of ophthalmic drugs into the aqueous humor of the eye. On March 6, 2018, InMed announced the publication of a peer-reviewed article in [Drug Delivery and Translational Research](#). The article, titled "A stimulus-responsive, *in situ* forming, nanoparticle-laden hydrogel for ocular drug delivery", presents results from a pre-clinical study co-sponsored by InMed and was co-authored by Dr. Sazzad Hossain, InMed's Chief Scientific Officer and conducted at the labs of Drs. Vikramaditya Yadav and Ujendra Kumar at the University of British Columbia ("UBC"). In October, 2017, InMed originally announced completion of this study. This proprietary data supports what the Company believes to be a first-in-class nanoparticle-hydrogel formulation for cannabinoid delivery to the eye, resulting in significant delivery of cannabinoids to the eye via transcorneal penetration, resulting in a 300% increase versus a control formulation. In these studies, the investigators successfully validated the efficient transport of the formulated product in whole-eye experiments. The work seamlessly combined product design, synthetic biology, polymer rheology, and analysis of mass transport within ocular tissue. For this study, the non-psychoactive cannabinoid cannabigerolic acid was biosynthesized using InMed's proprietary *E. coli*-based manufacturing approach. Results from the experiment verified the performance of a stimulus-responsive switching between thixotropy (thinning of the gel upon a shearing force, such as blinking) and temperature-dependent rheopexy (reforming as a gel after blinking), resulting in a thin, uniform gel-like lens that holds the drug in place to allow for transcorneal transport. Envisioned as a once-per-day (at bedtime) administration, this formulation is designed to address many of the issues associated with current glaucoma medications. While glaucoma is certainly a potentially significant market opportunity, InMed believes that its innovations offer solutions to treat multiple ocular diseases with high unmet medical needs. In addition, beyond cannabinoid delivery, the Company believes its nanoparticle-hydrogel composite may be beneficial for a number of other ophthalmic pharmaceutical products requiring enhanced transport into the eye.

The first application of this delivery vehicle will be for INM-085 as a cannabinoid-based topical therapy targeting reduction of the intraocular pressure associated with glaucoma, as well as being designed to serve as a neuro-protectant to the retinal ganglion cells. INM-085 is intended for application as a once-per-day eye drop administered immediately prior to the patient's bedtime, intending to assist in reducing

the non-adherence with current glaucoma therapies. Additionally, this novel, proprietary delivery system for ocular drugs may also play an important role in enabling other companies' proprietary ocular drug candidates or re-invigorating the commercial potential of off-patent products that would benefit from a once-a-day dosing regimen. InMed plans to initiate discussion with potential partners to this end.

On May 14, 2018, InMed announced it has filed a Patent Cooperation Treaty ("PCT") application for INM-085 as a cannabinoid-based topical therapy for glaucoma, which includes protection of its technology in about 150 different countries including the United States, and claims a priority date from May 8, 2018 (PCT/CA2018/050548). The PCT filing is a conversion from the provisional patent filed in May 2017.

There is a need to find alternatives to treat chronic and severe pain that are non-addictive and have limited side effects. InMed continues to research the potential of non-THC cannabinoids to treat pain using a topical formulation. On July 27, 2017, InMed announced the publication of Company-sponsored research in the European Journal of Pain. The article presents results from a study co-sponsored by InMed and the MITACS Elevate Postdoctoral Fellowship program. The study was conducted by Dr. Hayes Wong and Prof. Brian Cairns at the University of British Columbia and was co-authored by Dr. Sazzad Hossain, Chief Scientific Officer of InMed. The study results suggest that peripheral application of cannabinoids targeting the natural endocannabinoid receptor system may provide a valuable approach in treating severe pain. The model utilized in this study mimics muscle pain reported by sufferers of temporomandibular disorders (TMD) that affect the jaw muscles and joint.

On October 3, 2017, the Company announced the filing of a provisional patent application entitled "Methods and Composition for Treatment of Pain with Cannabinoids", in the United States (PCT62/562,166) for INM-405, a combination of non-THC cannabinoids, and other unique compositions as cannabinoid-based topical therapies for the treatment of pain, which is an important step in protecting the company's intellectual and commercial property. On October 17, 2017, InMed announced additional pre-clinical results in the development of INM-405 for the treatment of pain. In recent pre-clinical testing, InMed employed several methods to verify the effects of individual, non-THC (tetrahydrocannabinol, the primary psychoactive ingredient in cannabis) cannabinoids, as well as a matrix of cannabinoid combinations, delivered to treat peripheral pain. Results from these studies suggest that peripheral application of certain cannabinoid compounds, alone or in combination, is effective in the treatment of craniofacial muscle pain disorders, without any observed central nervous system side effects, and may be a more desirable strategy than systemic pain-relief administration.

