InMed Pharmaceuticals Inc.

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

Year Ended

June 30, 2019

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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, 2019 and for the year then ended in comparison to the year ended June 30, 2018. This MD&A should be read in conjunction with the consolidated financial statements for the year ended June 30, 2019 and June 30, 2018 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 18, 2019.

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-755 on the symptoms and underlying disease of Epidermolysis Bullosa ; the belief that a single-agent formulation for INM-755, rather than a combination product, will ultimately improve the probability of development and regulatory success in Epidermolysis Bullosa; conducting key preclinical pharmacology and toxicology (safety) studies; the expectation of filing our clinical trial regulatory application and initiating clinical trials for INM-755 in the fourth quarter of calendar year 2019; the expectation that we will have a clear indication as to the commercial yield and cost structure of our current biosynthesis process by the end of calendar 2019; the Company's ability to successfully optimize, scale-up and combine the components of its biosynthesis manufacturing process for cannabinoids; the Company's biosynthesis platform technology benefiting its drug candidate pipeline, along with other pharmaceutical companies and having further commercial potential from non-pharmaceutical companies and its potential to open up significant revenue opportunities ahead of our clinical development candidates; filing additional patent applications and publishing our scientific data in 2019; advancing from a preclinical stage company to a clinical stage company in the fourth quarter of calendar 2019; expecting that INM-088 will be in advanced preclinical studies and formulation development prior to the end of the calendar year 2019; the availability of key personnel; the belief that the Company has cash resources to last until approximately the end of the third quarter of calendar 2020; and securing the ongoing necessary funding required to develop drug therapies, scale-up of the biosynthesis process, and prosecute patent applications.

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; the continued availability of key personnel; 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 assurances 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 310 – 815 West Hastings Street, Vancouver, B.C. V6C 1B4.

Research and Development

InMed is a preclinical 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 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, 2019, and as the date hereof include:

INM-755

Our lead product, INM-755, is being developed as a treatment for the rare disease Epidermolysis Bullosa ("EB"), a serious and severe genetic skin disorder. EB results in very fragile skin which can 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 fatal. There is no cure or approved treatments for EB. Wound care, inflammation, pain and itch management, antimicrobial interventions and preventative bandaging are currently the only treatment options available.

As announced on March 13, 2019, we determined that the clinical development path forward with our investigational drug candidate for the treatment of EB, previously referred to as INM-750, would be optimized by transitioning to an alternative formulation, now designated as INM-755. INM-755, formulated in a topical cream, is based on one of the two cannabinoids that comprised INM-750. This decision to move forward in clinical development with INM-755 was data-driven. Moreover, we believe that pursuing a single-agent formulation, rather than a combination product, will ultimately improve the probability of development and regulatory success in this complex and rare disease.

INM-755 is a proprietary, topical cannabinoid product candidate targeted as a therapy in EB and other potential dermatological applications. It has been specifically designed with the intent to: (i) possibly improve skin integrity in a subset of EB Simplex patients through keratin up-regulation, and (ii) to treat major symptoms of the disease in all patients with EB.

Preclinical data demonstrates that INM-755 may have an impact on certain EB symptoms. These disease hallmarks are key therapeutic targets for an effective treatment in EB patients as well as other dermatological conditions. Additionally, our data indicate that INM-755 may potentially have an impact on the underlying disease severity by increasing certain keratin production in the skin.

During the year ending June 30, 2019, we continued to work with external contractors in Israel, Canada and other jurisdictions to carry out work on pharmacology and toxicology studies that are required prior to INM-755 being used in human clinical studies. We selected contract research organizations and initiated work for the remaining preclinical studies required to enable authorization to begin human clinical trials. During this fiscal period, we also secured a supply of the active pharmaceutical ingredient in INM-755 for the Phase I study and selected a contract manufacturer for INM-755 topical cream production of our clinical drug product. Finally, we also continued preparations with the clinical contract research organization for the Phase I study.

