InMed Pharmaceuticals Inc.

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

YEAR ENDED

June 30, 2017

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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, 2017 and for the year then ended in comparison to the year ended June 30, 2016. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2017 and June 30, 2016 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 October 11, 2017.

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 EB and the underlying disease; access to additional funding in 2017; optimizing the final formulation for INM-750; conducting key pre-clinical toxicology (safety) studies; discussing our clinical development plans with regulatory bodies in late 2017/early 2018; identifying clinical sites for the initial human clinical trial(s) in the second half of 2018; the potential for INM-085 to assist in reducing the high rate of non-adherence with current glaucoma therapies; filing several patents and publishing our data in 2017; 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; 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

InMed 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 Canadian Securities Exchange ("CSE" or "Exchange") under the trading symbol "IN", and under the trading symbol "IMLFF" on the OTCQB.

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

As previously reported in the Company's interim MD&A reports for the year ending June 30, 2017, and filed on SEDAR, InMed is a pre-clinical stage biopharmaceutical company specializing in the research and development of novel, cannabinoid-based therapies combined with innovative drug delivery systems. InMed continues to work on the development of several new cannabinoid-based treatments for multiple diseases including Dermatology, Ocular, Pain, Inflammation, Cancer and Arthritis disease areas, among others.

Highlights during the year ended June 30, 2017, and as the date hereof include:

Progress continued during the year 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 genetically inherited skin disorder. EB causes the skin to be very fragile and to blister easily. It 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 management 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 to: (i) modify the underlying cause of the disease in 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.

Preclinical data generated previously demonstrates that INM-750 may have a significant impact on the symptoms of EB (including accelerated wound healing and a reduction in inflammation, pain (and itch) and act as an anti-bacterial agent). 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 have an impact on the underlying disease by increasing keratin production in the skin.

During the year, the Company commenced working with Pharmaseed Ltd, Israel's largest GLP-certified preclinical contract research organization, to develop a final formulation for INM-750 for continued R&D including IND-enabling pharmacology and toxicology studies and subsequent clinical studies. Also included under the scope of the contract with Pharmaseed is the development of assay methods for manufacturing, stability, quality assurance and other analytical methods. It is anticipated that InMed will be discussing its clinical development plans with regulatory bodies in late 2017/early 2018 and identifying clinical sites for the initial human clinical trial(s), which are expected to begin in the second half of 2018.

On May 4, 2017, InMed filed an international Patent Cooperation Treaty (PCT) application, an important component in providing intellectual and commercial protection for INM-750 as a cannabinoid-based topical therapy for a class of diseases that would include EB. The PCT is an international patent law treaty, which provides a unified procedure for filing patent applications to protect inventions in each of its member states. There are 151 member countries within the PCT worldwide, so near global patent coverage can be obtained through successful patent prosecution in the U.S., Japan, Europe, Canada, Australia, New Zealand, China, Brazil, Russia, India, and many other countries. Coverage of any underlying patent claims would extend for 20 years until 2037 in the United States, and may be subject to patent term extensions that would enable years of additional protection.

On July 10, 2017, the Company announced it has entered into a research and development collaboration with ATERA SAS of France, a leading tissue engineering company specializing in the development of advanced human tissue models. Under the terms of the agreement, ATERA will develop 3D human skin models of EB to evaluate the *in vitro* drug efficacy of INM-750. ATERA will also investigate the beneficial effects of topically applied INM-750 at ultra-structural cellular and molecular levels on *in vitro* 3D reconstructed human full thickness (dermis-epidermis) skin models composed of both normal and EB-derived skin cells.

Additional assets such as our glaucoma drug development program 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 that several patents will be filed later in 2017, at which time we can begin to publish our data and further validate to the scientific community and investor public the importance of our technologies. In this regard, on May 10, 2017 InMed announced the filing of a provisional patent application in the United States for INM-085 as a cannabinoid-based topical therapy for glaucoma, which is an important step in providing intellectual and commercial protection for this therapy.

Glaucoma is a group of eye diseases which result in damage to the optic nerve and vision loss. Worldwide, it is the second-leading cause of blindness, and the current global market for drug therapies to treat glaucoma exceeds US$5 billion. 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. The first application of this vehicle will be for INM-085 as a cannabinoid-based topical therapy to reduce the intraocular pressure associated with glaucoma. 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 high rate of non-adherence with current glaucoma therapies. Additionally, this novel, proprietary delivery system for ophthalmic drugs may also 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. InMed plans to initiate discussion with potential partners to this end.