Manufacturing of pharmaceutical grade cannabinoids remains a challenge, especially those that are found in only trace amounts in the cannabis plant (but nevertheless may hold very important physiological benefits in humans). InMed recognized that having a reliable source of pure, pharmaceutical-grade starting materials for its products would be a critical success factor for its drug development strategy. Since May 21, 2015, the Company has been developing a biosynthesis process for the manufacturing of cannabinoids through a research collaboration with Dr. Vikramaditya G. Yadav from the Department of Biological and Chemical Engineering at UBC. InMed continues to collaborate with Dr. Yadav to develop this biosynthesis process for potential manufacturing of all 90+ naturally-occurring cannabinoids. We believe this process is unique in that the end product is bio-identical to plant-sourced cannabinoids, but benefits from the convenience, control and quality of a laboratory-based manufacturing process without the risk and high-resource requirements of agriculture growing operations. The Company believes that the approach InMed is developing is robust and may result in high-yields of cannabinoids. Pursuant to the terms of a May 31, 2017 Technology Assignment Agreement between the Company and UBC, UBC has assigned to InMed all technology from the research collaboration and any future improvements in return for the Company committing 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.

The Company, in conjunction with its collaborators at the University of British Columbia, continues to advance the production platform for the bio-fermentation of cannabinoids. Optimization of the vector will continue in parallel with the identification of optimal fermentation conditions and downstream purification processes with yet-to-be announced 3rd party suppliers, who are currently being vetted.

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Related to this biosynthesis technology, on September 12, 2017, InMed announced the filing of a provisional patent application entitled, "Metabolic Engineering of *E. coli* for the Biosynthesis of Cannabinoid Products" (PCT62/554,494) pertaining to the Company's proprietary biosynthesis program for the manufacture of cannabinoids that are identical to those found in nature. We expect that this patent application, which, as announced on September 10, 2018, subsequently converted into an international PCT application, will provide significant commercial protection for InMed's *E. coli*-based expression system to manufacture any of the 90+ cannabinoid compounds that may have a medical impact on important human diseases. This is the expected to be the first in a series of patent applications directed to various aspects of the Company's biosynthesis program.

On March 13, 2018, InMed announced the the appointment of Eric Hsu, Ph.D., as Vice President of Pre-clinical Research and Development. In this capacity, Dr. Hsu has assumed primary responsibility for advancing the Company's cannabinoid biosynthesis manufacturing process and pre-clinical research on new drug candidates, including INM-085 for glaucoma and INM-405 for pain. Dr. Hsu joins InMed with over 18 years of scientific leadership experience in developing novel gene transfer technologies and validation of pre-clinical drug candidates. Prior to joining InMed, Dr. Hsu held various positions with enGene Inc., including VP of Research and VP of Scientific Affairs and Operations. During his tenure, his responsibilities covered a wide array of activities, from benchtop research, formulation development and manufacturing process development to patent prosecution, vendor contract negotiations and execution, and research partnerships. He has co-authored over 25 publications and abstracts and holds five patents. Dr. Hsu received his Ph.D. from the University of Toronto in Medical Biophysics.

During fiscal 2018, the Company announced two additions to its Scientific Advisory Board: (i) Dr. Mauro Maccarrone who is Professor and Chair of Biochemistry and Molecular Biology at Campus Bio-Medico, University of Rome. He also serves as Director of the Laboratory of Lipid Neurochemistry of the European Center for Brain Research-IRCCS Santa Lucia Foundation in Rome. Prof. Maccarrone served as the President of the International Cannabinoid Research Society and was the recipient of their 2016 Mechoulam Award. He also served as Chair of the 2015 Gordon Research Conference on Cannabinoid Function in the CNS, and is a founding member of the European Cannabinoid Research Alliance. In addition to having authored over 460 published papers. Dr. Maccarrone serves as referee or on the editorial boards to numerous scientific journals; and (ii) Dr. Vikramaditya G. Yadav who is an Assistant Professor in the Department of Chemical & Biological Engineering and School of Biomedical Engineering at UBC, and currently serves as the Chair of the Biotechnology Division of the Chemical Institute of Canada. He has been recognized by Medicine Maker journal as one of the 100 most influential people in drug development and manufacturing. Dr. Yadav received his Doctoral degree in Chemical Engineering from the Massachusetts Institute of Technology. He later conducted post-doctoral research on biophysics and biological thermodynamics at Harvard University. He joined UBC, Canada's pre-eminent center for biotechnology research, in the summer of 2014 and has since established a world-leading, industry-connected research group that works on wide-ranging topics.