Prior to switching to a single cannabinoid approach (INM-755), we requested a meeting with Canadian regulatory authorities to discuss our preclinical data and proposed development and clinical pathways for the dual-cannabinoid product (INM-750). While no meeting has been scheduled, the need for this meeting has significantly declined since switching to a single cannabinoid product and, consequently, we are confident moving the INM-755 program into Phase I, healthy volunteer clinical trials, without conducting such meeting. Currently, we are planning to conduct this initial Phase I study in the Netherlands. We continue to expect to file our regulatory application and initiate clinical trials for INM-755 in the fourth quarter of calendar year 2019. Looking forward, we will also seek guidance from the U.S. FDA to support subsequent global clinical studies in EB patients.

Biosynthesis

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. We recognized that having a reliable source of pure, pharmaceutical-grade starting materials for our products would be a critical success factor for our drug development strategy. For the past several years, we have been developing a biosynthesis process for the manufacturing of cannabinoids through a research collaboration with the University of British Columbia ("UBC"). We continue to work with the UBC to develop this biosynthesis process for potential manufacturing of any of the 100+ naturally-occurring cannabinoids. We believe this process is unique in that the end product is targeted to be bio-identical to plant-sourced cannabinoids, and benefits from the convenience, control and quality of a laboratory-based manufacturing process without the risk and high-resource requirements of agriculture growing operations.

In conjunction with our collaborators at UBC, we continue to advance the production platform for the bio-fermentation of cannabinoids. Optimization of the gene vector at UBC will continue in parallel with the identification of optimal fermentation conditions and downstream purification processes. During the year ending June 30, 2019, we worked with the National Research Council of Canada, or NRC, located in Montreal, Canada, to optimize conditions for biofermentation process scale-up needed to maximize the commercial potential of our proprietary *E. coli* based cannabinoid biosynthesis system. This work is the next step in reaching our goal of establishing a leadership position in the field of cannabinoid biosynthesis. During the quarter ending March 31, 2019, we completed our initial technology transfer from our partners at UBC to NRC. During the quarter ending June 30, 2019, we optimized several fermentation parameters that are part of the "Up Stream Process" (or "USP") in order to maximize production yield, as well as initiated "Down Stream Purification" ("DSP") with a contract development manufacturing organization ("CDMO"). We worked with multiple external pharmaceutical CDMOs to concurrently conduct process development for both the USP and DSP. By the end of calendar 2019, we expect to have a clear indication as to the commercial yield and cost structure of our current biosynthesis process. Through ongoing R&D efforts, we are also exploring an alternative biosynthetic manufacturing process in addition to our existing approach to *E. coli* biosynthesis process.

Our proprietary biosynthesis platform technology will potentially benefit our drug candidate pipeline, as well as other pharmaceutical companies seeking pharmaceutical-grade cannabinoids for their specific R&D purposes. Further commercial potential arises from non-pharmaceutical companies looking to source high-quality cannabinoids for their products, such as over-the-counter medications (*i.e.*, non-prescription) and, potentially, recreational-oriented products. This biosynthesis technology has the potential to open up significant revenue opportunities ahead of our clinical development candidates.

On March 18, 2019, we announced the publication of the first in a series of pending patent applications directed to our biosynthesis platform technology for the manufacturing of pharmaceutical-grade cannabinoids. International Patent Application No. PCT/CA2018/051074, which recently published as WO2019046941, entitled 'METABOLIC ENGINEERING OF E. COLI FOR THE BIOSYNTHESIS OF CANNABINOID PRODUCTS', addresses the enablement and maximization of cannabinoid production through optimization of the precursor substrates needed to support specific cannabinoid synthesis. This application, as well as two more recently filed U.S. provisional patent applications, also cover various elements required to enable functional cannabinoid synthase production in an *E. coli* system. In due course we intend to actively seek to convert these two follow-on provisional applications, and subsequent provisional patents from new patent families, into additional Patent Cooperation Treaty applications in all major commercial jurisdictions.

