UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2020

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-39685

INMED PHARMACEUTICALS INC.
(Exact name of registrant as specified in its charter)

British Columbia, Canada	**98-1067994**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Suite 310 - 815 W. Hastings Street, Vancouver, B.C. Canada	**V6C 1B4**
(Address of Principal Executive Offices)	(Zip Code)

(604) 669-7207
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value	**INM**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes ☐ No ☒

As of February 11, 2021, the registrant had 7,000,707 common shares, without par value, outstanding.

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PART I

ITEM 1. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.

Unaudited Condensed Consolidated Interim Financial Statements of

InMed Pharmaceuticals Inc.

For the Three and Six Months Ended December 31, 2020 and 2019

Suite 310 – 815 West Hastings Street
Vancouver, BC, Canada, V6C 1B4
Tel: +1-604-669-7207

InMed Pharmaceuticals Inc.
(Expressed in U.S. Dollars)
December 31, 2020

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Financial Statements (Unaudited)

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

InMed Pharmaceuticals Inc.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS (unaudited)
As at December 31, 2020 and June 30, 2020
Expressed in U.S. Dollars

	Note	December 31, 2020	June 30, 2020
ASSETS		**$**	**$**
Current			
Cash and cash equivalents		**10,020,853**	5,805,809
Short-term investments		**45,225**	42,384
Accounts receivable		**154,846**	45,344
Prepaids and other assets		**28,464**	418,920
Total current assets		**10,249,388**	6,312,457
Non-Current			
Property and equipment, net	3	**373,844**	403,485
Intangible assets, net	4	**1,109,535**	1,086,655
Other assets		**14,655**	-
Total Assets		**11,747,422**	7,802,597
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payables and accrued liabilities	5	**2,077,325**	1,607,303
Current portion of lease obligations	9	**76,312**	68,965
Total current liabilities		**2,153,637**	1,676,268
Non-current			
Lease obligations	9	**238,992**	248,011
Derivative warrants liability	6	**1,763,980**	-
Total Liabilities		**4,156,609**	1,924,279
Shareholders' Equity			
Common shares, no par value, unlimited authorized shares:			
7,000,707 (June 30, 2020 - 5,220,707) issued and outstanding	7	**58,008,112**	53,065,240
Additional paid-in capital	7, 8	**17,946,374**	17,764,333
Accumulated deficit		**(68,492,242)**	(64,649,381)
Accumulated other comprehensive income (loss)		**128,569**	(301,874)
Total Shareholders' Equity		**7,590,813**	5,878,318
Total Liabilities and Shareholders' Equity		**11,747,422**	7,802,597

Commitments and Contingencies (Note 12)
Subsequent Event (Note 14)

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

InMed Pharmaceuticals Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (unaudited)
For the three and six months ended December 31, 2020 and 2019
Expressed in U.S. Dollars

	Note	Three Months Ended December 31		Six Months Ended December 31	
		2020	2019	2020	2019
		$	$	$	$
Operating Expenses					
Research and development and patents		**937,948**	1,606,831	**1,849,104**	3,568,743
General and administrative	3	**959,554**	871,745	**1,584,342**	1,759,256
Amortization and depreciation	3, 4	**36,816**	28,232	**64,797**	58,459
Total operating expenses		**1,934,318**	2,506,808	**3,498,243**	5,386,458
Other Income (Loss)					
Interest income		**3,050**	40,495	**7,395**	98,901
Finance expense		**(360,350)**	-	**(360,350)**	-
Unrealized gain on derivative warrants liability	6	**242,628**	-	**242,628**	-
Foreign exchange loss		**(194,792)**	(27,182)	**(234,291)**	(11,250)
Net loss for the period		**(2,243,782)**	(2,493,495)	**(3,842,861)**	(5,298,807)
Other Comprehensive Loss					
Foreign currency translation gain		**301,043**	350,154	**430,443**	31,676
Total comprehensive loss for the period		**(1,942,739)**	(2,143,341)	**(3,412,418)**	(5,267,131)
Net loss per share for the year					
Basic and diluted	10	**(0.37)**	(0.48)	**(0.68)**	(1.01)
Weighted average outstanding common shares					
Basic and diluted	10	**6,091,359**	5,220,707	**5,656,033**	5,220,707

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

InMed Pharmaceuticals Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)
For the three and six months ended December 31, 2020 and 2019
Expressed in U.S. Dollars

	Note	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss) - Foreign Exchange	Total
		#	$	$	$	$	$
Balance June 30, 2019		5,220,707	53,065,240	16,769,932	(55,710,232)	117,964	14,242,904
Activity for the three months to September 30, 2019							
Loss and comprehensive loss for the period		-	-	-	(2,805,313)	(318,478)	(3,123,791)
Share-based compensation	8	-	-	350,482	-	-	350,482
Balance September 30, 2019		**5,220,707**	**53,065,240**	**17,120,414**	**(58,515,545)**	**(200,514)**	**11,469,595**
Activity for the three months to December 31, 2019							
Loss and comprehensive income for the period		-	-	-	(2,493,494)	350,154	(2,143,340)
Share-based compensation	8	-	-	283,953	-	-	283,953
Activity for the six months to December 31, 2019		**-**	**-**	**634,435**	**(5,298,807)**	**31,676**	**(4,632,696)**
Balance December 31, 2019		**5,220,707**	**53,065,240**	**17,404,367**	**(61,009,039)**	**149,640**	**9,610,208**

	Note	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss) - Foreign Exchange	Total
		#	$	$	$	$	$
Balance June 30, 2020		5,220,707	53,065,240	17,764,333	(64,649,381)	(301,874)	5,878,318
Activity for the three months to September 30, 2020							
Loss and comprehensive income for the period		-	-	-	(1,599,079)	129,400	(1,469,679)
Share-based compensation	8	-	-	85,407	-	-	85,407
Balance September 30, 2020		**5,220,707**	**53,065,240**	**17,849,740**	**(66,248,460)**	**(172,474)**	**4,494,046**
Activity for the three months to December 31, 2020							
Public offering	7	1,780,000	6,052,000	-	-	-	6,052,000
Share issuance costs	7	-	(1,109,128)	-	-	-	(1,109,128)
Loss and comprehensive income for the period		-	-	-	(2,243,782)	301,043	(1,942,739)
Share-based compensation	8	-	-	96,634	-	-	96,634
Activity for the six months to December 31, 2020		**1,780,000**	**4,942,872**	**182,041**	**(3,842,861)**	**430,443**	**1,712,495**
Balance December 31, 2020		**7,000,707**	**58,008,112**	**17,946,374**	**(68,492,242)**	**128,569**	**7,590,813**

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

InMed Pharmaceuticals Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (unaudited)
For the six months ended December 31, 2020 and 2019
Expressed in U.S. Dollars

	Note	2020	2019
Cash provided by (used in):		**$**	**$**
Operating Activities			
Net loss for the period		**(3,842,861)**	(5,298,807)
Items not requiring cash:			
Amortization and depreciation	3, 4	**64,797**	58,459
Share-based compensation	8	**182,041**	634,435
Non-cash lease expense		**61,065**	35,506
Loss on disposal of assets		**-**	810
Received interest income on short-term investments		**137**	80,988
Unrealized gain on derivative warrants liability	6	**(242,628)**	-
Payments on lease obligations		**(41,057)**	(24,586)
Finance expense		**360,350**	-
Changes in non-cash working capital:			-
Prepaids and other assets		**105,126**	57,921
Other non-current assets		**(14,161)**	-
Accounts receivable		**(102,729)**	-
Accounts payable and accrued liabilities		**296,971**	269
Total cash used in operating activities		**(3,172,949)**	(4,455,005)
Investing Activities			
Maturity of short-term investments		**-**	3,859,096
Purchase of short-term investments		**-**	(26,445)
Proceeds on disposal of property and equipment		**-**	550
Purchase of property and equipment		**-**	(34,701)
Total cash provided by investing activities		**-**	3,798,500
Financing Activities			
Shares issued for cash	7	**8,010,000**	-
Share issuance costs		**(1,116,967)**	-
Total cash provided by financing activities		**6,893,033**	-
Effects of foreign exchange on cash and cash equivalents		**494,960**	18,037
Increase (decrease) in cash during the period		**4,215,044**	(638,468)
Cash and cash equivalents beginning of the period		**5,805,809**	9,837,213
Cash and cash equivalents end of the period		**10,020,853**	9,198,745

See note 11 for Non-Cash Transactions

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

1. CORPORATE INFORMATION AND CONTINUING OPERATIONS

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

The Company's shares are listed on the on the Nasdaq Capital Market ("Nasdaq") under the trading symbol "INM") and on the Toronto Stock Exchange ("TSX") under the trading symbol "IN". InMed's corporate office and principal place of business is located at #310 – 815 West Hastings Street, Vancouver, B.C., Canada, V6C 1B4.