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. On May 21, 2015, the Company commenced the development of a biosynthesis process for the manufacturing of cannabinoids through a research collaboration with Dr. Vikramaditya Yadav from the Department of Biological and Chemical Engineering at the University of British Columbia ("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 will 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.

In June 2015, InMed initiated its chronic obstructive pulmonary disease ("COPD") program using its bioinformatics analysis tool to identify the targets and potential active cannabinoid compounds that can be useful for the treatment of COPD. In December 2016, we announced that, with *in vitro* assays using human lung fibroblasts (HFL-1 cell line), InMed has demonstrated that certain cannabinoid compounds are capable of affecting a specific protein in the biochemical pathway relevant to healing fibrosis in the lung. We believe that, taking into consideration the impact of this specific protein's role in lung tissue remodeling and fibrosis, these preliminary data are important and promising for developing cannabinoid-based therapies for COPD. It is well known that cannabinoids exhibit bronchodilatory, immunosuppressive and anti-inflammatory properties and thus cannabinoid-based therapies may offer safer and more effective treatment options for COPD. In addition, we believe that this progress in COPD further validates InMed's proprietary bioinformatics analysis tool as a cost-effective way to identify drug-disease targets and expedite their validation in pre-clinical models.

Subsequent to the year end, on July 27, 2017, InMed announced the publication of company-sponsored research in the European Journal of Pain. The article, titled "Delta-9-tetrahydrocannabinol decreases masticatory muscle sensitization in female rats through peripheral cannabinoid receptor activation", presents results from a study co-sponsored by InMed and the MITACS Elevate Postdoctoral Fellowship program. The publication 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 (in this case, receptor CB1) 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. TMD is a chronic pain condition that is difficult to treat with current pain-relieving medications and more commonly affects women than men. This study sets the stage for further work in various pain models to explore the role of several cannabinoid compounds, applied as topical agents, to target the CB1 and other pain-related receptors.

Financings

During the year ending June 30, 2017, the Company completed a number of financing transactions to improve its financial position from a working capital deficit of $402,515 as at June 30, 2016 to a working capital surplus of $6,574,847 as at June 30, 2017.

On May 31, 2017, the Company completed a public placement (the "May-2017 Financing") of 12,788,000 units ("May-2017 Units"), at a price of $0.45 per May-2017 Unit for gross proceeds of $5,754,601. Each May-2017 Unit consists of one common share and one-half non-transferable share purchase warrant (a "May-2017 Warrant"), or an aggregate of 6,394,000 full May-2017 Warrants. Each full May-2017 Warrant is exercisable by the holder to acquire one additional common share at a price of $0.65 for a period of twenty-four (24) months expiring on May 31, 2019. The Warrants are only exercisable on a net cashless basis, based on the five-day volume-weighted average trading price of the common shares of the Company on the CSE ending on the date immediately preceding the date of exercise. Underwriters' commissions of up to 7.0% on the gross proceeds received by the Company from the sale of May-2017 Units sold pursuant to the May-2017 Financing included cash of $370,132 and 535,620 warrants ("May-2017 Agent Warrants"). Each May-2017 Agent Warrant is exercisable in whole or in part at an exercise price of $0.45 for a period of 12 months expiring on May 31, 2018. As set out in final short-form prospectus dated May 24, 2017, that is available on SEDAR at http://www.sedar.com, the proceeds from this financing will be used for (i) certain research and development programs; (ii) general and administrative expenses; and (iii) as to any balance, to fund working capital. As at the current date, the Company has not utilized any of the proceeds; instead, it has been using funds on hand prior to the closing of this financing.

On January 18, 2017, the Company completed a non-brokered private placement for 8,283,334 common shares, at a price of $0.18 per share for gross proceeds of $1,491,000 (the "January-2017 Financing"). Finders' fees of 7% on a portion of the gross proceeds received by the Company from the sale of shares sold included cash of $45,237, 153,665 agent compensation shares, and 170,364 agent warrants exercisable, in whole or in part, at an exercise price of $0.18 for a period of 12 months expiring on January 18, 2018. The net proceeds from this private placement will be used for general working capital purposes.