Other R&D Highlights

In the fourth quarter of calendar 2019, we intend to make an important transition from a preclinical stage company to a clinical stage company. To successfully make this transition, it's imperative that we build our internal expertise in Chemistry, Manufacturing and Control ("CMC") for both our clinical stage products, as well as to support the evolution of our proprietary biosynthesis manufacturing technology towards commercial scale-up. In this regard, on November 5, 2018, we announced the appointment of Michael Woudenberg, P.Eng. as Vice President, CMC. Mr. Woudenberg joined InMed with over twenty years of leadership experience in process engineering, development and commercialization of pharmaceutical products.

During the quarter ending June 30, 2019 we switched to a new drug candidate for the ocular program, now called INM-088 (formerly INM-085). In our experiments, this single cannabinoid product proved to confer specific advantages over our previous candidate, INM-085, in terms of *in vitro* results for the potential to treat glaucoma as well as other diseases of the eye. We anticipate being in advanced preclinical studies and formulation development prior to the end of the calendar year. For INM-088 and other new potential drug/disease targets continue to advance in accordance with our plans, we are exploring ways to expedite the advancement of these key assets. As patents are filed for these product candidates, we expect to begin to publish our data and further validate the importance of our technologies.

On March 6, 2019, we announced the addition of Dr. Steven M. Dinh, Sc.D., to our Scientific Advisory Board. Dr. Dinh brings more than 30 years of pharmaceutical and biotech executive leadership to InMed, with proven success in developing and commercializing dermal pharmaceutical products by applying innovative drug delivery technologies.

Corporate

On August 2, 2019, we announced the appointment of Bruce S. Colwill, CPA, CA as Chief Financial Officer, effective August 9, 2019. Mr. Colwill joins InMed with over 25 years of experience in financial leadership roles. Prior to InMed, Mr. Colwill served as Chief Financial Officer of General Fusion Inc., a private clean energy company, since October 2016. Previously, Mr. Colwill was Chief Financial Officer at Entrée Resources Inc. (TSX:ETG; NYSE American:EGI) a mineral exploration company, from February 2011 to March 2016. He has also held Chief Financial Officer roles at Neuromed Pharmaceuticals Ltd., Response Biomedical Corp, Forbes Medi-Tech Inc. and Euronet Services Inc. Contemporaneous with Mr. Colwill's appointment, InMed consolidated the roles of Chief Financial Officer and Chief Business Officer into one position, that of Chief Financial Officer. Jeff Charpentier stepped down from the CFO role but is

continuing as part of the InMed team in a role with a reduced time commitment. In addition, CBO Josh Blacher has left InMed in August 2019 to pursue another opportunity in the investment management industry.

On July 2, 2019, we announced the appointment of Catherine Sazdanoff, JD, to our Board of Directors. Ms. Sazdanoff is a 35-year veteran of the global pharmaceutical industry and currently serves as President and CEO of Sazdanoff Consulting LLC, founded in 2014, where she works with healthcare companies on strategy and corporate/business development. Prior to Sazdanoff Consulting, Ms. Sazdanoff held various global VP roles in corporate/business development and finance at Takeda Pharmaceuticals, where she joined in 2006. Prior to Takeda, Ms. Sazdanoff served in senior management positions at Abbott Laboratories since 1984, including litigation, commercial and transactional legal roles, marketing, compliance, and business development. At both Takeda and Abbott, she completed numerous transformational deals, including Abbott's acquisition of Knoll (with Humira®), and Takeda's acquisitions of Millennium and Nycomed. Ms. Sazdanoff is a Board member of Meridian Bioscience. She earned a BA degree from the University of Notre Dame and a JD degree from Northwestern University School of Law. Ms. Sazdanoff makes valuable contributions to the Board based on her over 30 years of experience in various legal, compliance, commercial and business development roles with leading pharmaceutical companies.

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, scale-up of the biosynthesis process, as well as the successful completion of its patent applications. 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.