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40), the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the condensed consolidated interim financial statements are issued.

Through December 31, 2020, the Company has funded its operations primarily with proceeds from the sale of common stock. The Company has incurred recurring losses and negative cash flows from operations since its inception, including net losses of $3.8 million and $5.3 million for the six months ended December 31, 2020 and 2019, respectively. In addition, the Company had an accumulated deficit of $68.5 million as of December 31, 2020. The Company expects to continue to generate operating losses for the foreseeable future.

As of the issuance date of these condensed consolidated interim financial statements, the Company expects its cash and cash equivalents of $10.0 million as of December 31, 2020 will be sufficient to fund its operating expenses and capital expenditure requirements into the second quarter of fiscal 2022. The future viability of the Company beyond that point is dependent on its ability to raise additional capital to finance its operations. As a result, the Company has concluded that there is substantial doubt about its ability to continue as a going concern within one year after the date that the condensed consolidated financial statements are issued.

The Company expects to continue to seek additional funding through equity financings, debt financings or other capital sources, including collaborations with other companies, government contracts or other strategic transactions. The Company may not be able to obtain financing on acceptable terms, or at all. The terms of any financing may adversely affect the holdings or the rights of the Company's existing stockholders.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities in the normal course. These condensed consolidated interim financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company was unable to continue as a going concern and such adjustments could be material.

2. SIGNFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These unaudited condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2020 annual consolidated financial statements under generally accepted accounting principles as applied in the United States ("US GAAP") except for new standards, interpretations and amendments mandatorily effective for the first time from July 1, 2020.

The functional currency of the Company and its subsidiaries is the Canadian Dollar. These condensed consolidated interim financial statements are presented in U.S Dollars.

(b) Use of Estimates

The preparation of financial statements in compliance with US GAAP requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. In the future, actual experience may differ from these estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these condensed consolidated interim financial statements are the estimate of useful life of intangible assets, the application of the going concern assumption, the impairment assessment for long-lived assets, and determining the fair value of share-based payments and warrants.

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. Management uses judgment to assess the impact of the pandemic on the Company's ability to obtain debt and equity financing in the future and impairment in the value of its long-lived assets.

(c) Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, including inactive subsidiaries: Biogen Sciences Inc., Sweetnam Consulting Inc., and InMed Pharmaceutical Ltd. The Company's former inactive subsidiary, Meridex Network Corporation, was wound up into InMed effective April 17, 2019. A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing these condensed consolidated interim financial statements.

(d) Derivative financial instruments

The Company generally does not use derivative instruments to hedge exposures to cash-flow or market risks; however, certain warrants to purchase common stock that do not meet the requirements for classification as equity are classified as liabilities with attributable transaction costs recognized in the condensed consolidation interim statement of operations and comprehensive loss. Such financial instruments are initially recorded at fair value with subsequent changes in fair value charged (credited) to operations in each reporting period. If these instruments subsequently meet the requirements for classification as equity, the Company reclassifies the fair value to equity.

(Expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) New Standards Applicable in the Reporting Period

i) Credit losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, and subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-10 (collectively Topic 326), requires companies to measure credit losses on financial instruments measured at amortized cost applying an "expected credit loss" model based upon past events, current conditions and reasonable and supportable forecasts that affect collectability. Previously, companies applied an "incurred loss' model for recognizing credit losses. This standard is effective for fiscal years beginning after December 14, 2019. The Company adopted this standard from July 1, 2020, which did not have a significant impact on the condensed consolidated interim financial statements.

ii) Fair Value Measurement

In August 2018, the FASB issued ASU 2018–13, *Fair Value Measurement (Topic 820)*: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU eliminate, add and modify certain disclosure requirements for fair value measurements as part of its disclosure framework project. The Company adopted ASU 2018-13 from July 1, 2020, which did not have a significant impact on the condensed consolidated interim financial statements.

iii) Collaborative Arrangements

In November 2018, the FASB issued ASU 2018–18, *Collaborative Arrangements (Topic 808)*: Clarifying the Interaction between Topic 808 and Topic 606. This ASU provides guidance that clarifies when certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer, and amends ASC 808 to refer to the unit-of-account guidance in ASC 606. The guidance specifically precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The Company adopted ASU 2018-18 on July 1, 2020, which did not have a significant impact on the condensed consolidated interim financial statements.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	December 31, 2020	June 30, 2020
	$	$
Right-of-Use Asset (lease)	**446,780**	417,405
Equipment	**67,276**	62,853
Leasehold Improvements	**42,986**	40,160
Property and equipment	**557,042**	520,418
Less: accumulated depreciation	**(183,198)**	(116,933)
Property and equipment, net	**373,844**	403,485

(Expressed in U.S. Dollars)

3. PROPERTY AND EQUIPMENT, NET (cont'd)

Depreciation expense on property, equipment and leasehold improvements for the three and six months ended December 31, 2020 was $6,528 and $12,912 (2019 - $27,795 and $41,755, respectively). Depreciation expense related to the Right-of-Use Asset for the three and six months ended December 31, 2020 of $21,828 and $43,179 (2019 - $21,545 and $28,725) and was recorded in general and administrative expenses.

4. INTANGIBLE ASSETS, NET

Intangible assets consist of:

	December 31, 2020	June 30, 2020
	$	$
Intellectual property	**1,736,420**	1,622,255
Less: accumulated amortization	**(626,885)**	(535,600)
Intangible assets, net	**1,109,535**	1,086,655

The acquired intellectual property is recorded at cost and is amortized on a straight-line basis over an estimated useful life of 18 years net of any accumulated impairment losses. As at December 31, 2020, the acquired intellectual property has an estimated remaining useful life of approximately 11 years.

Amortization expense on intangible assets for the three and six months ended December 31, 2020 was $30,288 and $51,885 (2019- $21,983 and $45,429). Based upon the intangible assets held as at December 31, 2020, the Company expects amortization expense to be incurred over the next five years as follows:

	$
2021	96,468
2022	96,468
2023	96,468
2024	96,468
2025	96,468
	482,340

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	December 31, 2020	June 30, 2020
	$	$
Trade payables	**930,393**	706,516
Accrued research and development expenses	**229,431**	193,119
Employee compensation, benefits and related accruals	**552,660**	536,231
Accrued general and administrative expenses	**364,841**	171,437
Accounts payable and accrued liabilities	**2,077,325**	1,607,303

(Expressed in U.S. Dollars)

6. DERIVATIVE WARRANTS LIABILITY

The warrants issued as part of the November 16, 2020 public offering of common shares and common share purchase warrants (see Note 7), in accordance with ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC 815, *Derivatives and Hedging*, are derivative warrant liabilities given the currency of the exercise price is different from the Company's functional currency.

At inception, the derivative is measured, using the Black-Scholes pricing model, at fair value with subsequent changes in fair value recognized in unrealized gain or loss on derivative warrants liability. The reconciliation of changes in fair value for the three and six month periods ended December 31, 2020 is presented in the following table:

	December 31, 2020
Derivative warrants liability, beginning of period	-
Fair value of warrants issued	1,958,000
Unrealized gain included in net loss	(242,628)
Translation effect	48,608
Derivative warrants liability, end of period	1,763,980

7. SHARE CAPITAL AND RESERVES

a) Authorized

As at December 31, 2020, the Company's authorized share structure consisted of: (i) an unlimited number of common shares without par value; and (ii) an unlimited number of preferred shares without par value. No preferred shares were issued and outstanding as at December 31, 2020 and June 30, 2020.