On October 27, 2016, the Company completed a non-brokered private placement for 18,750,000 common shares at a price of $0.08 per share (the " October-2016 Financing") for gross proceeds of $1,500,000. Finders' fees of 7.5% on a portion of the gross proceeds received by the Company from the sale of the shares sold pursuant to the October-2016 Financing included 237,500 compensation shares. The net proceeds from this private placement will be used for general working capital purposes.

On July 28, 2016, the Company completed a non-brokered private placement (the "July-2016 Financing") for 4,350,000 units ("July-2016 Units"), at a price of $0.07 per July-2016 Unit for gross proceeds of $304,500 (which included subscriptions of $131,400 received as at June 30, 2016). Each July-2016 Unit consisted of one common share and one non-transferable share purchase warrant (a "July-2016 Warrant"). Each July-2016 Warrant is exercisable by the holder to acquire one additional common share at a price of $0.15 for a period of twelve (12) months expiring on July 28, 2017. Finders' fees of 7% on a portion of the gross proceeds received by the Company from the sale of Units sold pursuant to the Financing included cash of $2,706, and 28,000 agent warrants ("July-2016 Agent Warrants"). Each July-2016 Agent Warrant shall be exercisable in whole or in part at an exercise price of $0.15 for a period of 12 months expiring on July 28, 2017. The proceeds from this private placement was used for general working capital purposes and a portion was used to settle trade payables.

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

During the year ending June 30, 2017, the Company issued an aggregate 12,325,750 common shares pursuant to the exercise of share purchase warrants and agents' warrants at a weighted average exercise price of $0.14 per share for proceeds of $1,678,458. In addition, subsequent to June 30, 2017, the Company issued a total of 3,040,000 common shares pursuant to the exercise of share purchase warrants at an exercise price of $0.15 per share for aggregate proceeds of $456,000.

Corporate

During the year ended June 30, 2017, and as at the date of this report hereof, InMed made the following changes to its board of directors and executive management team to include:

On September 12, 2016, Mr. Andrew Hull was appointed to the Board of Directors. Mr. Hull's has over thirty years' experience as a corporate executive in the global healthcare and biotechnology industries, including the last fourteen years at Takeda Pharmaceuticals where he currently serves as the Vice President of Global Alliances. Mr. Hull has substantial experience in the pharmaceutical industry, with a focus on strategic partnerships and commercialization of prescription drugs.

On September 12, 2016, the Company accepted Dr. Sazzad Hossain's and Mr. Chris Bogart's resignations as Directors of the Company. Mr. Hossain remains the Company's Chief Scientific Officer. Mr. Bogart remained as the Company's Sr. VP of Corporate Strategy & Investor Relations until July 1, 2017 and continues to serve as a consultant to the Company.

On January 12, 2017, Mr. Martin Bott, VP of Corporate Finance and Investment Banking at Eli Lilly & Company, was appointed to InMed's Board of Directors. Mr. Bott brings over 28 years of senior financial and executive leadership to InMed's Board of Directors. He joined Lilly in 1988 and has held roles of increasing responsibility at their headquarters in Indianapolis as well as affiliates in Switzerland,

Germany, and the UK. Prior to his current assignment, Mr. Bott was the CFO for both the Diabetes Business and the Global Manufacturing and Quality organizations. He has been a member of the Lilly CFO Staff since December, 2002.

On January 12, 2017, the board accepted Mr. Craig Schneider's resignation as director. Mr. Schneider continues to serve as a consultant to the Company.

The Company's board of directors as at the date of this report herein are; Messrs. Eric A. Adams (CEO), Martin Bott, Adam Cutler, William Garner and Andrew Hull.

On October 31, 2016, Ms. Alexandra Mancini was appointed Sr. Vice President, Clinical and Regulatory Affairs of the Company. Ms. Mancini has over thirty years' global biopharmaceutical R&D experience with a particular emphasis on clinical development and regulatory affairs. She has supported the advancement of products through the regulatory process in the United States, Canada and Europe. Ms. Mancini has been an executive with several biotech companies, overseeing a wide range of drug development activities including Sr. VP of Clinical & Regulatory Affairs at Sirius Genomics and at INEX Pharmaceuticals and as VP of Regulatory Affairs at QLT Inc. Ms. Mancini has led the data analysis and assimilation, writing, submission and subsequent defense of drug submissions to regulatory agencies around the world, leading to several drug approvals and label extensions. Ms. Mancini holds a Master of Science degree from the University of Toronto.