Results of Operations

Selected Annual Information

The following table summarizes selected financial data reported by the Company for the years ended June 30, 2019, June 30, 2018 and June 30, 2017. The following annual results are compliant with International Financial Reporting Standards ("IFRS"):

	Year ended June 30 2019 $(audited)	Year ended June 30 2018 $(audited)	Year ended June 30 2017 $(audited)
Total Revenue	Nil	Nil	Nil
Loss before other items and income tax	(13,255,042)	(8,520,920)	(4,473,849)
Net and comprehensive Loss	(13,255,042)	(8,520,920)	(4,473,849)
Loss per share basic and diluted	(0.08)	(0.06)	(0.05)
Total assets	19,788,865	28,063,144	8,336,128
Long term liabilities	-	—	—

Financial Results for the year ended June 30, 2019 and 2018:

During the year ended June 30, 2019 the Company reported a net and comprehensive loss of $13,255,042 and loss per share of $0.08 compared to a net and comprehensive loss of $8,520,920 and loss per share of $0.06 reported in the comparative period ended June 30, 2018. The Company saw a significant increase in research and development costs to $5,638,619 for the year ending June 30, 2019 as compared to $1,927,137 for the year ended June 30, 2018. One of the largest components of the loss for the year ending June 30, 2019 was attributed to non-cash, share-based payments in connection with the grant of

stock options of $4,083,157 (June 30, 2018 - $3,196,864). The increase in share-based payments over the prior year was due in part to an increase in our stock price, in particular during the second half of fiscal 2018, whereby the value associated with stock option grants also rose. These increased share-based payments are recognized over their typical 2 year vesting period. The Company also recorded general and administration expenses of $3,797,867 (June 30, 2018 - $3,367,698).

The approximately $4.7 million increase in comprehensive loss for the year ended June 30, 2019 from the comparative 2018 period was primarily the result of an approximately $3.7 million increase in research and development costs as described below and an approximately $0.9 million increase in non-cash, share-based payments as noted above.

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

	2019	2018	Change	
Research & Development Expenses	**$**	$	$	%
R&D personnel compensation	**1,414,310**	**798,139**	616,171	77%
External contractors	**2,878,456**	**900,791**	1,977,665	220%
Patents	**268,314**	**88,793**	179,521	202%
Research supplies	**1,163,830**	**128,825**	1,035,005	803%
Other	**26,747**	**10,589**	16,158	153%
Subtotal	**5,751,657**	**1,927,137**	3,824,520	198%
Less research grant revenue	**(113,038)**	**-**	(113,038)	n/a
Net Research & Development	**5,638,619**	1,927,137	3,711,482	193%

Significant increases/decreases in expenditures of note for research and development include:

R&D personnel compensation – The increase in expenditures was primarily the result of increase in the number of R&D personnel combined with overall higher compensation levels.

External contractors – The Company carries out R&D activities through the use of external contractors, acting under the direction of internal R&D personnel. The costs associated with external R&D contractors increased in the year ending June 30, 2019 primarily as a result of work associated with preclinical studies for INM-755 required for the regulatory application to initiate clinical trials for INM-755 in the fourth quarter of calendar year 2019 together with increased spending on the Company's biosynthesis program.

Patents – Patent expenses increased as compared to the comparable period in the prior fiscal year due to the more advanced stage of prosecution and an increase in the number of filed Company patents.

Research supplies – The increase in research supplies is primarily a result of the purchase of active pharmaceutical ingredients to be used in the clinical trial for INM-755.

Research grant revenue – The increase in research grant revenue that offsets R&D expenditures is a result of a grant received from National Research Council Canada Industrial Research Assistance Program ("NRC IRAP") to support our ongoing cannabinoid biosynthesis R&D program.

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

General & Administration Expenses	2019 $	2018 $	Change $	Change %
Accounting and legal	729,971	417,432	312,539	75%
Consulting	42,048	87,366	(45,318)	-52%
Corporate development	-	176,319	(176,319)	-100%
Investor relations, website development and marketing	706,229	1,049,253	(343,024)	-33%
Office and administration fees	278,138	182,858	95,280	52%
Regulatory fees	83,001	255,339	(172,338)	-67%
Rent	199,767	133,090	66,677	50%
Shareholder communications	124,263	75,395	48,868	65%
Transfer agent fees	30,018	28,692	1,326	5%
Travel and conferences	82,823	100,150	(17,327)	-17%
Salaries and employee benefits	1,521,609	861,804	659,805	77%
Total General & Administration	**3,797,867**	**3,367,698**	**430,169**	13%

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

Accounting and Legal – There was an increase in both legal and accounting costs as compared to the prior year as input was required from external service providers on various corporate initiatives.