The Company may issue preferred shares and may, at the time of issuance, determine the rights, preference and limitations pertaining to these shares. Holders of preferred shares may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding up of the Company before any payment is made to the holders of common shares.

b) Common Shares

During the six months ended December 31, 2020, the Company completed the following:

Transaction Description	Number	Issue Price	Total
Public offering	1,780,000	$ 4.50	$ 8,010,000
Allocated to Derivative Warrants Liability			(1,958,000)
			6,052,000
Share issuance costs	-	$ -	$ (1,109,128)

7. SHARE CAPITAL AND RESERVES (cont'd)

b) Common Shares (cont'd)

On November 16, 2020, the Company closed a public offering of its common shares and issued an aggregate of 1,780,000 common shares, together with accompanying warrants, for gross proceeds of $8,010,000. Each common share was sold in the offering with one warrant to purchase one common share. Transaction costs were allocated proportionally between the common shares and the derivative warrants liability (see Note 6) with $1,109,128 allocated to common shares and charged to shareholders' equity and the balance of $360,350 allocated to the warrants and charged to operations.

c) Share Purchase Warrants

A total of 910,297 share purchase warrants issued in January 2018 and June 2018 expired in July 2019 and June 2020, respectively, and were exercisable in Canadian dollars (United States dollar amounts for exercise price and aggregate intrinsic value are calculated using prevailing rates as at June 30, 2020). Each warrant entitled the holders thereof the right to purchase one common share.

The warrants issued on November 16, 2020 have an exercise price of $5.11 per share, are immediately exercisable upon issuance, and expire six years following the date of issuance (Note 6 and 7(b)).

The following is a summary of changes in share purchase warrants from July 1, 2019 to December 31, 2020:

	Number	Weighted Average Share Price	Weighted Average Share Price	Aggregate Intrinsic Value	Aggregate Intrinsic Value
	#	C$	US$	C$	US$
Balance as at June 30, 2019	910,297	$ 41.25	$ 31.52	-	-
Expired	(910,297)	$ 41.25	$ 31.52		
Balance as at June 30, 2020	-	-	-	-	-
Granted	1,780,000	-	$ 5.11	-	-
Balance as at December 31, 2020	1,780,000	-	$ 5.11	-	-

d) Agents' Warrants

At June 30, 2019, there were 46,665 outstanding agents' warrants with a weighted average share price of $27.99 (C$36.63), all of which expired on June 22, 2020. Agents' warrants were exercisable in Canadian dollars (United States dollar amounts for exercise price and aggregate intrinsic value are calculated using prevailing rates as at June 30, 2020). Each warrant entitled the holders thereof the right to purchase one common share. There are no agents' warrants outstanding at December 31, 2020 and June 30, 2020.

(Expressed in U.S. Dollars)

8. SHARE-BASED PAYMENTS

a) Option Plan Details

On March 24, 2017, as amended on November 20, 2020, the Company's shareholders approved: (i) the adoption of a new stock option plan (the "Plan") pursuant to which the Board of Directors may, from time to time, in its discretion and in accordance with the requirements of the TSX, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed twenty percent (20%) of the issued and outstanding common shares at the date the options are granted (on a non-diluted and rolling basis); and (ii) the application of the new stock option plan to all outstanding stock options of the Company that were granted prior to March 24, 2017 under the terms of the Company's previous stock option plan.

As at December 31, 2020, there were 504,074 (June 30, 2020 – 455,507) options available for future allocation pursuant to the terms of the Plan. The option price under each option shall be not be less than the closing price on the day prior to the date of grant. All options vest upon terms as set by the Board of Directors, either over time, typically 12 to 36 months, or upon the achievement of certain corporate milestones.

Stock options are granted with Canadian dollar exercise prices (United States dollar amounts for weighted average exercise prices and aggregate intrinsic value are calculated using prevailing rates as at December 31, 2020). The following is a summary of changes in outstanding options from July 1, 2019 to December 31, 2020:

	Number	Weighted Average Exercise Price C$	Weighted Average Exercise Price US$
Balance as at June 30, 2019	599,090	17.64	13.48
Granted	52,728	8.78	6.44
Expired/Forfeited	(63,183)	37.39	27.43
Balance as at June 30, 2020	588,635	14.73	10.81
Granted	339,250	3.85	3.02
Expired/Forfeited	(31,818)	8.19	6.43
Balance as at December 31, 2020	896,067	10.84	8.51

(Expressed in U.S. Dollars)

8. SHARE-BASED PAYMENTS (cont'd)

b) Fair Value of Options Issued During the Period

i) The weighted average fair value at grant date of options granted during the six months ended December 31, 2020 was C$2.52 per option (year ended June 30, 2020 - C$6.08). Assumptions used for options granted during the six months ended December 31, 2020 included a weighted average risk-free interest rate of 0.25% (year ended June 30, 2020 – 1.51%), weighted average expected life of 3.2 years calculated using the Simplified Method for directors, officers and employees and the contractual life for consultants (year ended June 30, 2020 – 3.3 years), weighted average volatility factor of 106.43% (year ended June 30, 2020 – 110.08%), weighted average dividend yield of 0% (year ended June 30, 2020 – 0%) and a 5% forfeiture rate (year ended June 30, 2020 – 5%).

ii) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the three and six months ended December 31, 2020 were $96,634 and $182,041 (2019 - $283,953 and $634,435). Unrecognized compensation cost at December 31, 2020 related to unvested options was $737,616 (C$939,133) which will be recognized over a weighted-average vesting period of 1.8 years.

9. LEASE OBLIGATIONS

On commencement of the lease for the Company's new offices premises on July 1, 2019, the Company recognized right-of-use assets of $434,660 and a lease liability of $385,057 with no net impact on accumulated deficit. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at July 1, 2019 of 8%.

The following table lists the Company's operating lease obligations recognized on commencement of the lease for the Company's new offices premises at July 1, 2019.

Lease obligations recognized as at July 1, 2019	$	385,057
Discounted using the incremental borrowing rate at July 1, 2019		8%
Estimated annual variable lease payments not included in lease obligations	$	59,983

The Company is committed to minimum lease payments as follows:

Maturity Analysis		**December 31, 2020**
Less than one year	$	156,213
One to five years		425,306
More than five years		-
Total undiscounted lease liabilities	$	581,519[1]

(1) Excludes estimated variable operating costs of $61,656 on an annual basis through to August 31, 2024.

(Expressed in U.S. Dollars)

10. BASIC AND DILUTED LOSS PER SHARE

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
	$	$	$	$
Net loss for the period	(2,243,782)	(2,493,495)	(3,842,861)	(5,298,807)
Basic and diluted loss per share	(0.37)	(0.48)	(0.68)	(1.01)
Weighted average number of common shares - basic and diluted	6,091,359	5,220,707	5,656,033	5,220,707

11. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the six months ended December 31, 2020, the following transaction was excluded from the statement of cash flows:

i) As at December 31, 2020, the Company has unpaid financing costs of $328,845.

During the six months ended December 31, 2019, the following transaction was excluded from the statement of cash flows:

ii) On January 14, 2019, the Company executed a lease for new office premises (see Note 9). The term of this new lease is from July 1, 2019 to August 31, 2024. In accordance with Topic 842 Leases, on commencement of the lease on July 1, 2019, the Company recognized right-of-use assets of $434,660 and a lease liability of $385,057.

12. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of agreements with various contract research organizations, as at December 31, 2020, the Company is committed for contract research services and materials at a cost of approximately $938,546. A total of $920,158 of these expenditures are expected to occur in the twelve months following December 31, 2020 and the balance of $18,388 in the following twelve-month period.

Pursuant to the terms of a May 31, 2017 Technology Assignment Agreement between the Company and the University of British Columbia (“UBC”), the Company is committed to pay royalties to UBC on certain licensing and royalty revenues received by the Company for biosynthesis of certain drug products that are covered by the agreement. To date, no payments have been required to be made.

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 PCT patent application arising from the research. To date, no payments have been required to be made.

12. COMMITMENTS AND CONTINGENCIES (cont'd)

Pursuant to the terms of a November 1, 2018 Contribution Agreement with National Research Council Canada, as represented by its Industrial Research Assistance Program (NRC-IRAP), under certain circumstances contributions received, including the disposition of the underlying intellectual property developed in part with NRC-IRAP contributions, may become repayable.

Short-term investments include guaranteed investment certificates with a face value of $45,162 (June 30, 2020 - $42,193) 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.