On December 12, 2016, Mr. Jeff Charpentier, CPA, CA, was appointed as InMed's Chief Financial Officer & Corporate Secretary. Mr. Charpentier is a veteran of the biopharmaceutical industry with over 25 years of experience. Mr. Charpentier has held a series of senior financial roles at several public and private companies in the pharmaceutical and technology sectors where he led multiple equity financings, raising in excess of $150M and concluded a number of corporate partnering/product sale transactions. He previously served as CFO for Lifebank Corp. (through to successful company sale in 2012), Inex Pharmaceuticals Corporation (now Arbutus Biopharma Corp.), and Chromos Molecular Systems Inc. Mr. Charpentier has a Bachelor of Commerce degree from the University of British Columbia and is a member of the Chartered Professional Accountants of BC.

On March 24, 2017, the Company held a special meeting of its shareholders at which the Company's shareholders approved: (i) the adoption of a new stock option plan pursuant to which the board of directors may, from time to time, in its discretion and in accordance with the requirements of the CSE, 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); (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 Old Plan; (iii) the amendment and restatement of the articles of the Company; and (iv) the alteration of the Company's authorized share structure to cancel the Class A Preference Shares and Class B Preference Shares of the Company and to create an unlimited number of preferred shares without par value. The Company's amended and restated articles have been filed under the Company's profile on SEDAR at http://www.sedar.com. The terms of the new option plan and the recent amendments to the Company's articles and its authorized share structure are summarized in Company's management information circular dated February 22, 2017, a copy of which has been filed under the Company's profile on SEDAR at http://www.sedar.com.

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 preclinical 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.

Selected Annual Information

The following table summarizes selected financial data reported by the Company for the years ended June 30, 2017, June 30, 2016 and June 30, 2015. The following annual results are compliant with IFRS:

	Year ended June 30 2017 $(audited)	Year ended June 30 2016 $(audited)	Year ended June 30 2015 $(audited)
Total Revenue	Nil	Nil	Nil
Loss before other items and income tax	(4,473,849)	(2,377,203)	(4,292,637)
Comprehensive Loss	(4,473,849)	(2,377,203)	(4,292,637)
Loss per share basic and diluted	(0.05)	(0.04)	(0.09)
Total assets	8,336,128	1,651,701	1,660,894
Long term liabilities	—	—	—

Results of Operations

Financial Results for the years ended June 30, 2017 and June 30, 2016:

During the year ended June 30, 2017, the Company reported a comprehensive loss of $4,473,849 and loss per share of $0.05 compared to a comprehensive loss of $2,377,203 and loss per share of $0.04 reported in the comparative period ended June 30, 2016. The largest component of the loss for the current period was attributed to general and administration expenses of $2,320,922 (June 30, 2016 - $1,366,650). The increase in general and administration expenses year over year was primarily due to an increase in investor relations activities and legal expenses. The Company also recorded research and development costs of $746,162 (June 30, 2016 - $378,871) and non-cash, share-based payments in connection with the grant of stock options of $1,308,620 (June 30, 2016 - $574,438).

The increase in comprehensive loss for the year ended June 30, 2017 from the comparative period 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 variances in the general and administrative expenditures for the years ending June 30th were as follows:

	2017	2016	Change	
General & Administration Expenses	**$**	$	$	%
Accounting and legal	**407,784**	83,989	323,795	386%
Consulting	**236,626**	657,682	(421,056)	-64%
Conferences	**(1,268)**	8,087	(9,355)	-116%
Corporate development	**170,117**	144,500	25,617	18%
Investor relations, website development and marketing	**844,275**	112,640	731,635	650%
Office and administration fees	**96,682**	107,796	(11,114)	-10%
Regulatory fees	**21,112**	29,078	(7,966)	-27%
Rent	**50,957**	86,943	(35,986)	-41%
Shareholder communication	**72,987**	18,841	54,146	287%
Transfer agent fees	**40,778**	13,564	27,214	201%
Travel	**92,132**	73,530	18,602	25%
Salaries and employee benefits	**288,740**	-	288,740	n/a
Total General & Administration	**2,320,922**	**1,336,650**	**984,272**	74%