Financings

During the year ending June 30, 2018, the Company completed two financing transactions to improve its financial position to cash, cash equivalents, and short-term investments of \$26,476,892 and a working capital surplus of \$25,795,983 as at June 30, 2018 from cash, cash equivalents, and short-term investments of \$6,707,796 and a working capital surplus of \$6,574,847 as at June 30, 2017.

On June 21, 2018, the Company completed a public placement of 16,611,244 units, at a price of \$0.90 per unit for gross proceeds of \$14,950,120. Each unit consists of one common share and one share purchase warrant. Each share purchase 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.

On January 3, 2018, the Company completed a non-brokered private placement for 13,428,571 units, at a price of \$0.70 per unit for gross proceeds of \$9,400,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each share purchase warrant is exercisable by the holder

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to acquire one additional common share at a price of \$1.25 for a period of eighteen (18) months expiring on July 3, 2019.

During fiscal 2018, 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 aggregate cash proceeds of \$721,395 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 the Canadian Securities Exchange ("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. In addition, during fiscal 2018, 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 for aggregate cash proceeds of \$1,622,950.

Corporate

Effective March 26, 2018, the Company commenced trading on the TSX under the symbol "IN". In conjunction with its listing on the TSX, the Company's shares ceased trading on CSE. Effective May 4, 2018, the Company's common shares commenced trading on the OTCQX® Best Market under the symbol "IMLFF". In conjunction with this listing, the Company's common shares ceased trading on the OTCQB® Venture Market.

On April 11, 2018, InMed announced the appointment of Joshua Blacher as Chief Business Officer. In this capacity, Mr. Blacher will be focusing on raising the Company's visibility in the broader capital markets community, especially in the United States, as well as executing strategic finance initiatives and business development. Mr. Blacher joins InMed with twenty years of leadership experience in senior positions in the healthcare and capital markets sectors in the United States. Before joining InMed, Mr. Blacher served as Chief Financial Officer at Therapix Biosciences (NASDAQ: TRPX) and Galmed Pharmaceuticals (NASDAQ: GLMD), where he focused on strategic finance, business development, and managing relations with the investment community. Previously, Mr. Blacher also held senior positions in licensing and investing at Teva Pharmaceuticals, portfolio management at Deutsche Asset Management and equity research at Morgan Stanley, as well as in mergers & acquisitions at Lehman Brothers. Mr. Blacher holds an MBA in Finance from Columbia Business School in New York City.

Outlook

The Company continues to focus its efforts on research and development in the biotech sector, with its primary attention to further advance its current drug therapies from the current pre-clinical stage into clinical studies as well as the successful completion of its patent applications as described hereinabove. Additionally, the Company will continue its efforts to secure the ongoing necessary funding required to develop its drug therapies and its biosynthesis process for the manufacturing of cannabinoids and related patent applications.

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Selected Annual Information

The following table summarizes selected financial data reported by the Company for the years ended June 30, 2018, June 30, 2017 and June 30, 2016. The following annual results are compliant with International Financial Reporting Standards ("IFRS"):

	Year ended June 30 2018 \$(audited)	Year ended June 30 2017 \$(audited)	Year ended June 30 2016 \$(audited)
Total Revenue	Nil	Nil	Nil
Loss before other items and income tax	(8,520,920)	(4,473,849)	(2,377,203)
Comprehensive Loss	(8,520,920)	(4,473,849)	(2,377,203)
Loss per share basic and diluted	(0.06)	(0.05)	(0.04)
Total assets	28,063,144	8,336,128	1,651,701
Long term liabilities	—	—	—

Results of Operations

Financial Results for the years ended June 30, 2018 and June 30, 2017:

During the year ended June 30, 2018, the Company reported a comprehensive loss of \$8,520,920 and loss per share of \$0.06 compared to a comprehensive loss of \$4,473,849 and loss per share of \$0.05 reported in the comparative year ended June 30, 2017. The largest component of the loss for the current year was attributed to general and administration expenses of \$3,367,698 (June 30, 2017 - \$2,320,922). The increase in general and administration expenses year over year was primarily due to an increase in salaries, regulatory fees associated with the Company's listing on the TSX, and investor relations activities. The Company also recorded research and development costs of \$1,927,137 (June 30, 2017 - \$746,162) and non-cash, share-based payments in connection with the grant of stock options of \$3,196,864 (June 30, 2017 - \$1,308,620).