Corporate Development – Activities previously provided by consultants in the comparable period ending June 30, 2018 are now being provided by an employee. As a consequence of this, the decline for corporate development costs is related to a corresponding increase in salaries and benefits as discussed below.

Investor relations, website development & marketing – The decrease in expenditures was the result of changing certain investor relations activities with a related reduction in the cost of various corporate communication campaigns.

Office and administration fees – The increase in office and administration was primarily the result of higher costs for both a new employer health tax and workers' insurance premiums.

Regulatory fees – The decrease in regulatory fees reflects a large one-time listing fee associated with the Company's listing on the TSX in March 2018 which was included in the comparable period that ended June 30, 2018.

Rent – The increase in rent was the result of a move to new office premises in September 2017 combined with, starting in July 2018, the renting of a small office for a remote employee.

Shareholder communications – The increase in shareholder communications is related to the expansion in the number of the Company's shareholders and increased costs for the Annual General Meeting which was held in December of 2018.

Salaries and employee benefits – The increase is due to a variety of factors including: (i) the hiring of a Chief Business Officer in April 2018 where comparable costs in prior year were included under Corporate Development; and (ii) higher salary levels for certain personnel; and (iii) increased time commitment of certain part time employees.

Summary of Quarterly Results

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

Three months ended:	Q4-19 June 30 2019 $	Q3-19 Mar. 31 2019 $	Q2-19 Dec. 31 2018 $	Q1-19 Sept. 30 2018 $	Q4-18 June 30 2018 $	Q3-18 Mar. 31 2018 $	Q2-18 Dec. 31 2017 $	Q1-18 Sept. 30 2017 $
Revenue	—	—	—	—	—	—	—	—
Net and Comprehensive Loss	(4,269,676)	(3,490,571)	(2,653,571)	(2,841,224)	(3,029,200)	(2,127,957)	(1,543,609)	(1,820,154)
Loss per share – basic and diluted	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)

Fourth Quarter

The Company recorded a loss during the fourth quarter of June 30, 2019 of $4,269,676 or $0.02 loss per share (June 30, 2018 of $3,029,200 or $0.02 loss per share) which consisted primarily of research and development expenses of $2,448,948 (June 30, 2018 - $576,954), general and administrative expenses of $1,074,602 (June 30, 2018 - $976,082) and non-cash, share-based payment expense of $745,517 (June 30, 2018 - $1,533,662) in connection with the grant of stock options. The explanation for the increases in R&D and G&A expenditures in the fourth quarter of fiscal 2019 as compared to the comparable period in fiscal 2018 is consistent with the explanations provided above for the year ending June 30, 2019 as compared to the year ending June 30, 2018. There was a decrease in non-cash, share-based payment expense in the fourth quarter of fiscal 2019 as compared to the comparable period in fiscal 2018 as the relative fair value of stock options that were vesting in the current quarter declined in comparison to the same quarter in the prior year primarily as a result of the decline in the Company's share price.

Liquidity and Capital Resources

As at June 30, 2019, the Company had working capital of $16,985,451 (June 30, 2018 – $25,795,983), which consisted of: cash $12,873,961 (June 30, 2018 - $24,134,277), short-term investments $5,165,093 (June 30, 2018 – $2,342,615), accounts receivable of $84,987 (June 30, 2018 - $53,373) and prepaids and advances of $424,275 (June 30, 2018 – $203,477) offset by trade payables of $1,562,865 (June 30, 2018 - $937,759).