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

***Accounting and Legal* – Increase in accounting and legal was primarily due to increase in legal services relating to general corporate matters including the first time filing of the Company's Annual Information Form, the March 24, 2017 special shareholders meeting, and the exploration of certain strategic financing opportunities.**

***Consulting fees* – Decrease in consulting fees was primarily due to the fact that the fiscal 2016 comparable amount of $657,682 includes a total of $325,000 as the result of the issuance of 1,000,000 common shares at $0.205, being the market price on the date of issue, to the former President and CEO of the Company, pursuant to a consulting agreement, and the issuance of 1,000,000 common shares at $0.12, being the market price on the date of issue, to Eric A. Adams, the current President and CEO of the Company, pursuant to an employment agreement. No such comparable amounts are included in the current year ending June 30, 2017. Another reason there is a decline in consulting fees is that in fiscal 2016 the former CEO's compensation was included in consulting fees whereas the cash compensation for the current CEO is included in the "Salaries and employee benefits" row in fiscal 2017.**

***Corporate development* – Increase in expenditures is primarily due to the fact that, as the Company's cash balances increased, it could provide higher compensation to the management team members focused on these activities.**

***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, which included the hiring of investor relations consultants and public relations firms and the cost of internet advertising, were largely undertaken following the closing a $1.5 million financing on October 27, 2016.**

***Office and administration fees* - Decrease in office administration was result of shared expenses resulting from shared office space.**

***Rent* – Decrease in rent was result of shared office space and adjustment for rent expensed in prior year.**

***Shareholder communication* – Increase in expenditures due to both the investor relations activities noted above and for costs pertaining to the March 24, 2017 special shareholders' meeting.**

***Transfer agent fees* – Increase is due to costs related to the special shareholders meeting held on March 24, 2017.**

***Travel* – Increase in travel costs for management is directly related to increase in investor relations activities.**

***Salaries and employee benefits* - As noted above in "Consulting fees", in the current fiscal period compensation for the CEO, appointed June 16, 2016, is included as "Salaries and employee benefits" while in the comparable period in the prior fiscal period for the former CEO it was included under "Consulting fees".**

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

Research & Development Expenses	2017 $	2016 $	Variance $	Variance %
R&D personnel compensation	341,814	142,858	198,956	139%
External contractors	276,288	236,014	40,274	17%
Patents	114,935	-	114,935	n/a
Lab supplies	12,035	-	12,035	n/a
Other	1,090	-	1,090	n/a
Total Research & Development	**746,162**	378,872	367,290	97%

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 current 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 – The Company incurred $114,935 of patent related expenses in the current period, compared to nil in the prior period, as it sought to obtain intellectual property protection for its previous research findings.

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 quarter results are prepared in accordance with IFRS.

Three months ended:	Q4-17 June 30 2017 $	Q3-17 Mar.31 2017 $	Q2-17 Dec.31 2016 $	Q1-17 Sept. 30 2016 $	Q4-16 June 30 2016 $	Q3-16 Mar.31 2016 $	Q2-16 Dec. 31 2015 $	Q1-16 Sept.30 2015 $
Revenue	—	—	—	—	—	—	—	—
Loss before other items	(1,875,654)	(1,240,948)	(939,231)	(418,016)	(526,413)	(382,462)	(775,120)	(693,208)
Comprehensive Loss	(1,875,654)	(1,240,948)	(939,231)	(418,016)	(526,413)	(382,462)	(775,120)	(693,208)
Loss per share – basic and diluted	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

Fourth Quarter

The Company recorded a loss during the fourth quarter of June 30, 2017 of $1,875,654 or $0.02 loss per share (June 30, 2016 of $526,413 or $0.01 loss per share) which consisted primarily of general and administrative expenses of $754,091 (June 30, 2016 - $295,399), research and development expenses of $378,249 (June 30, 2016 - $56,629) and share-based payment expense of $717,534 (June 30, 2016 - $132,085) in connection with the grant of stock options. The explanation for the increases in expenditures in the fourth quarter of fiscal 2017 as compared to the comparable period in fiscal 2016 is

consistent with the explanations provided above for the year ending June 30, 2017 as compared to the year ending June 30, 2016.