The increase in comprehensive loss for the year ended June 30, 2018 from the comparative year was primarily the result of an increase in general and administrative expenses, research and development costs, as described herein below, and non-cash, share-based payments in connection with the grant of stock options.

The summary of changes in the general and administrative expenditures for the years ending June 30th were as follows:

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General & Administration Expenses	2018	2017	Change	
	\$	\$	\$	%
Accounting and legal	417,432	407,784	9,648	2%
Consulting	87,366	236,626	(149,260)	-63%
Conferences	2,588	(1,268)	3,856	-304%
Corporate development	176,319	170,117	6,202	4%
Investor relations, website development and marketing	1,049,253	844,275	204,978	24%
Office and administration fees	179,139	96,682	82,457	85%
Regulatory fees	259,058	21,112	237,946	1127%
Rent	133,090	50,957	82,133	161%
Shareholder communications	75,395	72,987	2,408	3%
Transfer agent fees	28,692	40,778	(12,086)	-30%
Travel	97,562	92,132	5,430	6%
Salaries and employee benefits	861,804	288,740	573,064	198%
Total General & Administration	3,367,698	2,320,922	1,046,776	45%

Significant increases/decreases in expenditures to note for general and administration include:

Consulting fees – Decrease in consulting fees was due to the fact that services provided last year from consultants were either discontinued or, in the case of the CFO role, taken over by an employee, the cost for which is reflected in salaries and employee benefits.

Investor relations, website development & marketing - Increase in expenditures was the result of increased activities designed to expand the Company's exposure to a wider investor base across North America. These activities included the hiring of investor relations consultants and public relations firms and the cost of various corporate communication campaigns.

Office and administration fees - Increase in office and administration was the result of higher insurance costs for increased levels of coverage, higher office operating expenses, and increased IT support costs, all of which reflect the growth in the Company's corporate activities and staffing levels.

Regulatory fees - Increase in regulatory fees was the result of the initial fee associated with listing of the Company's shares for trading on the TSX.

Rent – Increase in rent was the result of a move to new office premises in September 2017 and a co-tenant charging the Company full rent for shared office space in the quarter ending September 30, 2017 while a reduced rent was charged in the comparable year due to InMed's lower cash balances at that time.

Transfer agent fees – Decrease in transfer agent fees from the prior year as the prior year included costs for holding a special meeting of shareholders.

Salaries and employee benefits - Increase is due to higher management compensation levels and increased time commitment for the CFO role. Also, as noted above in "Consulting fees", in the current fiscal year compensation for the CFO is included as "Salaries and employee benefits" while in the comparable year it was included under "Consulting fees".

The summary of changes in the research and development expenditures for the years ending June 30th were as follows:

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	2018	2017	Variance	
	\$	\$	\$	%
Research & Development Expenses				
R&D personnel compensation	798,139	341,814	456,324	134%
External contractors	900,791	276,288	624,503	226%
Patents	88,793	114,935	(26,142)	-23%
Research supplies	128,825	12,035	116,790	970%
Other	10,589	1,090	9,499	872%
Total Research & Development	1,927,137	746,162	1,180,975	158%

R&D personnel compensation – The increase in expenditures was primarily the result of increase in the number of R&D personnel as well as higher compensation levels for previously existing staff.

External contractors – The Company carries out its R&D activities through the use of external contractors, acting under the direction of internal R&D personnel. As cash became available during the past year from financing activities, the Company was able to increase spending on external research contracts to advance the Company's drug product candidates and the development of its biosynthesis process for the manufacturing of cannabinoids.

Patents – Despite continuing activity with respect to the prosecution of the Company's patent portfolio in fiscal 2018, patent expenses declined as compared to the prior year as the Company has consolidated the overall management of its patent portfolio which has yielded costs savings.

Research supplies – Related to the general increase in R&D activity in fiscal 2018 versus the prior year, the Company incurred expenditures for research supplies used in research incurred in the year ending June 30, 2018.