In July 2020, in connection with the IPO of our common shares, two inadvertent disclosures of already publically available information were made that may have exceeded the scope permissible under Rule 134 of the Securities Act of 1933, and thus may not be entitled to the "safe-harbor" provided by Rule 134. As a result, either of the two inadvertent disclosures could be determined to not be in compliance for a registered securities offering under Section 5 of the Securities Act of 1933. If either of the two inadvertent disclosures are determined by a court to be a violation by the Company of the Securities Act of 1933, the recipients of the inadvertent disclosures who purchased our common shares in the IPO may have a rescission right, which could require the Company to repurchase those shares at their original purchase price with interest or a claim for damages if the purchaser no longer owns the securities, for one year following the date of the violation. The Company could also incur considerable expense if it were to contest any such claims. Consequently, a contingent liability may arise out of this possible violation of the Securities Act of 1933. The likelihood and magnitude of this contingent liability, if any, is not determinable at this time.

Pursuant to a technology licensing agreement, the Company is committed to issue, subject to regulatory approval, 5,000 common shares to the licensee. In addition, under the licensing agreement, the Company is committed to issue up to 17,500 warrants to purchase 17,500 common shares upon the achievement of certain milestones. The exercise price of the warrants will be equal to the five day VWAP of the common shares prior to each milestone achievement and the warrants will be exercisable for a period of three years for issuance date.

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.

(Expressed in U.S. Dollars)

13. FINANCIAL RISK MANAGEMENT

Fair value:

Fair value measurements recognized in the condensed consolidated balance sheets must be categorized in accordance with the following levels:

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

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

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

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities and derivative warrants liability.

The fair values of short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using Level 1 inputs. The Company measured its derivative warrant liabilities at fair value on a recurring basis using level 3 inputs. The fair value of derivative warrant liabilities is determined using the Black-Scholes valuation model. The following assumptions were used to value the derivative warrant liabilities issued November 16, 2020; exercise price: $5.11; expected risk free interest rate: 0.45%; expected annual volatility; 46.32% expected life in years: 6.0; and expected annual dividend yield: $Nil. Subsequently, the following assumptions were used to value the derivative warrant liabilities at December 31, 2020; exercise price: $5.11; expected risk free interest rate: 0.45%; expected annual volatility: 45.32%; expected life in years: 5.9; and expected annual dividend yield: $Nil.

The following table summarizes the classification and carrying values of the Company's financial instruments at December 31, 2020 and June 30, 2020:

December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Cash and cash equivalents	10,020,853	-	-	10,020,853
Short-term investments	-	45,225	-	45,225
Accounts receivable	-	154,846	-	154,846
Total financial assets	10,020,853	200,071		10,220,924
Financial liabilities				
Accounts payable and accrued liabilities		2,077,325	-	2,077,325
Derivative warrants liability	-	-	1,763,980	1,763,980
Total financial liabilities	-	2,077,325	1,763,980	3,841,305

13. FINANCIAL RISK MANAGEMENT (cont'd)

June 30, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	5,805,809	-	-	5,805,809
Short-term investments	-	42,384	-	42,384
Accounts receivable	-	45,344	-	45,344
Total financial assets	5,805,809	87,728	-	5,893,537
Financial liabilities				
Accounts payable and accrued liabilities	-	1,607,303	-	1,607,303
Total financial liabilities	-	1,607,303	-	1,607,303

a) 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 price 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 (C$) 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 U.S. dollars.

Accordingly, the Company is exposed to fluctuations in the U.S. and Canadian dollar exchange rates.

As at December 31, 2020, the Company has a net excess of U.S. dollar denominated cash and cash equivalents in excess of U.S. dollar denominated accounts payable and accrued liabilities of US$6,022,540 which is equivalent to C$7,667,898 at the December 31, 2020 exchange rate. The U.S. dollar financial assets generally result from holding U.S. dollar cash to settle anticipated near-term accounts payable and accrued liabilities denominated in U.S. dollars. The U.S. dollar financial liabilities generally result from purchases of supplies and services from suppliers from outside of Canada.

Each change of 1% in the U.S. dollar in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of $60,225 based on the December 31, 2020 net U.S. dollar assets (liabilities) position. During the six months ended December 31, 2020, the Company recorded foreign exchange loss of $271,241 (December 31, 2019 – loss of $11,250) related to US dollars.

13. FINANCIAL RISK MANAGEMENT (cont'd)

a) Market Risk (cont'd):

Foreign Currency Risk (cont'd):

As at December 31, 2020, the Company has a net excess of Euros denominated accounts payable and accrued liabilities in excess of Euros denominated cash and cash equivalents of €76,911 which is equivalent to US$94,284 at the December 31, 2020 exchange rate. The Euros financial assets generally result from holding Euro denominated account holdings to settle anticipated near-term accounts payable and accrued liabilities denominated in Euros. The Euros financial liabilities generally result from purchases of supplies and services from suppliers from outside of Canada.

Each change of 1% in the Euro in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of $943 based on the December 31, 2020 net Euro assets (liabilities) position. During the six months ended December 31, 2020, the Company recorded a foreign exchange gain of $36,950 (December 31, 2019 – gain of $Nil) related to Euros.

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 December 31, 2020, holdings of cash and cash equivalents of $3,043,954 (June 30, 2020 - $4,307,407) are subject to floating interest rates. The balance of the Company's cash holdings of $6,976,899 (June 30, 2020 - $1,498,402) are non-interest bearing.

As at December 31, 2020, the Company held variable rate guaranteed investment certificates, with one-year terms, with face value of $45,162 (June 30, 2020 - $42,193).

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 December 31, 2020, 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.

b) 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.

13. FINANCIAL RISK MANAGEMENT (cont'd)

c) Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it has sufficient cash to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. A key risk in managing liquidity is the degree of uncertainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. As at December 31, 2020, the Company has cash and cash equivalents and short-term investments of $10,066,078 (June 30, 2020 - $5,848,193), current liabilities of $2,153,637 (June 30, 2020 - $1,676,268) and a working capital surplus of $8,095,751 (June 30, 2020 - $4,636,189).

14. SUBSEQUENT EVENT

On February 5, 2021, the Company announced that it has entered into definitive agreements with certain institutional investors to raise aggregate gross proceeds of approximately $4.5 million at a price of $4.25 per unit in a private placement of its equity securities. Each unit consists of one common share and 0.66 of a warrant to purchase one common share. Each whole warrant has an exercise price of $4.85 per share, is exercisable six months following issuance and has a term of five and one half years following issuance. After the placement agent fees and estimated offering expenses payable by the Company, the Company expects to receive net proceeds of approximately $4.0 million. The offering is expected to close on or about February 12, 2021, subject to customary closing conditions and TSX and Nasdaq approval.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities law, which are included but are not limited to statements with respect to InMed Pharmaceuticals Inc.'s (the "Company" or "InMed") anticipated results and progress of the Company's operations, research and development in future periods, plans related to its business strategy, and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. We may, in some cases, use words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar expressions that convey uncertainty of future events or outcomes to identify these forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Forward-looking statements in this prospectus include, but are not limited to, statements about:

- Our researching, developing, manufacturing and commercializing cannabinoid-based biopharmaceutical products will treat diseases with high unmet medical needs;
- Bringing strict scientific discipline to the field of cannabinoid medicine to unlock the full potential of this class of drugs
- Our ability to register and commercialize products in the United States and other jurisdictions;
- The future timing of INM-755 and INM-088 studies;
- Our ability to source cannabinoids from third-party manufacturers;
- Our ability to successfully develop and scale-up our IntegraSyn™ approach;
- Our ability to transfer our integrative biosynthesis-based manufacturing approach to a contract development and manufacturing organization, or "CDMO";
- Our ability to deliver our rare cannabinoid pharmaceuticals through various topical formulations (cream for dermatology, eye drops for ocular diseases);
- Our ability to minimize systemic exposure and any related unwanted systemic side effects, including any drug-drug interactions and any metabolism of the active pharmaceutical ingredient by the liver;
- Our ability to continue research on INM-755, our lead drug candidate for the treatment of EB, by completing the ongoing clinical trials and commencing subsequent clinical trials;
- Our ability to continue preclinical research studies for INM-088, our drug candidate for the treatment of glaucoma, which we expect to be followed by clinical trial-enabling studies and then human clinical trials;