Liquidity and Capital Resources

As at June 30, 2017, the Company had a working capital surplus of $6,574,847 (June 30, 2016 – deficiency of $402,515), which consisted of: cash $6,707,796 (June 30, 2016 - $54,241), taxes receivable of $59,148 (June 30, 2016 - $85,122) and prepaids and advances of $177,577 (June 30, 2016 – $48,301) offset by trade payables of $369,674 (June 30, 2016 - $590,179). The increase in shareholders' equity was a result of equity financings in the period plus stock-based compensation which increased contributed surplus net of the loss for the year ending June 30, 2017.

Financial position:	June 30 2017	June 30 2016
Cash and cash equivalents	**$6,707,796**	$54,241
Working capital	**$6,574,847**	($402,515)
Property, plant and equipment	**$27,049**	$4,726
Intangible assets	**$1,364,558**	$1,459,311
Total Assets	**$8,336,128**	$1,651,701
Shareholders' equity	**$7,966,454**	$1,061,522

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, 2017, the Company had no material ongoing contractual or other commitments other than in the normal course of business.

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.

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 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, 2017, the Company had no off-balance sheet arrangements.

Transactions with Related Parties

a) Payments for the year ending:

	June 30 2017	June 30 2016
Key management personnel compensation comprised :		
Share based payments	$617,311	$507,060
Shares issued for services	-	$325,000
Shares issued for patents	-	$140,000
Salaries and consulting fees:	$868,072	$434,151
	$1,485,383	$1,406,211

i) Salaries of $274,939 (June 30, 2016 - $130,000) were paid or accrued to Eric A. Adams ("Adams") the Chief Executive Officer and President of the Company (*Adams was appointed on June 16, 2016),* which includes shares for services of $Nil (June 30, 2016 - $120,000);
ii) Consulting fees of $Nil (June 30, 2016 - $348,668) were paid or accrued to Pacific BioPartners ("PB") a company controlled by Paul Brennan ("Brennan"), the former Chief Executive Officer and President of the Company (*Brennan was appointed on September 14, 2015 and resigned effective May 4, 2016*), which includes shares for services of $Nil (June 30, 2016 - $205,000);
iii) Consulting fees of $49,834 (June 30, 2016 - $102,500) were paid or accrued to Craig Schneider ("Schneider") and/or Etoby Management Inc. ("Etoby"), a company controlled by Schneider, the former Chief Executive Officer and President of the Company *(Schneider resigned September 14, 2015 wherein Brennan was appointed in his stead).* Mr. Schneider continued to serve as a director and consultant of the Company *(Schneider resigned as a director on January 12, 2017 but continues to provide consulting services)*;
iv) Consulting fees of $135,283 (June 30, 2016 - $68,000) were paid or accrued to 0954041 BC Ltd. ("0954041") a company controlled by Chris Bogart ("Bogart") the Company's Senior Vice President of Corporate Strategy & Investor Relations *(Bogart was appointed on November 17, 2015)*;
v) Consulting fees of $86,469 (June 30, 2016 - Nil) were paid or accrued to Jeff Charpentier ("Charpentier"), the Chief Financial Officer and Secretary of the Company *(Charpentier was appointed effective December 12, 2016)*;
vi) Consulting fees of $20,320 (June 30, 2016 - $26,775) were paid or accrued to Minco Corporate Management Inc. ("Minco") a company controlled by Terese Gieselman ("Gieselman"), the former Chief Financial Officer and Secretary of the Company *(Gieselman resigned effective December 12, 2016)*;
vii) Salaries of $184,697 (June 30, 2016 - $Nil) were paid to Dr. Sazzad Hossain ("Dr. Hossain"), the Company's Chief Scientific Officer;
viii) Consulting fees of $Nil (June 30, 2016 - $78,572) were paid or accrued to Entourage Bioscience Inc. ("Entourage") a company controlled by Dr. Hossain;
ix) Shares were issued to Dr. Hossain together with and an obligation to issue shares for patents for aggregate value of $140,000 in the year ending June 30, 2016;
x) Salaries of $116,530 (June 30, 2016 - $Nil) were paid to Alexandra Mancini ("Mancini"), the Company's Senior Vice President, Clinical & Regulatory Affairs *(Mancini was appointed effective October 31, 2016)*; and
xi) Share-based payments are the fair value of options granted to key management personnel.

b) Related party liabilities

Balances due to related parties as at June 30, 2017 were $nil (June 30, 2016 - $261,603).