Summary of Quarterly Results

The following table summarizes certain selected financial information reported by the Company for the each of the last eight quarters reported. The following quarterly results are prepared in accordance with IFRS.

Three months ended:	Q4-18 June 30 2018 \$	Q3-18 Mar. 31 2018 \$	Q2-18 Dec. 31 2017 \$	Q1-18 Sept. 30 2017 \$	Q4-17 June 30 2017 \$	Q3-17 Mar. 31 2017 \$	Q2-17 Dec. 31 2016 \$	Q1-17 Sept. 30 2016 \$
Revenue	—	—	—	—	—	—	—	—
Loss before other items	(3,029,200)	(2,127,957)	(1,543,609)	(1,820,154)	(1,875,654)	(1,240,948)	(939,231)	(418,016)
Comprehensive Loss	(3,029,200)	(2,127,957)	(1,543,609)	(1,820,154)	(1,875,654)	(1,240,948)	(939,231)	(418,016)
Loss per share – basic and diluted	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)

Fourth Quarter

The Company recorded a loss during the fourth quarter of June 30, 2018 of \$3,029,200 or \$0.02 loss per share (June 30, 2017 of \$1,875,654 or \$0.02 loss per share) which consisted primarily of general and administrative expenses of \$976,082 (June 30, 2017 - \$754,091), research and development expenses of \$576,954 (June 30, 2017 - \$378,249) and non-cash, share-based payment expense of \$1,533,662 (June 30, 2017 - \$717,534) in connection with the grant of stock options. The explanation for the increases in expenditures in the fourth quarter of fiscal 2018 as compared to the comparable period in fiscal 2017 is

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consistent with the explanations provided above for the year ending June 30, 2018 as compared to the year ending June 30, 2017.

Liquidity and Capital Resources

As at June 30, 2018, the Company had a working capital surplus of \$25,795,983 (June 30, 2017 – 6,574,847), which consisted of: cash \$24,134,277 (June 30, 2017 - \$6,707,796), short-term investments \$2,342,615 (June 30, 2017 – \$Nil), taxes receivable of \$53,373 (June 30, 2017 - \$59,148) and prepaids and advances of \$203,477 (June 30, 2017 – \$177,577) offset by trade payables of \$937,759 (June 30, 2017 - \$369,674).

As at June 30, 2018, shareholders' equity was \$27,125,385 which was an increase of \$19,158,931 as compared to June 30, 2017. The increase in shareholders' equity arose from the net proceeds of the two equity financings completed in the year, proceeds from the exercise of warrants and stock options plus non-cash, share-based payment expense for the year, which increased contributed surplus, net of the loss for the year ending June 30, 2018.

Financial position:	June 30 2018	June 30 2017
Cash and cash equivalents and short-term investments	\$26,476,892	\$6,707,796
Working capital	\$25,795,983	\$6,574,847
Property, plant and equipment	\$55,732	\$27,049
Intangible assets	\$1,273,670	\$1,364,558
Total Assets	\$28,063,144	\$8,336,128
Shareholders' equity	\$27,125,385	\$7,966,454

The Company's only source of cash inflows for the current period were the financings described earlier in this MD&A. As at June 30, 2018, the Company had no material ongoing contractual or other commitments other than in the normal course of business. The following table summarizes the Company's contractual obligations as at June 30, 2018 related to its Vancouver office premises and agreements with various contract research organizations:

	Payments Due by Period			
	Total	Less than 1 year	1-3 years	After 3 years
Operating Leases ¹	\$208,840	\$179,006	\$29,834	\$Nil
Purchase Obligations	\$714,363	\$714,363	\$Nil	\$Nil
Total Contractual Obligations	\$923,203	\$893,369	\$29,834	\$Nil

¹ Includes estimated operating costs of \$101,514 on an annual basis through to August 31, 2019.

The development of pharmaceutical products is a process that requires significant investment. As such, InMed expects to continue to incur losses for the foreseeable future. The Company anticipates a continued increase in research and development costs including for clinical trials of its drug candidates, general and administrative cost related to additions of personnel, and/or infrastructure that may be required.

Based on the funds available as at June 30, 2018, the Company estimates that it has cash resources for approximately the next 24 months which will fund a significant increase in R&D spend to continue development of its drug product candidates, including the preclinical and early clinical program for INM-750, the compilation of sufficient data for INM-085 to initiate the search for a development/commercialization partner, and further scale-up of the biosynthesis program, among other R&D activities.