- Our ability to investigate our Product Candidates for additional indications;
- Our ability to pursue the discovery of drug targets for other diseases with high unmet medical needs and the subsequent development of any resulting Product Candidates;
- Our ability to seek regulatory approvals for any Product Candidates that successfully complete clinical trials;
- Our ability to scale-up our manufacturing processes and capabilities, or arrange for a third party to do so on our behalf, to support our clinical trials of our Product Candidates and commercialization of any of our Product Candidates for which we obtain marketing approval;
- Acquiring or in-licensing externally developed product(s) and/or technologies;
- Maintaining, expanding, enforcing, defending and protecting our intellectual property;
- Our ability to hire additional clinical, quality control and scientific personnel;
- Our ability to add operational, financial and management information systems and personnel, including personnel to support our product development and potential future commercialization efforts and our operations as a public company; and
- Our ability to finance our operations through the sale of equity, debt financings or other capital sources, including collaborations with other companies or other strategic transactions;

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the section heading: Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated, or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made and are based only on the information available to us at that time. Except as required by law, we disclaim any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This discussion and analysis contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is subject to the safe harbor created by those sections. For more information, see "Cautionary Note Regarding Forward-Looking Statements." When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that impact our business. In particular, we encourage you to review the risks and uncertainties described in "Risk Factors" in this report and in our Registration Statement on Form S-1/A filed with the Securities and Exchange Commission (the "SEC") on October 8, 2020, as amended, and effective as of November 12, 2020 (the "Registration Statement") and in our Form 10-Q for the quarterly period ended September 30, 2020 filed with the SEC on December 17, 2020. These risks and uncertainties could cause actual results to differ materially from those projected or implied by our forward-looking statements contained in this report. These forward-looking statements are made as of the date of this report, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law.

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated interim financial statements for the three and six months ended December 31, 2020, and the related notes thereto, which have been prepared in accordance with U.S. GAAP. Additionally, the following discussion and analysis should be read in conjunction with our Registration Statement and the audited consolidated financial statements included in our Registration Statement.

All dollar amounts stated herein are in U.S. dollars unless specified otherwise.

Overview

We are a clinical stage pharmaceutical company developing a pipeline of cannabinoid-based prescription drug products targeting treatments for diseases with high unmet medical needs in a range of disease categories including dermatology and ocular diseases, among others. We work exclusively with non-plant-derived (synthetically manufactured), highly purified individual cannabinoid compounds. In parallel to our therapeutic programs, we are developing an integrated cannabinoid manufacturing technology to facilitate access to rare cannabinoids that are otherwise not available at commercial scale and low cost. Our goal is to be a leader in bringing cannabinoid-based therapies to patients who may benefit from them. We are focused on bringing strict scientific discipline to the field of cannabinoid medicine to unlock the full potential of this class of drugs.

We are developing an integrated cannabinoid manufacturing system for pharmaceutical-grade cannabinoids, called IntegraSyn™, as well as multiple cannabinoid-based medications that target diseases with high unmet medical needs (collectively, "Product Candidates"). Our active pharmaceutical ingredients, or "APIs", which are the ingredients that give medicines their effects, are synthetically made and, therefore, we have no direct contact with the actual *Cannabis* plant at any point in our research and development activities. We do not grow nor utilize *Cannabis* nor its extracts in any of our products; our products are applied topically (not inhaled nor ingested); and, we do not utilize tetrahydrocannabinol, or "THC", nor cannabidiol, or "CBD", the most common cannabinoid compounds that are typically extracted from the *Cannabis* plant, in any of our products. The API under development for our initial two product candidates, INM-755 for Epidermolysis Bullosa, or "EB", and INM-088 for glaucoma, is a rare cannabinoid named cannabinol, or "CBN". While the development of a cannabinoid manufacturing technology is one element of our business plan, the success of our current and potential clinical development programs is not contingent upon the success of our manufacturing technology, as we currently have identified multiple third-party sources of our target cannabinoid, CBN, at pharmaceutical grade. Should we elect to rely on internally produced API for either our clinical trials or, in the event of any regulatory approval of our drug products, for any commercialized products, we will need to scale up our cannabinoid manufacturing system. There is no guarantee that we will be successful in scaling up our manufacturing process for cannabinoids, successfully complete any required bridging studies from external to internal API or be able to successfully transfer our manufacturing process to a contract development and manufacturing organization, or "CDMO". Additional uses of both INM-755 and INM-088 are being explored, as well as the application of additional rare cannabinoids to treat diseases.

We believe we are positioned to develop multiple product candidates in diseases which may benefit from medicines based on rare cannabinoid compounds. Most current cannabinoid therapies are based specifically on CBD and/or THC and are often delivered orally, which has limitations and drawbacks, such as side effects (including the psychoactive effects of THC). Currently, we intend to deliver our rare cannabinoid pharmaceuticals through various topical formulations (cream for dermatology, eye drops for ocular diseases) as a way of seeking to minimize systemic exposure and any related unwanted systemic side effects, including any drug-drug interactions and any metabolism of the active pharmaceutical ingredient by the liver. This approach enables the treatment of the specific disease at the site of the disease, leading to negligible exposure of the drug to the rest of the body. We do not extract our rare cannabinoids from the *Cannabis* plant, but instead source purified, chemically identical compounds manufactured via non-extraction approaches such as chemical synthesis and biosynthesis.

Since our acquisition of Biogen Sciences Inc., a privately held British Columbia pharmaceutical company focused on drug discovery and development of cannabinoids in 2014, our operations have focused on conducting research and development for our Product Candidates and for our integrated, biosynthesis-based manufacturing technology, establishing our intellectual property, organizing and staffing our company, business planning and capital raising. To date, we have funded our operations primarily through the issuance of common shares.

We have incurred significant operating losses since our inception and since the acquisition of Biogen Science Inc. and we expect to continue to incur significant operating losses for the foreseeable future. Our ability to generate product revenue, if ever, that is sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our drug candidates and/or our integrated, biosynthesis-based manufacturing technology. Our net comprehensive loss was $3.4 million and $5.3 million for the six months ended December 31, 2020 and 2019, respectively. As of December 31, 2020, we had an accumulated deficit of $68.5 million, which includes all losses since our inception in 1981. We expect our expenses and operating losses will increase substantially over the next several years in connection with our ongoing activities as we:

- continue to further advance the development of our IntegraSyn™ manufacturing approach;
- continue to further advance the INM-755 program, our lead drug candidate for the treatment of EB;
- continue to further advance the INM-088 program, our drug candidate for the treatment of glaucoma;
- investigate our Product Candidates for additional indications;
- pursue the discovery of drug targets for other diseases with high unmet medical needs and the subsequent development of any resulting Product Candidates;
- seek regulatory approvals for any Product Candidates that successfully complete clinical trials;
- scale-up our manufacturing processes and capabilities, or arrange for a third party to do so on our behalf, to support our clinical trials of our Product Candidates and commercialization of any of our Product Candidates for which we obtain marketing approval;
- acquire or in-license products externally developed product(s) and/or technologies;
- maintain, expand, enforce, defend and protect our intellectual property;
- hire additional clinical, quality control and scientific personnel; and
- add operational, financial and management information systems and personnel, including personnel to support our product development and potential future commercialization efforts and our operations as a public company.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through the sale of equity, debt financings or other capital sources, including collaborations with other companies or other strategic transactions. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as and when needed, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more of our Product Candidates, or grant rights to external entities to develop and market our Product Candidates, even if we would otherwise prefer to develop and market such Product Candidates ourselves.

Because of the numerous risks and uncertainties associated with drug development, we are unable to predict the timing or amount of increased expenses or the timing of when or if we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

Components of Results of Operations

Revenue

We have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products for several years, if at all. If our development efforts for our current or future Product Candidates are successful and result in marketing approval, we may generate revenue in the future from product sales. We cannot predict if, when or to what extent we will generate revenue from the commercialization and sale of our Product Candidates. We may never succeed in obtaining regulatory approval for any of our Product Candidates.

We may also, in the future, enter into license or collaboration agreements for our Product Candidates or intellectual property, and we may generate revenue in the future from payments as a result of such license or collaboration agreements.

Operating Expenses

Research and Development and Patent Expenses

Research and development and patent expenses represent costs incurred by us for the discovery, development, and manufacture of our Product Candidates and include:

- external research and development expenses incurred under agreements with contract research organizations, or "CROs", CDMOs and consultants;
- salaries, payroll taxes, employee benefits expenses for individuals involved in research and development efforts;
- research supplies; and
- legal and patent office fees related to patent and intellectual property matters.