Critical Accounting Estimates

The full details of InMed's accounting policies are presented in Note 3 of the audited financial statements for the year ended June 30, 2017. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

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 assessed 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. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).
- *Derecognition:*
  The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 16 Leases

Issued by IASB January, 2016
Effective for annual periods beginning on or after January 1, 2019

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

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

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 four types of risk: foreign currency risk, interest rate 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, 2017, the Company held guaranteed investment certificates with face value of $28,750 and the balance of its funds being held in cash. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Cash is subject to floating interest rates.

The Company, as at June 30, 2017, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Credit Risk:

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

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

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at June 30, 2017, the Company has cash and cash equivalents of $6,707,796 (June 30, 2016 - $54,241), current liabilities of $369,674 (June 30, 2016 - $590,179) and working capital surplus of $6,574,847 (June 30, 2016 - deficiency of $402,515).

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

June 30, 2017		June 30, 2016	
Due Date	Accounts payable and accrued liabilities	Due Date	Accounts payable and accrued liabilities
0 – 90 days	$369,674	0 – 90 days	$590,179
90 – 365	—	90 – 365	—
More than 1 year	—	More than 1 year	—

Determination of Fair Value:

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

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

Fair Value Hierarchy:

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

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

The Company's cash of $6,707,796 (June 30, 2016 - $54,241) is measured at fair value on a recurring basis.

Capital Management

The Company considers all components of shareholders' equity (deficiency) as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

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

Outstanding Share Data

InMed's authorized capital is unlimited common shares without par value. As at the date of this report, 131,689,466 common shares were issued and outstanding. The Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

Type of Security	Number	Exercise price	Expiry Date
Stock Options	250,000	$0.255	April-04-19
Stock Options	50,000	$0.18	June-05-19
Stock Options	50,000	$0.18	July 31-19
Stock Options	50,000	$0.18	November-25-19
Stock Options	150,000	$0.345	March-02-20
Stock Options	200,000	$0.36	March-04-20
Stock Options	150,000	$0.21	August-25-20
Stock Options	200,000	$0.145	November-23-20
Stock Options	1,300,000	$0.14	November-27-20
Stock Options	2,000,000	$0.08	May-16-21
Stock Options	1,000,000	$0.13	June-10-21
Stock Options	2,000,000	$0.11	June-15-21
Stock Options	1,750,000	$0.11	July-27-21
Stock Options	1,000,000	$0.11	September-12-21
Stock Options	1,700,000	$0.195	October-28-21
Stock Options	750,000	$0.165	November-15-21
Stock Options	300,000	$0.14	December-12-21
Stock Options	1,000,000	$0.25	January-13-22
Stock Options	100,000	$0.37	February-20-22
Stock Options	50,000	$0.41	February-22-22
Stock Options	1,150,000	$0.45	June-2-22
Stock Options	400,000	$0.33	July-10-22
Stock Options	1,350,000	$0.275	August-14-22
Agents Warrants	135,364	$0.18	January-18-18
Share Purchase Warrants	6,394,000	$0.65	May-31-19
Agents Warrants	535,620	$0.45	May-31-18

As at the date of this report there were no common shares held in escrow.

Commitments

As at June 30, 2017, pursuant to the terms of agreements with various contract research organizations, the Company is committed for contract research services at a cost of approximately $249,600. In addition, pursuant to the terms of an agreement with a vendor, the Company is committed to purchase research materials at a cost of approximately $59,800. All of these expenditures are expected to occur in fiscal 2018.

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.

On June 22, 2017, the Company finalized an agreement to sublet office space with a sub-landlord. Under this agreement, the Company will be leasing approximately 3,500 square feet at an annual cost of $63,000 plus operating costs. The term of the sublease is from September 1, 2017 to August 31, 2019.

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 March 24, 2017 for the year ended June 30, 2016, 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 forseeable 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 on 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 CSE, 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 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.