The Company's continuing operations will be dependent upon obtaining necessary financing in order to further develop its current business plan. The Company expects that it will continue to fund its operations

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primarily by the issuance of equity or debt securities. The Company's ability to continue its operations on a going concern basis is dependent upon its ability to raise these additional funds. The certainty and outcome of these matters cannot be predicted at this time. See "Risks and Uncertainties" below.

Off-Balance Sheet Arrangements

As at June 30, 2018, the Company had no off-balance sheet arrangements.

Transactions with Related Parties

Expense for the year ending:

	June 30 2018	June 30 2017
Key management personnel compensation comprised:		
Share based payments	\$2,516,432	\$617,311
Salaries and consulting fees:	\$1,355,653	\$868,072
	\$3,872,085	\$1,485,383

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the revenue and expenses incurred during the reported periods. We base estimates on our historical experience, known trends and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The significant accounting policies that we believe to be most critical in fully understanding and evaluating our financial results are research and development costs and share based payments. See Note 3 of the consolidated financial statements for additional information.

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.

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, generally the vesting period. 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

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. If we had made different judgments and assumptions than those described previously, the amount of our share-based payments expense, net loss and net loss per common shares amounts could have been materially different.

Changes in Accounting Policies including Initial Adoption

Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements have been issued by the IASB that are mandatory for future accounting years. The Company has not completed its assessment of the impact from adopting these standards.

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

IFRS 9 Financial Instruments

Issued by IASB - July, 2014

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

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

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

- ***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. If the credit risk of a financial instrument is low, then an entity may assume that the credit risk on that assets has not increased significantly since initial recognition, and may recognize a loss allowance equal to twelve-months’ expected credit losses. Otherwise, the loss allowance is measured as lifetime expected credit losses at each reporting date.
- ***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.

The Company has not completed its evaluation of the impact of IFRS 9 but it is not expected to be significant.

IFRS 16 Leases

Issued by IASB - January, 2016

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

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

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

The main features of the new standard are as follows:

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

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Company has not yet evaluated the impact of IFRS 16.

Financial Instruments and Risk Management

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

- Market Risk
- Interest Rate Risk
- Credit Risk
- Liquidity Risk

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

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

General Objectives, Policies and Processes:

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

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

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 three types of risk: foreign currency risk, commodity price risk and equity price risk. The Company does not currently have significant foreign exchange risk, commodity risk or equity price risk. In the future as the Company's expands its research and development activities outside of Canada there will be an increase in foreign exchange risk.

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at June 30, 2018, holdings of cash and cash equivalent of \$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 book value of \$2,518,436. The balance of the Company's cash holdings of \$66,077 are non-interest bearing.

As at June 30, 2018, the Company held short-term investments in the form of a fixed rate guaranteed investment certificate, with a 181 day term, with a face value of \$2,300,000 and variable rate guaranteed investment certificates, with one year terms, with face value of \$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. The Company regularly monitors compliance to its cash management policy.

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The Company, as at June 30, 2018, 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 will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at June 30, 2018, the Company has cash and cash equivalents and short-term investments of \$26,476,892 (June 30, 2017 - \$6,707,796), current liabilities of \$937,759 (June 30, 2017 - \$369,674) and a working capital surplus of \$25,795,983 (June 30, 2017 - \$6,574,847).

Determination of Fair Value:

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

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

Fair Value Hierarchy:

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

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

The Company's cash and cash equivalents of \$24,134,277 (June 30, 2017 - \$6,707,796) are classified as loans and receivables and recorded at amortized costs. The Company's short-term investments of

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\$2,342,615 (June 30, 2017 - \$Nil) are classified as available-for-sale investments are recorded at book value that approximates the fair value.

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 and production of the business.

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

Outstanding Share Data

InMed's authorized capital is unlimited common shares without par value. As at the date of this report, the Company had the following securities issued and outstanding:

Securities ⁽¹⁾	
Common shares	170,858,633
Stock options	17,165,000
Share purchase warrants	31,877,704
Agents' warrants	1,539,953

⁽¹⁾ See the Company's audited consolidated financial statements for the year ended June 30, 2018 for a detailed description of these securities.

Commitments

Pursuant to the terms of agreements with various contract research organizations, the Company is committed for contract research services at a cost of approximately \$714,363. All of these expenditures are expected to occur in fiscal 2019.