We expense research and development costs as incurred. We recognize expenses for certain development activities, such as preclinical studies and manufacturing, based on an evaluation of the progress to completion of specific tasks using data or other information provided to us by our vendors. Payments for these activities are based on the terms of the individual agreements, which may differ from the pattern of expenses incurred. Non-refundable advance payments for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. These amounts are recognized as an expense as the goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered, or the services rendered.

External costs represent a significant portion of our research and development expenses, which we track on a program-by-program basis following the nomination of a development candidate. Our internal research and development expenses consist primarily of personnel-related expenses, including salaries, benefits and stock-based compensation expense. We do not track our internal research and development expenses on a program-by-program basis as the resources are deployed across multiple projects.

The successful development of our Product Candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing, and estimated costs of the efforts that will be necessary to complete the remainder of the development of our Product Candidates. We are also unable to predict when, if ever, material net cash inflows will commence from our Product Candidates, if approved. This is due to the numerous risks and uncertainties associated with developing our Product Candidates, including the uncertainty related to:

- the timing and progress of preclinical and clinical development activities;
- the number and scope of preclinical and clinical programs we decide to pursue;

- our ability to raise additional funds necessary to complete preclinical and clinical development and commercialization of our Product Candidates and to advance the development of our biosynthesis-based manufacturing technology;
- our ability to maintain our current research and development programs and to establish new ones;
- our ability to establish licensing or collaboration arrangements;
- the progress of the development efforts of parties with whom we may enter into collaboration arrangements;
- the successful initiation and completion of clinical trials with safety, tolerability and efficacy profiles that are satisfactory to the FDA or any comparable foreign regulatory authority;
- the receipt and related terms of regulatory approvals from applicable regulatory authorities;
- the availability of raw materials and API for use in production of our Product Candidates;
- our ability to establish and operate a manufacturing facility, or secure manufacturing supply through relationships with third parties;
- our ability to consistently manufacture our Product Candidates in quantities sufficient for use in clinical trials;
- our ability to obtain and maintain intellectual property protection and regulatory exclusivity, both in the United States and internationally;
- our ability to maintain, enforce, defend and protect our rights in our intellectual property portfolio;
- the commercialization of our Product Candidates, if and when approved;
- our ability to obtain and maintain third-party payor coverage and adequate reimbursement for our Product Candidates, if approved;
- the acceptance of our Product Candidates, if approved, by patients, the medical community and third-party payors;
- competition with other products; and
- a continued acceptable safety profile of our products following receipt of any regulatory approvals.

A change in the outcome of any of these variables with respect to the development of any of our Product Candidates would significantly change the costs and timing associated with the development of that product candidate, and potentially other candidates.

Research and development activities account for a significant portion of our operating expenses. We expect our research and development expenses to increase significantly in future periods as we continue to implement our business strategy, which includes advancing our IntegraSyn™ manufacturing approach to commercial scale and our drug candidates into and through clinical development, expanding our research and development efforts, including hiring additional personnel to support our research and development efforts, and ultimately seeking regulatory approvals for our drug candidates that successfully complete clinical trials. In addition, drug candidates in later stages of clinical development generally incur higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. Accordingly, although we expect our research and development expenses to increase as our drug candidates advance into later stages of clinical development, we do not believe that it is possible at this time to accurately project total program-specific expenses through to commercialization. There are numerous factors associated with the successful commercialization of any of our Product Candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development.

General and Administrative Expenses

General and administrative expenses consist of personnel-related costs, including salaries, benefits and stock-based compensation expense, for our personnel in executive, finance and accounting, human resources, business operations and other administrative functions, investor relations activities, legal fees related to corporate matters, fees paid for accounting and tax services, consulting fees and facility-related costs.

We expect our general and administrative expenses will increase for the foreseeable future to support our expanded infrastructure and increased costs of expanding our operations and operating as a public company. These increases will likely include increased expenses related to accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs associated with operating as a public company.

Amortization and Depreciation

Intangible assets are comprised of intellectual property that we acquired in 2014 and 2015. The intellectual property is recorded at cost and is amortized on a straight-line basis over an estimated useful life of 18 years net of any accumulated impairment losses. Equipment and leasehold improvements are depreciated using the straight-line method based on their estimated useful lives.

Share-based Payments

Share-based payments is the stock-based compensation expense related to our granting of stock options to employees and others. The fair value, at the grant date, of equity-settled share awards is charged to our loss over the period for which the benefits of employees and others providing similar services are expected to be received. The vesting components of graded vesting employee awards are measured separately and expensed over the related tranche's vesting period. 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 exercise price, current market price of the underlying shares, expected life of the award, risk-free interest rate, expected volatility and the dividend yield. For more information, please see "*Share-based Payments*" under "*Critical Accounting Policies and Significant Judgments and Estimates*" below.

Derivative financial instruments

We generally do not use derivative instruments to hedge exposures to cash-flow or market risks; however, certain warrants to purchase common stock that do not meet the requirements for classification as equity are classified as liabilities with attributable transaction costs recognized in the Statement of Operations. Such financial instruments are initially recorded at fair value with subsequent changes in fair value charged (credited) to operations in each reporting period. If these instruments subsequently meet the requirements for classification as equity, the Company reclassifies the fair value to equity.

Other Income

Other income consists primarily of interest income earned on our cash, cash equivalents and short-term investments.

Foreign Currency Translation Gain (Loss)

Our assets and liabilities are translated from our Canadian dollar functional currency to the U.S. dollar presentation currency based on the exchange rate at the balance sheet date. Our income and expense, capital transactions and cash flows are translated to U.S. dollar presentation currency using the exchange rates prevailing at the transaction date or at an appropriate average exchange rate. Foreign currency translation adjustments to arrive at the presentation currency are recognized as a component of comprehensive income.

Results of Operations

Comparison of the three months ended December 31, 2020 and 2019

	Three Months Ended December 31,			
	2020	2019	Change	% Change
	(in thousands)			
Operating expenses:				
Research and development and patents	$ 938	$ 1,607	$ (669)	(42)%
General and administrative	959	872	87	10%
Amortization and depreciation	37	28	9	32%
Total operating expenses	1,934	2,507	(573)	(23)%
Interest (expense) income	3	40	(37)	(93)%
Finance expense	(360)	-	(360)	nm
Unrealized gain on derivative warrants liability	243	-	243	nm
Foreign exchange loss	(195)	(27)	(168)	622%
Net loss	$ (2,243)	$ (2,494)	$ (251)	(10)%

Research and Development and Patents Expenses

Research and development and patents expenses decreased by $0.7 million, or 42%, for the three months ended December 31, 2020 compared to the three months ended December 31, 2019. The reduction in research and development and patents expenses was primarily due to decreased spending on the integrated cannabinoid manufacturing program and the INM-755 program, which completed its Phase 1 studies at the end of the period. In addition, purchases of the active pharmaceutical ingredients used in INM-755 clinical trials decreased.

General and administrative expenses

General and administrative expenses increased by $0.1 million, or 10%, for the three months ended December 31, 2020 compared to the three months ended December 31, 2019. The increase results from a combination of changes including higher insurance premiums resulting from our listing on the Nasdaq Capital Market ("Nasdaq"), offset by lower share-based payments, lower legal costs associated with negotiating research and development contracts and other matters in the current period and certain current year legal costs being expensed as finance expense or capitalized to equity, and lower salary and benefits.

Finance expense

Finance expense is $0.4 million for the three months ended December 31, 2020 compared to $Nil for the three months ended December 31, 2019. Finance expense is comprised of financing transaction costs, from the November 2020 public offering, allocated to the derivative warrants liability.

Unrealized gain of derivative warrants liability

Unrealized gain of derivative warrants liability is $0.2 million for the three months ended December 31, 2020, compared to $Nil for the three months ended December 31, 2019, is the change in fair value of derivative warrants liability during the period.

Foreign exchange loss

Foreign exchange loss increased by $0.2 million, or 622%, for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 as a consequence of holding non-US denominated assets and liabilities combined with fluctuations in foreign exchange rates.