As at June 30, 2019, shareholders' equity was $18,226,000 which was a decrease of $8,899,385 as compared to June 30, 2018. The decrease in shareholders' equity primarily arose from the loss for the year ended June 30, 2019 of $13,255,042 net of the non-cash, share-based payment expense for the same period of $4,083,157.

Financial position:	**2019**	2018
Cash and cash equivalents and short-term investments	**$18,039,054**	$26,476,892
Working capital	**$16,985,451**	$25,795,983
Property, plant and equipment	**$55,829**	$55,732
Intangible assets	**$1,184,720**	$1,273,670
Total Assets	**$19,788,865**	$28,063,144
Shareholders' equity	**$18,226,000**	$27,125,385

As at June 30, 2019, 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, 2019 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	$977,710	$173,976	$385,724	$418,010
Purchase Obligations	$3,474,070	$3,312,996	$161,074	$Nil
Total Contractual Obligations	$4,451,780	$3,486,972	$546,798	$418,010

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 costs related to additions of personnel, and/or infrastructure that may be required.

Based on the funds available as at June 30, 2019, the Company estimates that it has cash resources to last until approximately the end of the third quarter of calendar 2020 which will fund a continuing significant increase in R&D spend to continue development of its drug product candidates, including the preclinical and early clinical program for INM-755, the formulation and preclinical development for INM-088 , 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 primarily through 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, 2019, the Company had no off-balance sheet arrangements.

Transactions with Related Parties

Expense for the year ending:

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

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 audited consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of our audited 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 full details of InMed's accounting policies are presented in Note 2 of the audited financial statements for the year ended June 30, 2019. These policies are important in 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. 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.

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 equity-settled 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. 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

New Standards Applicable in the Reporting Period

On July 24, 2014, the IASB issued IFRS 9, Financial Instruments. IFRS 9 introduces new requirements for the classification and measurement of financial assets and replaced IAS 39 Financial Instruments. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities, and amends the impairment model by introducing a new 'expected credit

loss' model for calculating impairment. IFRS 9 includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it provides more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

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

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

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 16 Leases

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

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

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

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.

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

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

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

IFRIC 23 - Uncertainty over Income Tax Treatments

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

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

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

Financial Instruments and Risk Management

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

- Market Risk
- Foreign currency 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 commodity risk or equity price risk.

Foreign Currency Risk:

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

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

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

Interest Rate Risk:

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

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

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

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

Credit Risk:

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

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

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it 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, 2019, the Company has cash and cash equivalents and short-term investments of $18,039,054 (June 30, 2018 - $26,476,892), current liabilities of $1,562,865 (June 30, 2018 - $937,759) and working capital of $16,985,451 (June 30, 2018 - $25,795,983).

Financial Instruments

The Company's cash and cash equivalents of $12,873,961 (June 30, 2018 - $24,134,277) are measured at amortized cost. The Company's short-term investments of $5,165,093 (June 30, 2018 - $2,342,615) are measured at amortized cost.

Capital Management

The Company considers all components of shareholders' equity as capital. The Company's objective is to maintain sufficient capital in order to meet its short-term obligations and while preserving flexibility to pursue 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	172,283,633
Stock options	19,672,500
Share purchase warrants	16,611,244
Agents' warrants	1,106,397

[1] See the Company's consolidated financial statements for the year ended June 30, 2019 for a detailed description of these securities.

Commitments and Contingencies

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

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

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

On June 22, 2017, the Company entered into an agreement to sublet office space with a sub-landlord. Under this agreement, the Company is leasing office premises at an annual cost of approximately $77,500 plus annual operating costs estimated at $101,500. The sublease expired August 31, 2019.

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

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

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

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

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, 2019 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, 2019.

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 30,2019 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, and the Annual Information Form planned to be filed later this month for the year ended June 30, 2019, a copy of each of which is or will be 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 develop its drug targets, 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 preclinical 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; licensing or 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 preclinical studies or initial clinical trials are not necessarily predictive of future favorable results.

Preclinical 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 preclinical 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's common shares are listed for trading on the TSX, resulting in 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 and/or cannabis-related 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.