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

On June 22, 2017, the Company finalized an agreement to sublet office space with a sub-landlord. Under this agreement, the Company is leasing 3,868 square feet 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.

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

Internal Controls Over Financial Reporting

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), management, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, and has designed such internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with IFRS.

The Company does not expect that its internal controls and procedures over financial reporting will prevent all error and all fraud. A control system provides only reasonable, not absolute, assurance that

the objectives of the control system are met. Because of the inherent limitation in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons by collusion of two or more people or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the effectiveness of our ICFR as of June 30, 2018 based on the framework set forth in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's ICFR was effective as at June 30, 2018.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that all material information required to be publicly disclosed in the Company's annual, interim filings and other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions. In designing and evaluating InMed's DC&P, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and, therefore, management is required to apply its judgment in evaluating and implementing possible controls and procedures. The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of our DC&P as at June 30, 2018 have concluded that the DC&P were adequate and effective to provide reasonable assurance that material information the Company is required to disclose on a continuous basis in interim and annual filings and other reports and news releases is recorded, processed, summarized and reported or disclosed on a timely basis as necessary.

Risks and Uncertainties

An investment in the Company involves significant risks and must be considered speculative due to the nature of the Company's business. Investors should carefully consider the risks and uncertainties described below. This list of risks and uncertainties below is not exhaustive. Furthermore, additional risks and uncertainties not presently known to InMed or that InMed believes to be immaterial may also adversely affect InMed's business. In addition to the risks identified elsewhere in this MD&A, investors should carefully consider all of the risk factors associated with the Company and its business, identified in the disclosure under the heading "Risk Factors" in the Company's Annual Information Form dated September 13, 2018 for the year ended June 30, 2018, a copy of which is available on SEDAR at <http://www.sedar.com>.

Risks Related to the Company's Business

The Company has a history of operating losses and may never achieve profitability in the future.

The Company is involved in research and development to identify and validate new therapies and drug targets that could become marketable. This process takes several years and requires significant financial resources without income. The Company expects these expenses to result in continuing operating losses in the foreseeable future.

The Company's ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract the experienced management and know-how to develop new drug candidates and to partner with larger, more established companies in the industry to successfully commercialize its drug candidates. Successfully developing pre-clinical or clinical drug candidates into marketable drugs takes several years and significant financial resources and the Company cannot assure that it can achieve these objectives.

The Company will primarily be in a developing industry and will be subject to all associated regulatory risks.

The Company's business must be evaluated in light of the problems, delays, uncertainties and complications encountered in connection with establishing a cannabinoid-based pharmaceutical business.

There is a possibility that none of the Company's drug candidates under development in the future will be found to be safe and effective, that it will be unable to receive necessary regulatory approvals in order to commercialize them, or that it will obtain regulatory approvals that are too narrow to be commercially viable.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect on the Company's business, financial condition and results of operations.

Clinical trials for potential drug candidates will be expensive and time consuming, and their outcomes uncertain.

Before the Company can obtain regulatory approval for the commercial sale of any drug candidate or attract major pharmaceutical companies with which collaborate, it will be required to complete extensive clinical trials to demonstrate safety and efficacy. Clinical trials are expensive and are difficult to design and implement. The clinical trial process is also time-consuming and can often be subject to unexpected delays.

The timing and completion of clinical trials may be subject to significant delays relating to various causes, including but not limited to: inability to manufacture or obtain sufficient quantities of materials for use in clinical trials; import/export restrictions for cannabinoid-based pharmaceuticals; delays arising from collaborative partnerships; delays in obtaining regulatory approvals to commence a study, or government intervention to suspend or terminate a study; delays, suspensions or termination of clinical trials by the applicable institutional review board or independent ethics board responsible for overseeing the study to protect research subjects; delays in identifying and reaching agreement on acceptable terms with prospective clinical trial sites; slow rates of patient recruitment and enrollment; uncertain dosing issues; inability or unwillingness of medical investigators to follow clinical protocols; variability in the number and types of subjects available for each study and resulting difficulties in identifying and enrolling subjects who meet trial eligibility criteria; scheduling conflicts; difficulty in maintaining contact with subjects after treatment, resulting in incomplete data; unforeseen safety issues or side effects; lack of efficacy during clinical trials; reliance on clinical research organizations to conduct clinical trials, which may not conduct such trials with good laboratory practices; or other regulatory delays.