Comparison of the six months ended December 31, 2020 and 2019

	Six Months Ended December 31,			
	2020	2019	Change	% Change
	(in thousands)			
Operating expenses:				
Research and development and patents	$ 1,849	$ 3,569	$ (1,720)	(48)%
General and administrative	1,584	1,759	(175)	(10)%
Amortization and depreciation	65	58	7	12%
Total operating expenses	3,498	5,386	(1,888)	(35)%
Interest (expense) income	7	99	(92)	(93)%
Finance expense	(360)	-	(360)	nm
Unrealized gain on derivative warrants liability	243	-	243	nm
Foreign exchange loss	(234)	(11)	(223)	2027%
Net loss	$ (3,842)	$ (5,298)	$ (1,456)	(27)%

Research and Development and Patents Expenses

Research and development and patents expenses decreased by $1.7 million, or 48%, for the six months ended December 31, 2020 compared to the six months ended December31, 2019. The reduction in research and development and patents expenses was primarily due to decreased spending on the integrated cannabinoid manufacturing program and the INM-755 program. In addition, share-based payments were lower and purchases of the active pharmaceutical ingredients used in INM-755 clinical trials decreased.

General and administrative expenses

General and administrative expenses decreased by $0.2 million, or 10%, for the six months ended December 31, 2020 compared to the six months ended December 31, 2019. The decrease results from a combination of changes including lower share-based payments and lower legal costs associated with negotiating research and development contracts and other matters in the current period and certain current year legal costs being expensed as finance expense or capitalized to equity, offset by substantially higher insurance fees. In addition, a decrease in personnel resulted in lower salaries and benefits.

Finance expense

Finance expense is $0.4 million for the six months ended December 31, 2020, compared to $Nil for the six months ended December 31, 2019. Finance expense is comprised of financing transaction costs, from the November 2020 public offering, allocated to the derivative warrants liability.

Unrealized gain of derivative warrants liability

Unrealized gain of derivative warrants liability is $0.2 million for the six months ended December 31, 2020, compared to $Nil for the six months ended December 31, 2019, is the change in fair value of derivative warrants liability during the end of the period.
Foreign exchange loss

Foreign exchange loss increased by $0.2 million, or 2027%, for the six months ended December 31, 2020, compared to the six months ended December 31, 2019, as a consequence of holding non-US denominated assets and liabilities combined with fluctuations in foreign exchange rates.

Liquidity and Capital Resources

Since our inception, we have not generated any revenue from any product sales or any other sources and have incurred significant operating losses and negative cash flows from our operations. We have not yet commercialized any of our product candidates and we do not expect to generate revenue from sales of any Product Candidates for several years, if at all. We have funded our operations to date primarily with proceeds from the sale of common shares.

As of December 31, 2020, we had cash and cash equivalents of $10.0 million.

The following table summarizes our cash flows for each of the periods presented:

(in thousands)	**Six Months Ended December 31, 2020**	**Six Months Ended December 31, 2019**
Net cash used in operating activities	$ (3,173)	$ (4,455)
Net cash provided by investing activities	-	3,799
Net cash provided by financing activities	6,893	-
Effects of foreign exchange on cash and cash equivalents	495	18
Net increase (decrease) in cash and cash equivalents	$ 4,215	$ (638)

Operating Activities

During the six months ended December 31, 2020, we used cash in operating activities of $3.2 million, primarily resulting from our net loss of $3.8 million, partially offset primarily by non-cash share-based compensation expenses, financing expenses allocated to warrants, changes in the valuation of the derivative warrants liability and changes in non-cash working capital.

Investing Activities

During the six months ended December 31, 2020, we had no cash provided by or used in investing activities.

During the six months ended December 31, 2019, investing activities provided $3.8 million, consisting primarily of the net disposition of short-term investments to fund our operating activities.

Financing Activities

During the six months ended December 31, 2020, cash provided by financing activities of $6.9 million consisted of $8.0 million of gross proceeds from a public offering of our common shares offset by transaction costs of $1.1 million.

During the six months ended December 31, 2019, we had no cash provided by or used in financing activities.

Funding Requirements

We expect our expenses to increase substantially in connection with our ongoing research and development activities, particularly as we continue the research and development of and the initiation of clinical trials of our Product Candidates. In addition, we expect to incur additional costs associated with operating as a US-listed public company. As a result, we expect to incur substantial operating losses and negative operating cash flows for the foreseeable future.

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40), we have evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the condensed consolidated interim financial statements are issued.

Through December 31, 2020, we have funded our operations primarily with proceeds from the sale of common stock. The Company has incurred recurring losses and negative cash flows from operations since its inception, including net losses of $3.8 million and $5.3 million for the six months ended December 31, 2020 and 2019, respectively. In addition, the Company had an accumulated deficit of $68.5 million as of December 31, 2020. We expect to continue to generate operating losses for the foreseeable future.

As of the issuance date of the condensed consolidated interim financial statements, we expect our cash and cash equivalents of $10.0 million as of December 31, 2020 will be sufficient to fund our operating expenses and capital expenditure requirements into the second quarter of fiscal 2022. The future viability of the Company beyond that point is dependent on its ability to raise additional capital to finance its operations. As a result, we have concluded that there is substantial doubt about its ability to continue as a going concern within one year after the date that the condensed consolidated financial statements are issued.

On February 5, 2021, we announced that we had entered into definitive agreements with certain institutional investors to raise aggregate gross proceeds of approximately $4.5 million at a price of $4.25 per unit in a private placement of its equity securities. Each unit consists of one common share and 0.66 of a warrant to purchase one common share. Each whole warrant has an exercise price of $4.85 per share, is exercisable six months following issuance and has a term of five and one half years following issuance. After the placement agent fees and our estimated offering expenses, we expect to receive net proceeds of approximately $4.0 million. The offering is expected to close on or about February 12, 2021, subject to customary closing conditions and the Toronto Stock Exchange ("TSX") and Nasdaq approval.

We expect to continue to seek additional funding through equity financings, debt financings or other capital sources, including collaborations with other companies, government contracts or other strategic transactions. The Company may not be able to obtain financing on acceptable terms, or at all. The terms of any financing may adversely affect the holdings or the rights of our existing stockholders.

Our funding requirements and timing and amount of our operating expenditures will depend largely on:

- the progress, costs and results of our planned Phase 2 clinical trial;
- the scope, progress, results and costs of discovery research, preclinical development, laboratory testing and clinical trials for our Product Candidates;
- the scope, progress, results and costs of development of our IntegraSyn™ manufacturing approach;
- the number of and development requirements for other Product Candidates that we pursue;
- the costs, timing and outcome of regulatory review of our Product Candidates;
- our ability to enter into contract manufacturing arrangements for supply of API and manufacture of our Product Candidates and the terms of such arrangements;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such arrangements;
- the costs and timing of future commercialization activities, including product manufacturing, sales, marketing and distribution, for any of our Product Candidates for which we may receive marketing approval;
- the amount and timing of revenue, if any, received from commercial sales of our Product Candidates for which we receive marketing approval;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property and proprietary rights and defending any intellectual property- related claims;
- expansion costs of our operational, financial and management systems and increases to our personnel, including personnel to support our clinical development, manufacturing and commercialization efforts and our operations as a dual listed company; and
- the costs to obtain, maintain, expand and protect our intellectual property portfolio.

A change in the outcome of any of these or other variables with respect to the development of any of our Product Candidates could significantly change the costs and timing associated with the development of that Product Candidate. We will need to continue to rely on additional financing to achieve our business objectives.

In addition to the variables described above, if and when any of our Product Candidates successfully complete development, we will incur substantial additional costs associated with regulatory filings, marketing approval, post-marketing requirements, maintaining our intellectual property rights, and regulatory protection, in addition to other commercial costs. We cannot reasonably estimate these costs at this time.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity or debt financings and collaboration arrangements. We currently have no credit facility or committed sources of capital. To the extent that we raise additional capital through the future sale of equity securities, the ownership interests of our shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing common shareholders. If we raise additional funds through the issuance of debt securities, these securities could contain covenants that would restrict our operations. We may require additional capital beyond our currently anticipated amounts, and additional capital may not be available on reasonable terms, or at all. If we raise additional funds through collaboration arrangements or other strategic transactions in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or Product Candidates, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate development or future commercialization efforts or grant rights to develop and market Product Candidates that we would otherwise prefer to develop and market ourselves.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Critical Accounting Policies and Significant Judgments and Estimates

We periodically review our financial reporting and disclosure practices and accounting policies to ensure that they provide accurate and transparent information relative to the current economic and business environment. As part of this process, we have reviewed our selection, application and communication of critical accounting policies and financial disclosures. Management has discussed the development and selection of the critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosure relating to critical accounting policies in this Management's Discussion and Analysis.