The results of pre-clinical studies or initial clinical trials are not necessarily predictive of future favorable results.

Pre-clinical tests and initial clinical trials are primarily designed to test safety and to understand the side effects of drug candidates and to explore efficacy at various doses and schedules. Success in pre-clinical or animal studies and early clinical trials does not ensure that later large-scale efficacy trials will be successful nor does it predict final results. Favorable results in early trials may not be repeated in later ones.

Protection of proprietary technology can be unpredictable and costly.

The Company's success will depend in part on its ability to obtain patents, defend patents, maintain trade secret protection and operate without infringing on the proprietary rights of others. Interpretation and evaluation of pharmaceutical patent claims present complex and often novel legal and factual questions. Accordingly, there is some question as to the extent to which biopharmaceutical discoveries and related products and processes can be effectively protected by patents. As a result, there can be no assurance that:

- patent applications will result in the issuance of patents;
- additional proprietary products developed will be patentable;
- patents issued will provide adequate protection or any competitive advantages;
- patents issued will not be successfully challenged by third parties;
- the patents issued do not infringe the patents or intellectual property of others; or
- that the Company will be able to obtain any extensions of the patent term.

A number of pharmaceutical, biotechnology, medical device companies and research and academic institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to the business of the Company. Some of these technologies, applications or patents may conflict with or adversely affect the technologies or intellectual property rights of the Company. Any conflicts with the intellectual property of others could limit the scope of the patents, if any, that the Company may be able to obtain or result in the denial of patent applications altogether. Further, there may be uncertainty as to whether the Company may be able to successfully defend any challenge to its patent portfolio.

In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent protection, thereby affecting the development and commercial value of the Company's technology and products. The Company may also decide to acquire or in-license certain pending or issued patents but cannot guarantee their approval and/or commercial viability.

Competition

The planned business to be carried out by the Company will be highly competitive and involve a high degree of risk. There can be no assurance that the licensing or other arrangements respecting the patent-pending cannabinoid-based drug discovery platform and several cannabinoid-based drugs in different disease areas, or applications thereof, sought to be obtained can be secured on favorable terms or otherwise, nor are there any assurances that sales or license revenues, if obtained, will be in sufficient quantities to make the business profitable. In its efforts to achieve its objectives, the Company will compete with other companies that may have greater resources, many of which will not only develop technology but also manufacture and sell similar products on a worldwide basis.

Uninsured or Uninsurable Risk

The Company may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on our financial position.

Conflicts of Interest

The Company's directors and officers may currently be involved, or become involved, in other business ventures that compete with our platform and services. Business opportunities for the Company may create circumstances in which outside interests of our directors and officers conflict with the interests of the Company. Directors and officers are required to act in good faith and in a manner that benefits the Company.

It is possible, however, that our directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company.

Dependence on Key Personnel

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that we will be able to attract or retain the quality of personnel required in the future.

Financial Liquidity

The Company is not currently generating any revenue and expects to operate at a loss as it conducts research and development on its drug candidates. We will require additional financing in order to execute our business plan. Our ability to secure required financing will depend in part upon investor perception of our ability to create a successful business. Capital market conditions and other factors beyond our control may also play important roles in our ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to our management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that we feel the business requires, or unavailable on acceptable terms, we may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

Financial Statements Prepared on Going Concern Basis

The Company's financial statements have been prepared on a 'going concern' basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the successful completion of financing and the continued advancement of its drug candidates. The Company cannot guarantee that it will be successful in obtaining financing in the future or in achieving business objective set forth internally or externally. Our consolidated financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should the Company be unable to continue as a going concern.

Costs of Maintaining a Public Listing

As a result of being a publicly listed company, the Company will incur greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity. The Company may also elect to devote greater resources than it otherwise would have on communication and other investor relations activities typically considered important by publicly traded companies.

Share Price Volatility and Speculative Nature of Share Ownership

The Company is listed for trading on the TSX, resulting in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Company may significantly influence the price

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at which our shares trade, and the volatility of our share price. Quarterly operating results and material developments reported by the Company can, and likely will, influence the price of our shares.

Sentiment toward biotechnology stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of our shares. The Company's business is at an early stage of development and is not generating any revenue and the Company does not possess large cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed for the Company's shares.

Additional Information

Additional disclosure of the Company's material change reports, news release and other information can be obtained on SEDAR at <http://www.sedar.com>.