This discussion and analysis of our financial condition and results of operations is based on our condensed consolidated interim financial statements included as part of this report, which have been prepared in accordance with U.S. GAAP. The preparation of our condensed consolidated interim 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 our accounting policies are presented in Note 2 of our audited consolidated financial statements for the year ended June 30, 2020 as included in our Registration Statement. In addition, Note 2 to our unaudited condensed consolidated interim financials statements as of and for the three and six months ended December 31, 2020 include a new accounting policy for derivative warrants liability. These policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of our 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 & Development and Patents costs*:**

Research and development and patents costs is a critical accounting estimate due to the magnitude and nature of 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 CROs 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 and derivative financial instruments**:*

The fair value, at the grant date, of equity 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
- Current market price of the underlying shares
- Expected life of the award
- Risk-free interest rate
- Expected volatility
- Dividend yield

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, forfeiture rates and corporate performance. For employee awards, we use the "simplified method" to determine the expected term of options. Under this method, the expected term represents the average of the vesting period and the contractual term. 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.

Derivative financial instruments, which consist of warrants issued in conjunction with our November 2020 public offering of our common shares, are initially recorded at fair value with subsequent changes in fair value charged (credited) to operations in each reporting period. We re-value the derivative warrants liability each reporting period using the Black-Scholes option pricing model which, similar to equity share awards, considers the factors listed above with the related assumptions and judgements. Changes in these assumptions affect the fair value estimates. If we had made different judgments and assumptions than those used, the amount of our derivative warrants liability and resulting charges to operations, net loss and net loss per common shares amounts could have been materially different.

Contingent Liabilities

In July 2020, in connection with the public offering of our common shares, two inadvertent disclosures of already publicly available information were made that may have exceeded the scope permissible under Rule 134 of the Securities Act, and thus may not be entitled to the "safe-harbor" provided by Rule 134. As a result, either of the two inadvertent disclosures could be determined to not be in compliance for a registered securities offering under Section 5 of the Securities Act. If either of the two inadvertent disclosures are determined by a court to be a violation by the Company of the Securities Act, the recipients of the inadvertent disclosures who purchased our common shares in the Company's public offering may have a rescission right, which could require the Company to repurchase those shares at their original purchase price with interest or a claim for damages if the purchaser no longer owns the securities, for one year following the date of the possible violation. The Company could also incur considerable expenses if it were to contest any such claims. Consequently, a contingent liability may arise out of this possible violation of the Securities Act. The likelihood and magnitude of this potential contingent liability, if any, is not determinable at this time

Going Concern

Through December 31, 2020, we have funded our operations primarily with proceeds from the sale of common shares. We have incurred recurring losses and negative cash flows from operations since our inception, including net losses of $3.8 million and $5.3 million for the six months ended December 31, 2020 and 2019, respectively. In addition, we have an accumulated deficit of $68.5 million as of December 31, 2020. We expect to continue to generate operating losses for the foreseeable future.

We expect our cash and cash equivalents of $10.0 million as of December 31, 2020 will be sufficient to fund our operating expenses and capital expenditure requirements into the second quarter of fiscal 2022. Our future viability beyond that point is dependent on our ability to raise additional capital to finance its operations. As a result, we have concluded that there is substantial doubt about our ability to continue as a going concern within one year after the date that the condensed consolidated interim financial statements, included elsewhere in this report, were issued.

On February 5, 2021, we announced that we had entered into definitive agreements with certain institutional investors to raise aggregate gross proceeds of approximately $4.5 million at a price of $4.25 per unit in a private placement of its equity securities. Each unit consists of one common share and 0.66 of a warrant to purchase one common share. Each whole warrant has an exercise price of $4.85 per share, is exercisable six months following issuance and has a term of five and one half years following issuance. After the placement agent fees and our estimated offering expenses, we expects to receive net proceeds of approximately $4.0 million. The offering is expected to close on or about February 12, 2021, subject to customary closing conditions and TSX and Nasdaq approval.

We expect to seek additional funding through equity financings, debt financings or other capital sources, including collaborations with other companies, government contracts or other strategic transactions. We may not be able to obtain financing on acceptable terms, or at all. The terms of any financing may adversely affect the holdings or the rights of our existing shareholders.

Recently issued accounting pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our consolidated financial statements included in our Registration Statement.

Financial Instruments and Risk Management

We are exposed through our operations to the following financial risks:

- Market Risk including foreign currency risk and interest rate risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, we are exposed to risks that arise from any use of financial instruments. This section of the MD&A describes our 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 in our Registration Statement.

There have been no substantive changes in our 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 discussion and analysis.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and, as such, are not required to provide the information under this Item.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. As of December 31, 2020, the Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon the evaluation, they have concluded that, as of December 31, 2020, our disclosure controls and procedures were not effective at a reasonable assurance level due to a material weakness that existed in our internal control over financial reporting resulting from a lack of resources in our finance function, in internal control over financial reporting that was disclosed in our Registration Statement.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual financial statements will not be prevented or detected on a timely basis. The identified material weaknesses arose from a lack of resources in our finance function that resulted in an overstatement of the valuation of warrants issued as part of a financing.

In light of the identified material weaknesses, it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting in accordance with PCAOB standards, additional control deficiencies may have been identified.

Changes in Internal Control Over Financial Reporting

Due to a transition period established by SEC rules applicable to newly public companies, our management is not required to evaluate the effectiveness of our internal control over financial reporting until after the filing of our Annual Report on Form 10-K for the year ended June 30, 2021. As a result, this Quarterly Report on Form 10-Q does not address whether there have been any changes in our internal control over financial reporting.

Remediation

As previously described in our Registration Statement, we began implementing a remediation plan to address the material weakness described above. Remediation measures include adding additional resources in our finance function and utilizing external resources to assist with certain financial reporting matters. The material weakness will not be considered remediated, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed prior to the end of fiscal year 2021. Notwithstanding the material weakness, we believe the financial statements in this report fairly present, in all material respects, our financial position, results of operations, and cash flows for the periods presented in conformity with U.S. GAAP.

PART II

ITEM 1. LEGAL PROCEEDINGS.

We are not involved in any material active legal actions. However, from time to time, we may be subject to various pending or threatened legal actions and proceedings, including those that arise in the ordinary course of our business.

ITEM 1A. RISK FACTORS.

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this item. For a discussion of our potential risks and uncertainties, please review the risks and uncertainties described in "Risk Factors" in this report and in our Registration Statement on Form S-1/A filed with the Securities and Exchange Commission (the "SEC") on October 8, 2020, as amended, and effective as of November 12, 2020 (the "Registration Statement") and in our Form 10-Q for the quarterly period ended September 30, 2020 filed with the SEC on December 17, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURE.

None

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibits

The following exhibits are filed as part of this report:

Exhibit Number	Description
4.1	Form of Common Share Purchase Warrant (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed with the SEC on February 5, 2021)
10.1	Placement Agency Agreement, dated February 5, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the SEC on February 5, 2021)
10.2	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed with the SEC on February 5, 2021)
10.3	Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed with the SEC on February 5, 2021)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)) under the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension – Schema
101.CAL	XBRL Taxonomy Extension – Calculations
101.DEF	XBRL Taxonomy Extension – Definitions
101.LAB	XBRL Taxonomy Extension – Labels
101.PRE	XBRL Taxonomy Extension – Presentations

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the *Securities Exchange Act of 1934*, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INMED PHARMACEUTICALS INC.
(Registrant)

Dated: February 11, 2021

By: /s/ Bruce Colwill
Chief Financial Officer and
Chief Accounting Officer

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Eric A. Adams, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InMed Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a- 15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2021

/s/ Eric A. Adams

Name: Eric A. Adams
Title: President and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Bruce Colwill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InMed Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a- 15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2021

/s/ Bruce Colwill

Name: Bruce Colwill
Title: Chief Financial Officer

Exhibit 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Eric A. Adams, the President and Chief Executive Officer of InMed Pharmaceuticals Inc. (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended December 31, 2020 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 11, 2021

/s/ Eric A. Adams

Name: Eric A. Adams
Title: President and Chief Executive Officer

Exhibit 32.2

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Bruce Colwill, the Chief Financial Officer of InMed Pharmaceuticals Inc. (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended December 31, 2020 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 11, 2021

/s/ Bruce Colwill

Name: Bruce Colwill
Title: Chief Financial Officer